

Half Yearly Accounts

June 30, 2019

WorldCall Telecom Limited





**CONDENSED INTERIM
FINANCIAL INFORMATION
(UN-AUDITED)**

HALF YEARLY REPORT 2019





VISION

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

MISSION STATEMENT

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

Create new standards of product offering in basic and value added telephony by being more cost effective, easily accessible and dependable. Thus ensuring real value for money to all segments of market.

Be a leader within indigenous operators in terms of market share, gross revenues and ARPU within five years and maintain the same positioning thereafter.

Achieve utmost customer satisfaction by setting up high standards of technical quality and service delivery.

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



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COMPANY INFORMATION

| | |
|--|--|
| Chairman | Dr. Syed Salman Ali Shah |
| Chief Executive Officer | Mr. Babar Ali Syed |
| Board of Directors | Dr. Syed Salman Ali Shah (Chairman) Mr. Babar Ali Syed Mr. Muhammad Murtaza Raza Mr. Muhammad Azhar Saeed Mr. Faisal Ahmed Mr. Mansoor Ali Mr. Mohammad Nadeem |
| Chief Financial Officer | Mr. Muhammad Azhar Saeed, FCA |
| Executive Committee | Dr. Syed Salman Ali Shah (Chairman) Mr. Babar Ali Syed (Member) Mr. Muhammad Murtaza Raza (Member) Mr. Muhammad Azhar Saeed (Member) |
| Audit Committee | Mr. Faisal Ahmed (Chairman) Mr. Muhammad Murtaza Raza (Member) Mr. Mansoor Ali (Member) Mr. Ansar Iqbal Chauhan (Secretary) |
| Human Resource & Remuneration Committee | Mr. Mansoor Ali (Chairman) Mr. Babar Ali Syed (Member) Mr. Muhammad Murtaza Raza (Member) Mr. Muhammad Azhar Saeed (Member) Mr. Faisal Ahmed (Member) |
| Chief Internal Auditor | Mr. Ansar Iqbal Chauhan |
| Company Secretary | Mr. Mueen Tauqir, ACA |
| Auditors | Horwath Hussain Chaudhury & Co. Chartered Accountants |
| Legal Advisers | M/s Miankot & Co. Barristers, Advocates & Corporate Legal Consultant |

**Bankers**

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
BankIslami Pakistan Limited
MCB Bank Limited
National Bank of Pakistan
Pak Oman Investment Co. Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
Telenor Microfinance Bank Limited
The Bank of Punjab
United Bank Limited
Waseela Microfinance Bank Limited

Registrar and Shares Transfer Office

THK Associates (Pvt.) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi-75400.
Tel: (021) 111-000-322

Registered Office/Head Office

Plot No. 1566/124,
Main Walton Road,
Lahore, Pakistan
Tel: (+92 42) 36671191-94
Fax: (+92 42) 36671197

Webpage

www.worldcall.com.pk
www.worldcall.net.pk



DIRECTORS' REVIEW REPORT

The Board of Directors of Worldcall Telecom Limited ("Worldcall" or the "Company") is pleased to present its review report along with condensed interim standalone and consolidated financial information for the half year ended June 30, 2019.

Economic Overview

Pakistan's economy is showing strong signs of rising growth and price stability. The near term outlook for economic growth is broadly favorable supported by improved power supply, investment relating to the China Pakistan Economic Corridor (CPEC), strong consumption growth and ongoing recovery in agriculture.

Pakistan and China are executing Cross-border Fiber optic projects (Khunjerab – Rawalpindi), 820km long cable, which is in the implementation phase. The project will surely support IT development in the northern parts of the country besides connecting the Transit Europe-Asia Terrestrial Cable Network with Pakistan. A pilot project of Digital Television Multiband Broadcast (DTMB) has also been completed under CPEC.

Financial Overview

Standalone Financial Statements

Summary of financial results for the half year ended June 30, 2019 are as follows:

| Particulars | Half Year June 30, 2019 | Half Year June 30, 2018 |
|---|----------------------------|----------------------------|
| | Rs. in million | |
| Revenue-net | 2,269 | 2,291 |
| Direct Cost (excluding depreciation and Amortization) | (1,215) | (1,314) |
| Other Income | 404 | 695 |
| EBITDA | 1,069 | 1,292 |
| Depreciation and Amortization | (646) | (520) |
| Finance Cost | (250) | (115) |
| Profit/(Loss) after tax | 194 | 640 |

During the period under review, the Company closed its financial results reporting Rs194 million as profit after tax. The company's revenue remained almost the same fluctuating by only 1% as compared to half year ended June 30, 2018 with LDI (Rs993 million) and the Broadband businesses (Rs. 1,260 million) being the major contributors to the topline. Primary reasons for profit erosion are the decrease in other income and increase in finance cost. Other income has reduced (291 million) since major liabilities' write backs were done in the financial year 2018 whilst the finance cost has risen sharply because of the upward shifts in KIBOR rate.



Consolidated Financial Statements

Condensed interim consolidated financial statements comprise the financial results of WorldCall Telecom Limited (Parent Company) consolidated with Route 1 Digital (Private) Limited (Subsidiary Company). Route 1 Digital is a private limited Company incorporated in Pakistan on December 21, 2016 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The primary business is to carry out the business of all transport services, sharing motor vehicle transportation with another or others, and consultancy in the field of information technology, software development and all activities ancillary thereto. The subsidiary is domiciled in Pakistan and its registered office is situated at 2nd Floor, 300 Y Block, Phase-III, Defence Housing Authority, Lahore Cantt. Its principal place of business is situated at 20, Tariq Block, New Garden Town, Lahore. The Group acquired this subsidiary during the year ended December 31, 2018 for which control was obtained on April 20, 2018.

Earnings per Share

The earnings per share of the Company on a consolidated as well as on standalone basis is Rupees 0.11 per share.

Future Outlook

The targets have been broken down into quantitative objectives with emphasis on productive utilization of dormant assets, enhanced quality service while monetizing associated offerings. The Company is sweating the assets and with the stability achieved, is targeting aggressive growth in the upcoming quarters. Till date, for the Broadband segment, over 1.2 million subscribers have come into the company's network; Contracts with 2 leading global vendors for supply of Digital boxes are in place and negotiations with 2 potential DTH License holders are being held to provide end to end Direct to Home (DTH) solution which would start another era of digitalization. Further we are well placed to launch Fiber to the Home (FTTH) as target areas along with vendors have been finalized. Pilot testing phase has been completed in the desired areas and the company has received a promising response. Moreover, the subscribers through loop holders would also be roped in for FTTH service.

Company's staff and customers

We whole heartedly put on record here our appreciation and gratitude to our all staff members for their efforts and hard work especially in recent times of stress and pressure. We further express gratitude towards our loyal customer for their continued support and trust in our services.

For and on behalf of the Board of Directors

Babar Ali Syed
Chief Executive Officer

Lahore, Pakistan
August 31, 2019

ورلڈ کال ٹیلی کام لمیٹڈ - مجموعی مالی اسٹیٹمنٹ

مجموعی مالی اسٹیٹمنٹ ورلڈ کال ٹیلی کام لمیٹڈ (پبلک کمپنی) اور روٹ 1 ڈیجیٹل (پرائیویٹ) لمیٹڈ (ماحولیاتی کمپنی) کے مالی نتائج پر مشتمل ہیں۔ روٹ 1 ڈیجیٹل ایک نجی کمپنی ہے جو 21 دسمبر، 2016 کو کھینز آرڈیننس، 1984 (جو کہ اب کھینز ایکٹ، 2017 ہے) کا کارپوریت ہوئی۔ اس کا بنیادی کاروبار تمام نقل و حمل کی خدمات، کسی دوسرے یا دوسروں کے ساتھ مشترکہ کاری کی نقل و حمل کا اشتراک، اور انٹرنیشنل ٹیکنالوجی کے میدان میں، سافٹ ویئر کی ترقی اور تمام سرگرمیوں کی مدد سے متعلق ہے۔ اس کا رجسٹرڈ آفس سیکٹر فلور 300، ایٹے بلاک، فیزیل، ڈیفنس ہاؤسنگ اتھارٹی، لاہور کینٹ پر واقع ہے، جبکہ کاروبار کا اہم مقام 20، طارق بلاک، نیو گارڈن ٹاؤن، لاہور پر واقع ہے۔ گروپ نے اس ماحولیت ادارے کا کنٹرول 20 اپریل، 2018 کو سال کے دوران حاصل کیا۔

فی حصص آمدنی

کمپنی نے انٹراوی اور مجموعی طور پر فی حصص 0.11 روپے تقسیم قرار دیا ہے۔

مستقبل کا نقطہ نظر اور توقعات

کمپنی اپنے اثاثوں کے مکمل استعمال کے لئے پُر عزم ہے اور آئے والی چوتھائیوں میں جاری ماند ترقی کو نشانہ بنائے ہوئے ہے۔ ابھی تک براڈ بینڈ سیکٹر کے لئے 1.2 ملین زائد صارفین تک رسائی مکمل کر لی گئی ہے۔ ڈیجیٹل کمپنیوں کی فراہمی کیلئے دو معروف گلوبل وینڈرز کے ساتھ معاہدے موجود ہیں جبکہ دو مکمل DTH لائسنس ہولڈرز کے ساتھ بات چیت زیر غور ہے جس کی بدولت Digitization کے نئے دور کا آغاز ہوگا۔ اس کے علاوہ ہم فائبر ٹو ہوم (ایف ٹی ٹی ایچ) کا تقریباً افتتاح کر رہے ہیں جس کے لئے معاہدے طے پا چکے ہیں۔

کمپنی کے ملازمین اور صارفین

ہم دل کی اہم گہرائیوں سے اپنے تمام ملازمین کی کوششوں اور سخت محنت کے معترف ہیں۔ جنہوں نے تعلیم کی اور ہاؤ کے حالیہ دنوں میں کمپنی کا ساتھ دیا ہے۔ ہم اپنے قابل قدر صارفین کو سروس کی فراہمی کے لئے پُر عزم ہیں اور ہماری سروسز پر ان کے مسلسل اعتماد کے لئے شکریہ ادا کرتے ہیں۔

نگلم بھڑا آف ڈائریکٹرز

Salimuddin

بائبل سید

چیف ایگزیکٹو آفیسر

لاہور

31 اگست 2019



ڈائریکٹرز کا تجزیہ

ہم ورلڈ کال ٹیلی کام لمیٹڈ ("ورلڈ کال"، "پابلیکٹی") کے بورڈ آف ڈائریکٹرز کی طرف سے ڈائریکٹرز رپورٹ اور غیر آڈٹ شدہ مالی گوشوارے برائے اختتام ششماہی 30 جون 2019 کا مختصر جائزہ پیش کرنے پر مسرت محسوس کرتے ہیں۔

اقتصادی جائزہ

پاکستان کی معیشت بڑھتی ہوئی ترقی اور استحکام کے مضبوط اشارے دکھاتی ہے۔ معاشی ترقی کے لئے مستقبل قریب میں بہتر توانائی، چین پاکستان اقتصادی راہداری اور زراعت میں مسلسل سرمایہ کاری مثبت اشارے دیتی ہے۔

پاکستان اور چین سرحد پار فائبر آپٹک منصوبوں (خنجراب - راولپنڈی) پر عملدرآمد کر رہے ہیں، جس میں 820 کلومیٹر طویل کیبل کا بچھنا آخری مراحل میں ہے۔ یہ منصوبہ ملک کے شمالی حصوں میں ترقی کے ساتھ ساتھ پاکستان کو یورپ - ایشیا کے تیرہ ستر میل کیبل ہائیڈروک کے ساتھ منسلک کرنے میں بھی کارآمد ہوگا۔ اس کے علاوہ ڈیجیٹل ٹیلی ویژن ٹی وی بیڈ براڈ کاسٹ (ڈی ٹی ایچ بی) کے ایک پائلٹ منصوبے کو بھی سی بی سی کے تحت مکمل کر لیا گیا ہے۔

مالیاتی جائزہ - علیحدہ معاشی پیمانے

30 جون 2019 کو ختم ہونے والے علیحدہ معاشی پیمانے کا خلاصہ مندرجہ ذیل ہیں:

| Particulars | Half Year June 30, 2019 | Half Year June 30, 2018 |
|---|----------------------------|----------------------------|
| | Rs. in million | |
| Revenue-net | 2,269 | 2,291 |
| Direct Cost (excluding depreciation and Amortization) | (1,215) | (1,314) |
| Other Income | 404 | 695 |
| EBITDA | 1,069 | 1,292 |
| Depreciation and Amortization | (646) | (520) |
| Finance Cost | (250) | (115) |
| Profit/(Loss) after tax | 194 | 640 |

زیر جائزہ مدت کے دوران، کمپنی نے ٹیکس کے بعد منافع کے طور پر 194 ملین روپے بتاتے ہوئے اپنے مالی نتائج بند کر دیے۔ 30 جون 2018 کو ختم ہونے والے نصف سال کے مقابلے میں کمپنی کی آمدنی تقریباً 1 فیصد کم رہی جس میں ایل ڈی آئی (993 ملین روپے) اور براڈ بیڈ کاروبار (1,260 ملین روپے) ٹاپ لائن میں اہم شراکت کار ہیں۔ منافع کے خاتمے کی بنیادی وجوہات دوسری آمدنی میں کمی اور فنانس لاگت میں اضافہ ہے۔ مالی اعداد و شمار 2018 میں مالی ذمہ داریوں کی تحریر کی پشت پناہی کے بعد سے دیگر آمدنی میں (291 ملین) کمی واقع ہوئی ہے جبکہ مالی خزانہ لاگت میں تیزی سے اضافہ ہوا ہے کیونکہ KIBOR کی شرح میں اضافے کی وجہ سے۔



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF WORLDCALL TELECOM LIMITED ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **WorldCall Telecom Limited** as at June 30, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures included in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended June 30, 2018 and June 30, 2019 have not been reviewed, as we are required to review only the cumulative figures for half year ended June 30, 2019.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 2.7 to the condensed interim financial statements (un-audited), which indicates that the Company has accumulated losses of Rs. 13,051.39 million and its current liabilities exceeded its current assets by Rs. 5,495.46 million. These conditions, alongwith others set forth in note14 to the condensed interim financial statements (un-audited), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

The engagement partner on the audit resulting in this independent auditor's report in Amin Ali.

LAHORE
Dated: 31 August 2019


HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

AS AT JUNE 30, 2019

| | | June 30, 2019 | December 31, 2018 |
|---|------|-----------------------------|----------------------|
| | | Un-audited | Audited |
| | Note | ------(Rupees in '000)----- | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital: | | | |
| 1,500,000,000 (December 31, 2018: 1,500,000,000) ordinary shares of Rs. 10 each | 5 | 15,000,000 | 15,000,000 |
| 500,000 (December 31, 2018: 500,000) preference shares of USD 100 each (USD 50,000,000 equivalent to Rs. 6,000,000,000) | 5 | 6,000,000 | 6,000,000 |
| Ordinary share capital | 6 | 10,835,944 | 10,835,944 |
| Preference share capital | 7 | 2,585,646 | 2,585,646 |
| Dividend on preference shares | 8 | 949,662 | 949,662 |
| Capital reserves | | 597,467 | 606,776 |
| Accumulated loss | | (13,051,393) | (13,162,382) |
| Surplus on revaluation of fixed assets | | 1,351,683 | 1,466,342 |
| | | 3,269,009 | 3,281,988 |
| NON-CURRENT LIABILITIES | | | |
| Term finance certificates | 9 | 1,572,122 | 1,583,763 |
| Long term financing | 10 | 97,401 | 13,893 |
| Sponsor's loan | 11 | 1,395,916 | 1,255,931 |
| License fee payable | | 1,021,500 | 1,021,500 |
| Post employment benefits | | 272,753 | 241,020 |
| Long term deposit | | - | 93,580 |
| Lease liabilities | 12 | 196,024 | - |
| | | 4,555,716 | 4,209,687 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 6,428,327 | 6,984,430 |
| Unearned revenue | | 92,343 | 73,903 |
| Accrued mark up | | 77,807 | 122,184 |
| Current portion of non-current liabilities | | 375,705 | 164,740 |
| Short term borrowings | 13 | 768,855 | 701,558 |
| Unclaimed dividend | | 1,807 | 1,807 |
| Provision for taxation - net | | 349,075 | 276,322 |
| | | 8,093,919 | 8,324,944 |
| Contingencies and Commitments | | | |
| | 14 | - | - |
| TOTAL EQUITY AND LIABILITIES | | | |
| | | 15,918,644 | 15,816,619 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | 8,321,740 | 8,276,110 |
| Intangible assets | | 2,111,634 | 2,306,651 |
| Investment properties | | 50,210 | 50,210 |
| Long term investment | 16 | 50,000 | 50,000 |
| Long term trade receivable | | 360,882 | 54,578 |
| Deferred taxation | | 2,384,624 | 2,281,289 |
| Long term deposits | | 41,097 | 46,677 |
| | | 13,320,187 | 13,065,515 |
| CURRENT ASSETS | | | |
| Stores and spares | | 51,683 | 60,661 |
| Stock-in-trade | | 204,777 | 204,777 |
| Trade debts | 17 | 1,462,335 | 1,674,557 |
| Loans and advances | | 263,325 | 203,356 |
| Deposits and prepayments | | 488,061 | 473,500 |
| Short term investments | | 28,806 | 38,115 |
| Other receivables | | 90,412 | 88,880 |
| Cash and bank balances | | 9,058 | 7,258 |
| | | 2,598,457 | 2,751,104 |
| TOTAL ASSETS | | | |
| | | 15,918,644 | 15,816,619 |

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Chief Financial Officer



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2019

| | | Half year ended June 30, | | Quarter ended June 30, | |
|--|----|--------------------------|------------------|------------------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| Note | | (Rupees in '000) | | | |
| Revenue | 18 | 2,268,934 | 2,290,709 | 1,243,647 | 1,581,190 |
| Direct costs excluding depreciation and amortization | | (1,214,986) | (1,313,780) | (596,109) | (807,407) |
| Operating costs | | (388,876) | (379,675) | (229,066) | (192,763) |
| Other income - net | 19 | 403,710 | 694,836 | 206,556 | 263,014 |
| Profit before Interest, Taxation, Depreciation and Amortization | | 1,068,782 | 1,292,090 | 625,028 | 844,034 |
| Depreciation and amortization | | (646,255) | (519,726) | (332,751) | (260,266) |
| Finance cost | | (249,502) | (114,825) | (163,150) | (64,265) |
| Profit before Taxation | | 173,025 | 657,539 | 129,127 | 519,503 |
| Taxation | | 20,852 | (17,709) | (55,621) | 5,756 |
| Net Profit for the Period | | 193,877 | 639,830 | 73,506 | 525,259 |
| Earnings per share - basic (Rupees) | | 0.11 | 0.09 | 0.04 | 0.20 |
| Earnings per share - diluted (Rupees) | | 0.07 | 0.09 | 0.03 | 0.10 |

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2019**

| | Half year ended June 30, | | Quarter ended June 30, | |
|--|--------------------------|---------|------------------------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| (Rupees in '000) | | | | |
| Net Profit for the Period | 193,877 | 639,830 | 73,506 | 525,259 |
| <i>Other comprehensive income - net of tax:</i> | | | | |
| <i>Item that may be subsequently reclassified to profit or loss:</i> | | | | |
| - Changes in fair value of financial assets at fair value through other comprehensive income | (9,309) | (1,924) | (10,608) | (9,569) |
| Other Comprehensive Loss - net of tax | (9,309) | (1,924) | (10,608) | (9,569) |
| Total Comprehensive Income for the period - net of tax | 184,568 | 637,906 | 62,898 | 515,690 |

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer



CONDENSED INTERIM STATEMENT CASH FLOWS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2019

| Half Year Ended June 30, | | | |
|---|----|------------------------------|--------------|
| | | 2019 | 2018 |
| | | (Un-audited) | (Un-audited) |
| Note | | ----- (Rupees in '000) ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from / (used in) operations | 20 | 363,089 | (149,868) |
| <i>Decrease / (Increase) in non-current assets:</i> | | | |
| - Long term loans | | - | 460 |
| - Long term trade receivables | | (311,240) | 15,266 |
| - Long term deposits | | 5,580 | (716) |
| | | (305,660) | 15,010 |
| Cash generated from / (used in) operations | | 57,429 | (134,858) |
| Post employment benefits paid | | (546) | (8,927) |
| Finance cost paid | | (43,246) | (9,566) |
| Income tax paid | | (16,491) | (20,878) |
| Net Cash Used in Operating Activities | | (2,854) | (174,229) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (19,021) | (40,176) |
| Investment in subsidiary | | - | (5,659) |
| Proceeds from disposal of property, plant and equipment | | 1,860 | 70,858 |
| Net Cash (Used in) / Generated from Investing Activities | | (17,161) | 25,023 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of term finance certificates | | (30,000) | - |
| Repayment of long term financing | | (13,893) | (63,257) |
| Sponsor's loan | | - | 300,000 |
| Short term borrowings - net | | 96,536 | 2,502 |
| Repayment of lease liability | | (30,828) | - |
| Net Cash Generated from Financing Activities | | 21,815 | 239,245 |
| Net Increase in Cash and Cash Equivalents | | 1,800 | 90,039 |
| Cash and cash equivalents at the beginning of the period | | 7,258 | 22,220 |
| Cash and Cash Equivalents at the End of the Period | | 9,058 | 112,259 |

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2019

| Particulars | Ordinary Share Capital | Preference Share Capital | Dividend on Preference Shares | Capital Reserves | | | Surplus on Revaluation of Fixed Assets | Revenue Reserve (Accumulated Loss) | Total |
|--|------------------------|--------------------------|-------------------------------|--------------------|------------------------------|------------------------|--|------------------------------------|-------------|
| | | | | Fair Value Reserve | Exchange Translation Reserve | Total Capital Reserves | | | |
| | | | | | | (Rupees in '000) | | | |
| Balance as at December 31, 2017 | 9,850,546 | 3,150,236 | 900,887 | (5,928) | 291,839 | 285,511 | 605,549 | (13,027,326) | 1,865,303 |
| Net profit for the period | - | - | - | - | - | - | - | 639,830 | 639,830 |
| Other comprehensive loss for the period - net of tax | - | - | - | - | - | - | - | 639,830 | 639,830 |
| Total comprehensive income for the period - net of tax | - | - | - | - | - | - | - | 639,830 | 639,830 |
| Incremental depreciation / amortization for the period on surplus on revaluation of fixed assets | - | - | - | (1,924) | - | (1,924) | - | - | (1,924) |
| Effect of change in tax rates | - | - | - | (1,924) | - | (1,924) | - | 639,830 | 637,906 |
| Exchange translation reserve | - | - | - | - | - | - | 10,860 | - | 10,860 |
| Conversion of preference shares and dividend thereon | 808,830 | (100,640) | (29,666) | - | 334,808 | 334,808 | - | (334,808) | - |
| Discount on issuance of ordinary shares | (668,521) | - | - | - | (10,003) | (10,003) | - | - | 668,521 |
| Dividend on preference shares for the period | - | - | 197,011 | - | - | - | - | - | (668,521) |
| Total transactions with owners, recognized directly in equity | 140,309 | (100,640) | 167,345 | - | 324,805 | 324,805 | - | (197,011) | - |
| Balance as at June 30, 2018 | 10,090,855 | 3,049,596 | 1,068,032 | (7,852) | 616,644 | 608,792 | 575,314 | (12,878,430) | 2,514,159 |
| Net loss for the period | - | - | - | (18,922) | - | (18,922) | 965,383 | (192,835) | (192,835) |
| Other comprehensive income for the period - net of tax | - | - | - | - | - | - | - | 3,285 | 3,285 |
| Total comprehensive income for the period - net of tax | - | - | - | - | - | - | 965,383 | (189,550) | 757,411 |
| Incremental depreciation / amortization for the period on surplus on revaluation of fixed assets | - | - | - | (18,922) | - | (18,922) | - | 84,773 | - |
| Effect of change in tax rates | - | - | - | - | - | - | 10,418 | - | 10,418 |
| Exchange translation reserve | - | - | - | - | 128,892 | 128,892 | - | (128,892) | - |
| Conversion of preference shares and dividend thereon | 6,039,232 | (463,950) | (189,063) | - | (112,076) | - | - | - | 5,294,143 |
| Discount on issuance of ordinary shares | (5,294,143) | - | - | - | - | - | - | - | (5,294,143) |
| Dividend on preference shares for the period | - | - | 50,883 | - | - | - | - | (50,883) | - |
| Total transactions with owners, recognized directly in equity | 745,089 | (463,950) | (118,170) | - | 16,906 | 16,906 | - | (179,679) | - |
| Balance as at December 31, 2018 as previously reported | 10,835,944 | 2,585,646 | 949,862 | (26,774) | 633,550 | 606,776 | 1,466,342 | (13,162,362) | 3,281,988 |
| Effect of adoption of IFRS 9 | - | - | - | - | - | - | - | (190,765) | (190,765) |
| Balance as at December 31, 2018 as restated | 10,835,944 | 2,585,646 | 949,862 | (26,774) | 633,550 | 606,776 | 1,466,342 | (13,353,167) | 3,091,203 |
| Net profit for the period | - | - | - | (9,309) | - | (9,309) | - | 193,877 | 193,877 |
| Other comprehensive loss for the period - net of tax | - | - | - | (9,309) | - | (9,309) | - | 193,877 | 193,877 |
| Total comprehensive income for the period - net of tax | - | - | - | (9,309) | - | (9,309) | - | 193,877 | 193,877 |
| Incremental depreciation / amortization for the period on surplus on revaluation of fixed assets | - | - | - | - | - | - | (107,897) | 107,897 | - |
| Effect of change in tax rates | - | - | - | - | - | - | (6,762) | - | (6,762) |
| Balance as at June 30, 2019 | 10,835,944 | 2,585,646 | 949,862 | (26,083) | 633,550 | 597,467 | 1,351,683 | (13,051,593) | 3,269,009 |

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

Balanda
Chief Executive Officer

Waqar
Director

Waqar
Chief Financial Officer



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30 2019

Note 1

The Company and its Operations

- 1.1 Worldcall Telecom Limited ("the Company") is a public limited Company incorporated in Pakistan on March 15, 2001 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Its shares are quoted on Pakistan Stock Exchange. The Company commenced its operations on December 01, 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan; re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals; 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 Company is domiciled in Pakistan and its registered office and principal place of business is situated at Plot # 1566/124, Main Walton Road, Lahore Cantt.

Worldcall Services (Pvt.) Limited (the "Parent Company"), incorporated in Pakistan, owns 27.79% (2018: 27.79%) ordinary shares of the Company. Aggregate holding of Worldcall Services (Private) Limited through other associates is 45.81% (2018: 53.27%)

Note 2

Basis of Preparation

- 2.1 These condensed interim financial statements are the separate condensed financial statements of the Company in which investment in subsidiary is stated at cost. Condensed consolidated interim financial statements are prepared separately.
- 2.2 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
 - Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.3 These condensed interim financial statements are unaudited.
- 2.4 These condensed interim financial statements (un-audited) do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2018. Selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Company's financial statements since the last financial statements.
- 2.5 These condensed interim financial statements (un-audited) should be read in conjunction with annual audited financial statements for the year ended December 31, 2018. Comparative statement of financial position is extracted from annual audited financial statements for the year ended December 31, 2018 whereas comparative statement of profit or loss, comparative statement of comprehensive income, comparative statement of changes in equity and comparative statement of cash flows are extracted from unaudited condensed interim financial statements for the half year ended June 30, 2018.
- 2.6 These condensed interim (un-audited) financial statements are presented in Pak Rupees, which is the Company's functional and presentational currency. All the figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.



2.7 Going concern assumption

The Company has earned a profit after taxation of Rs. 193.88 million during the period ended June 30, 2019 (June 30, 2018: profit after taxation of Rs. 639.83 million) which includes the impact of write back of provisions and unclaimed liabilities for Rs. 374.52 million (June 30, 2018: Rs. 559.43 million). As at June 30, 2019, the accumulated loss of the Company stands at Rs. 13,051.39 million (December 31, 2018: Rs. 13,162.38 million) and its current liabilities exceed its current assets by Rs. 5,495.46 million (December 31, 2018: Rs. 5,573.84 million). These conditions, along with the factors discussed in note 14, indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company's management has carried out an assessment of going concern status of the Company and believes that preparation of these financial statements on going concern assumption is appropriate. The management has placed reliance on the following factors:

2.7.1 Net Liabilities Position - Risk Mitigation

As mentioned above, there is a net current liability position of approximately Rs. 5.495 billion as on the reporting date, which has the following major components:

| Description | Note | Rs in million |
|--|---------|---------------|
| Short term Borrowings (Principal+Markup) | 2.7.1.1 | 817 |
| Pakistan Telecommunication Authority (PTA) | 2.7.1.2 | 2,312 |
| Claims of Parties Challenged | 2.7.1.3 | 885 |
| Continuing Business Partners | 2.7.1.4 | 704 |
| Provision for taxation | 2.7.1.5 | 349 |
| | | 5,067 |

The management believes that certain balances included in the above amounts do not represent immediately payable liabilities as detailed below:

- 2.7.1.1** The Company has been successful in obtaining renewals of its short term financing facilities from all major banks except two facilities and markup servicing is also being improved. Moreover, short term borrowings include funds obtained from sponsors / related parties to the tune of Rs. 326.64 million.
- 2.7.1.2** Liabilities towards PTA stand at approximately Rs. 2.3 billion which are not immediately payable owing to non-fulfillment of certain conditions relating to the demand of such amounts. These conditions relate to the industry circumstances and Court Orders.
- 2.7.1.3** This amount represents the amounts owed to certain parties whose claims have been challenged by the Company in various judicial forums for the breach and non-performance of their contractual obligations. Based on the merits of Company's position, the management believes that such amounts may not be immediately payable under the circumstances.
- 2.7.1.4** This represents routine trade credits extended by regular parties and these balances are of revolving nature. Thus, no immediate net cash outlay would be required.
- 2.7.1.5** The Company does not anticipate cash outlays on account of Provision for Taxation, since it has sufficient brought forward losses.

2.7.2 Continued Parent Company Support

The Company's majority shareholder, Worldcall Services (Private) Limited (WSL) has given assurance to provide continued cash flow support to the Company through its letter to the Company's Board of Directors.



Note 3

Significant Accounting Policies

The Company's accounting and financial risk management policies and methods of computation adopted in the preparation of these condensed interim (un-audited) financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended December 31, 2018 except for the adoption of new and amended standards as set out below:

3.1 Initial application of standards, amendments or interpretations to existing standards

There has been no financial effect of the change in accounting policy on the prior period financial statements except for certain reclassifications in the corresponding period.

The following amendments to existing standards have been published that are applicable to the Company's condensed interim financial statements:

3.1.1 Standards, amendments and interpretations to approved accounting and reporting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting and reporting standards are effective for accounting periods beginning on January 1, 2019, but are considered not to be relevant or to have any significant effect on the Company's condensed interim financial statements and are, therefore, not detailed in these condensed interim financial statements.

The following standards, amendments and interpretations to approved accounting and reporting standards have been adopted by the Company which are relevant for the Company. Any change in presentation or classification of items has been accounted for in accordance with IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*'. However, no restatement has been deemed necessary in this regard.

3.1.1.1 IFRS 15 'Revenue from Contracts with Customers'

This Standard had been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This Standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations.

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any impact on the revenue recognition policy of the Company and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application is nil.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 July 2018) replaces IAS 18 Revenue, IAS 11 Construction Contracts, and other related interpretations on revenue recognition. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Set out below, are the amounts by which each financial statement line item is affected as at and for the period ended June 30, 2019 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on the financial statements of the Company. The only change is the change in terminologies with no change in amounts to be recognized. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:



| | IFRS 15 | Previous IFRS | Increase / (Decrease) |
|---|-------------------------------|---------------|--------------------------|
| | -----Rupees in thousands----- | | |
| LIABILITIES | | | |
| Contract liabilities - trade and other payables | 10,639 | - | 10,639 |
| Advance from customers - trade and other payables | - | 10,639 | (10,639) |

The Company has not presented a third statement of financial position as at the beginning of the the preceding period as the Company believes that the there is no effect of restatement and reclassifications.

3.1.1.2 IFRS 16 'Leases'

The Company has adopted IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) during the period that has replaced IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating Leases - Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for virtually all of the leases. IFRS 16 includes an optional exemptions for certain short-term leases and leases of low-value assets for lessees. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the lease payments. Under the previous standard, IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 'Leases'. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, as the IASB has updated the guidance on the definition of a lease as well as the guidance on the combination and separation of contracts, lessors will also be affected by the new standard. The adoption of IFRS 16 has necessitated change in accounting policy for the Company.

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore the comparative information presented has not been restated and continues to be reported under IAS 17 and related interpretations.

On transition to IFRS 16, the Company has elected to use the following practical expedients under IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease;
- A single discount rate has been applied to portfolio of leases with reasonably similar characteristics;
- Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases (i.e. not recognized in the statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company, as a lessee, previously used to classify leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. The Company used to recognize minimum lease payments in full as an expense. Now, under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for all leases, after taking into account the elections made for available practical expedients described above.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement contains a Lease'. The Company now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company depreciates right-of-use assets in depreciation and amortization and unwinds the discount on lease liability into finance cost.



On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019, the date of initial application. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. There has been no impact on the opening equity.

The Company has applied IAS 36 Impairment of Assets to ROU assets at the date of initial application and assessed that ROU assets are not impaired as at that date.

On transition to IFRS 16, the Company has recognized an additional Rs. 254.34 million of right-of-use assets (adjusted by prepaid lease payments of Rs. 3.49 million) and Rs. 250.85 million of lease liabilities in the statement of financial position. The Company used its incremental borrowing rate at January 1, 2019 to discount the lease payments. The weighted average incremental borrowing rate applied to lease liabilities on January 1, 2019 was 13.35%.

The reconciliation of aggregate lease liability recognized in the statement of financial position at January 1, 2019 with the Company's operating lease commitment as at December 31, 2018 is as follows:

| | Rs. in '000 |
|--|----------------|
| - Operating lease commitment as at December 31, 2018 | 450,841 |
| - Recognition exemption for short-term leases | (10,829) |
| - Effect of discounting those lease commitments at an annual rate of 13.35% | (189,165) |
| Lease liabilities recognized at January 1, 2019 as a result of initial application of IFRS 16 | 250,847 |

3.1.1.3 IFRS 9 'Financial Instruments'

The Securities and Exchange Commission of Pakistan ('SECP') through SRO 1007(I)/2017 dated October 4, 2017 had notified that IFRS 9, 'Financial Instruments' would be applicable for annual periods beginning on or after July 1, 2018, however, subsequent to reporting date, SECP through SRO 229(I)/2019 dated February 14, 2019 has notified the deferment of this standard to reporting period/year ending on or after June 30, 2019 (earlier application is permitted). Consequently, the Company has adopted this standard in the preparation of these condensed interim financial statements for the six-month period ended June 30, 2019.

The Company has adopted IFRS 9 'Financial Instruments' during the period that has replaced IFRIC 9 - Reassessment of Embedded Derivatives, IAS 39 - Financial Instruments: Recognition and Measurement, IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). IFRS 9 shall now govern the classification, recognition, measurement, presentation and disclosure of financial instruments.

IFRS 9 has introduced new requirements governing the recognition and measurement of financial instruments and impairment losses on financial assets. IFRS 9 also includes new guidelines on hedge accounting. The financial assets are now classified on the basis of the business model in which they are held and their cash flow characteristics. Equity instruments currently classified as held for trading financial assets may now be recognized at fair value through other comprehensive income. The change in recognition of impairment of financial assets from the incurred loss model to the expected loss model will result in earlier recognition of expected losses in the profit and loss account. The loss allowances to be recognized on receivables will now be determined using the full lifetime expected loss model. The default rates will be based on historical and forward-looking data. The requirements regarding financial liabilities remain mostly unchanged.

The Company has applied IFRS 9 prospectively, with an initial application date of January 1, 2019. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising, if any, from the adoption of IFRS 9 have been recognized directly in retained earnings and other components of the equity.

Effects of IFRS 9, Financial Instruments

The reclassification of financial instruments from IAS 39 to IFRS 9 categories depending on the applicable business model and the associated contractual cash flows did not materially affect the condensed interim financial statements.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.



The assessment of the Company's business model was made as of the date of initial application, January 1, 2019. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Company's financial assets:

- Financial assets classified as Loans and receivables as at December 31, 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning January 1, 2019.
- Quoted debt investments classified as Available-for-sale (AFS) financial assets as at December 31, 2018 are classified and measured as debt instruments at fair value through OCI beginning January 1, 2019. The Company expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following required or elected reclassifications as at January 1, 2019:

| IAS 39 Category | IFRS 9 Category | | | |
|------------------------------|-------------------------------|-----------------------------------|----------------|------------------------|
| | Amount under IAS 39 | Fair value through profit or loss | Amortized cost | Fair value through OCI |
| | -----Rupees in thousands----- | | | |
| Loans and receivables | | | | |
| Long term loans | 2,758 | - | 2,758 | - |
| Long term deposits | 46,677 | - | 46,677 | - |
| Long term trade receivables | 54,578 | - | 54,578 | - |
| Long term investment | 50,000 | - | 50,000 | - |
| Trade debts* | 1,674,557 | - | 1,483,772 | - |
| Short term deposits | 458,565 | - | 458,565 | - |
| Other receivables | 88,880 | - | 88,880 | - |
| Cash and bank balances | 7,258 | - | 7,258 | - |
| Available for sale | | | | |
| Listed equity investments | 38,115 | - | - | 38,115 |

*The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below:

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the Company recognized additional impairment on the Company's Trade debts of Rs. 190.785 million which resulted in a decrease in retained earnings of Rs. 190.785 as at January 1, 2019. Impairment losses do not reduce the carrying amount of debt instruments at fair value through OCI in the statement of financial position, which remains at fair value.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

| | Allowance for impairment under IAS 39 as at December 31, 2018 | Re-measurement | ECL under IFRS 9 as at January 1, 2019 |
|--|---|----------------|--|
| | -----Rupees in '000----- | | |
| Loans and receivables under IAS 39 / Financial assets at amortized cost under IFRS 9 | 2,064,433 | 190,785 | 2,255,218 |

**3.1.1.3 IFRIC 23 'Uncertainty over Income Tax Treatments'**

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. There is no impact on these interim financial statements for application of this IFRIC.

Note 4**Significant Accounting Judgments and Estimates**

The preparation of condensed interim (un-audited) financial statements in conformity with approved accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates, 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. In preparing these condensed interim (un-audited) financial statements, the significant judgments made by the management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the year ended December 31, 2018 except for impairment testing of assets; taxation; provision for expected credit losses; identifying performance obligations in a bundled sale of goods and installation services; determining the timing of performance obligation satisfaction; determining method to estimate variable consideration; consideration of significant financing component in a contract; and estimation of stand-alone selling prices.

Note 5**Authorized Share Capital**

| June 30, 2019 (Un-audited) | December 31, 2018 (Audited) | | June 30, 2019 (Un-audited) | December 31, 2018 (Audited) |
|---|-----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| No. of Shares | | | ----- (Rupees in '000) ----- | |
| <u>Ordinary share capital:</u> | | | | |
| <u>1,500,000,000</u> | <u>1,500,000,000</u> | Ordinary shares of Rs. 10 each | <u>15,000,000</u> | <u>15,000,000</u> |
| <u>Preference share capital:</u> | | | | |
| <u>500,000</u> | <u>500,000</u> | Preference shares of USD 100 each | <u>6,000,000</u> | <u>6,000,000</u> |

- 5.1** During the period, shareholders of the Company resolved in annual general meeting held on April 30, 2019 that the authorized capital of the Company be increased from PKR 21 billion to PKR 29 billion divided into 2.9 billion ordinary shares of PKR 10 which may be utilized to issue ordinary shares of PKR 10 each and / or preference shares of PKR 10 each of the Company as the Board of Directors of the Company may decide from time to time in accordance with the Companies Act, 2017. Regulatory requirements as to the alteration of Memorandum and Articles of Association are in process.



Note 6

Ordinary Share Capital

| June 30, 2019 (Un-audited) No. of Shares | December 31, 2018 (Audited) | Note | June 30, 2019 (Un-audited) ----- (Rupees in '000) ----- | December 31, 2018 (Audited) ----- (Rupees in '000) ----- |
|---|-----------------------------------|---|--|---|
| 344,000,000 | 344,000,000 | Ordinary shares of Rs. 10 each fully paid in cash | 3,440,000 | 3,440,000 |
| 309,965,789 | 309,965,789 | Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger | 3,099,658 | 3,099,658 |
| 98,094,868 | 98,094,868 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 980,949 | 980,949 |
| 108,510,856 | 108,510,856 | Ordinary shares of Rs. 10 each issued against convertible loan | 1,085,109 | 1,085,109 |
| 945,350,404 | 945,350,404 | Ordinary shares of Rs. 10 each issued against convertible preference shares | 9,453,504 | 9,453,504 |
| | | 6.6 | 18,059,220 | 18,059,220 |
| | | 6.7 | (7,223,276) | (7,223,276) |
| | | | | |
| 1,805,921,917 | 1,805,921,917 | | 10,835,944 | 10,835,944 |

- 6.1 During the period, Nil (December 31, 2018: 56,100) convertible preference shares and accumulated preference dividend thereon amounting to Rs. Nil (December 31, 2018: Rs. 198.729 million) have been converted into ordinary shares in accordance with the agreed terms and conditions detailed in Note 7.2. Legal formalities for allotment of 306,887,260 shares (December 31, 2018: 306,887,260) by SECP are under process.
- 6.2 The terms of agreement between the Company and certain lenders impose certain restrictions on distribution of dividends by the Company.
- 6.3 Worldcall Services (Pvt.) Limited, parent of the Company, holds 501,862,290 shares (December 31, 2018: 501,862,290 shares) representing 27.79% (December 31, 2018: 27.79%) in the Company. Out of these shares, 175 million shares are pledged to secure TFC liability which will be released with quarterly scheduled principal repayments proportionately starting from June 2019 (refer to note 9).
- 6.4 Ferret Consulting F.Z.C., an associate of the Company, holds 324,444,643 shares (December 31, 2018: 324,444,643 shares) representing 17.97% (December 31, 2018: 17.97%) in the Company.
- 6.5 AMB Management Consultants (Pvt.) Limited, an associate of the Company, holds 931,543 shares (December 31, 2018: 135,576,543 shares) representing 0.05% (December 31, 2018: 7.51%) in the Company.

| | June 30, 2019 (Un-audited) ----- (Rupees in '000) ----- | December 31, 2018 (Audited) ----- (Rupees in '000) ----- |
|---|--|---|
| 6.6 Reconciliation of outstanding ordinary share capital is as follows: | | |
| Opening balance | 18,059,220 | 11,211,158 |
| Add: Ordinary share capital issued against convertible preference share capital | - | 6,848,062 |
| Closing balance | 18,059,220 | 18,059,220 |
| 6.7 Reconciliation of discount on issue of shares is as follows: | | |
| Opening balance | 7,223,276 | 1,260,612 |
| Add: Discount on issuance of ordinary shares during the period / year | - | 5,962,664 |
| Closing balance | 7,223,276 | 7,223,276 |



Note 7

Preference Share Capital

| | | June 30, 2019 | December 31, 2018 | June 30, 2019 | December 31, 2018 |
|---|------|-------------------------|----------------------|-----------------------------|----------------------|
| | Note | (Un-audited) | (Audited) | (Un-audited) | (Audited) |
| | | -----No. of Shares----- | | ------(Rupees in '000)----- | |
| Opening balance | | 255,400 | 311,500 | 2,585,646 | 3,150,236 |
| Less: Preference shares converted into ordinary shares during the year | 7.3 | - | (56,100) | - | (564,590) |
| | | <u>255,400</u> | <u>255,400</u> | <u>2,585,646</u> | <u>2,585,646</u> |

- 7.1 These preference shares are US Dollars denominated, non-voting, cumulative and convertible preference shares ("CPS", or "preference shares") having a face value of USD 100 each.
- 7.2 The conversion option was exercisable by the holder at any time after the 1st anniversary of the issue date but not later than the 5th anniversary. On 5th anniversary, CPS had to be mandatorily converted into ordinary voting common shares. CPS were to be converted at the conversion ratio defined in the agreement at 10% discount on share price after first anniversary and thereby increased by 10% additional discount for each completed year of anniversary.
- 7.3 In accordance with the terms detailed in Note 6.2 above, certain preference shareholders have exercised conversion option. Thus, their CPS and accrued preference dividend thereon have been converted into ordinary shares as reflected in Note 6.1 and Note 8.2. Out of these converted, 22,000 preference shares (December 31, 2018: 46,100) are yet to be cancelled by the Company in SECP's records.
- 7.4 CPS holders are entitled to non-cash dividend which shall be calculated @ 5.9% per annum on each of the preference shares or the dividend declared by the Company for Ordinary Shareholders, whichever is higher.
- 7.5 Certain preference shareholders have served conversion notices for conversion of 38,800 preference shares. The Company is yet to issue ordinary shares against these CPS along with accumulated dividend thereon. Such conversion would result in issuance of 541,237,537 ordinary shares.
- 7.6 Worldcall Services (Pvt.) Limited, parent of the Company, holds 34,500 preference shares (December 31, 2018: 34,500 preference shares) in the Company.
- 7.7 Ferret Consulting F.Z.C., an associate of the Company, holds 164,100 preference shares (December 31, 2018: 164,100 preference shares) in the Company.
- 7.8 AMB Management Consultants (Pvt.) Limited, an associate of the Company, holds 4,300 preference shares (December 31, 2018: 4,300 preference shares) in the Company.
- 7.9 Mandatory date of conversion of CPS has expired during the last year and the Company has failed to redeem the un-converted preference shares in a timely fashion as contemplated by its Articles of Association. Thus, the Company is in default of Regulation 12 of the Companies (Further Issue of Shares) Regulations 2018. According to these Regulations, a listed Company that fails to, completely or partially, fulfill or comply with any of the relevant terms and conditions of preference shares is considered to be in an event of default.
- 7.10 During the period, the preference shareholders in an Extra Ordinary General Meeting held on January 4, 2019 and ordinary shareholders in annual general meeting held on April 30, 2019 have given their assent for the conversion of preference shares be made at nominal value of PKR 10 each and for the amendments in the Memorandum and Articles of Association of the Company. Resultantly, preference shares along with dividend accrued thereon shall be converted on any date from the mandatory conversion date, at par value of PKR 10 each. However, the shares for which notices have been received before mandatory conversion date would be converted on the terms prevalent on the date of notice.

Note 8

Dividend on Preference Shares

| | | June 30, 2019 | December 31, 2018 |
|--------------------------------|------|-----------------------------|----------------------|
| | Note | (Un-audited) | (Audited) |
| | | ------(Rupees in '000)----- | |
| Dividends on preference shares | 8.1 | <u>949,662</u> | <u>949,662</u> |

- 8.1 This represents accumulated dividend on preference shares which is not payable in cash rather it will be converted into ordinary shares as and when the preference shares are converted into ordinary shares.
- 8.2 During the period, cumulative preference dividend amounting to Rs. Nil (December 31, 2018: Rs. 198.72 million) was converted into ordinary shares as a result of conversion option exercised by certain preference shareholders in accordance with the terms and conditions given in Note 7.2 above.



Note 9

Term Finance Certificates

| | | June 30, 2019 | December 31, 2018 |
|--|-------------|------------------------------|------------------------------|
| | Note | (Un-audited) | (Audited) |
| | | ----- (Rupees in '000) ----- | |
| Opening balance | | 1,317,110 | 1,517,110 |
| Less: Payments made during the period/year | | (30,000) | (200,000) |
| | | 1,287,110 | 1,317,110 |
| Less: Current and overdue portion | | (150,000) | (130,006) |
| | | 1,137,110 | 1,187,104 |
| Add: Deferred markup | 9.1 | 435,012 | 396,659 |
| | | <u>1,572,122</u> | <u>1,583,763</u> |

Term finance certificates (TFCs) have a face value of Rs. 5,000 per certificate. These TFCs carry mark up at the rate of six months average KIBOR plus 1.0% per annum (December 31, 2018: six month average KIBOR plus 1.6% per annum), payable quarterly. The mark up rate charged during the year on the outstanding balance ranged from 11.80% to 12.10% (December 31, 2018: 8.03% to 8.21%) per annum.

The liability of these TFCs has been rescheduled in December 2012 and then on April 03, 2015. During last year, third rescheduling of these TFCs has successfully been executed through signing of the Third Supplemental Trust Deed between the Trustee and the Company.

In accordance with the 3rd Supplemental Trust Deed executed during last year, the outstanding principal is repayable by way of quarterly staggered installments with downward revision in markup of 0.60% i.e. revised markup of six months average KIBOR + 1%. The outstanding markup payable as at the date of restructuring and up to December 20, 2018 is agreed to be deferred and shall be paid from March 20, 2021 in quarterly installments. 50% of the markup accrued for the period between December 20, 2018 to December 20, 2020 shall be paid on regular quarterly basis commencing from March 20, 2019 and the remaining 50% shall be deferred and paid from March 20, 2021. Markup deferred has been measured at present value. Under the revised term sheet, these TFCs are due to mature on September 20, 2026.

The other main terms were included appointment of one representative as nominee director nominated by the Trustee which has been appointed.

IGI Investment Bank Limited is the Trustee (herein referred to as the Trustee) under the Trust Deed. These TFCs are secured against first pari passu charge over the Company's present and future fixed assets including equipment, plant and machinery, fixtures excluding land and building with 25% margin in addition to all rights, benefits, claims and interests procured by the Company under:

- a) LDI and WLL license issued by PTA to the Company; and
- b) Assigned frequency spectrum as per deed of assignment.

Further, 175 million sponsor's, shares are pledged for investors which will be released with quarterly scheduled principal repayments proportionately starting from June 2019.

9.1 Deferred markup

| | | | |
|------------------------------------|-------|----------------|----------------|
| Deferred markup | 9.1.1 | 623,261 | 588,776 |
| Adjustment due to impact of IFRS 9 | 9.1.2 | (188,249) | (192,117) |
| | | <u>435,012</u> | <u>396,659</u> |



| | June 30, 2019 (Un-audited) | December 31, 2018 (Audited) |
|---|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| 9.1.1 Reconciliation of deferred markup is as follows: | | |
| Opening balance | 588,776 | - |
| Add: Markup deferred during the period / year | 34,485 | 588,776 |
| | <u>623,261</u> | <u>588,776</u> |
| 9.1.2 Reconciliation is as follows: | | |
| Opening balance | 192,117 | - |
| Add: Discounting impact of deferred markup | 12,580 | 192,117 |
| | <u>204,697</u> | <u>192,117</u> |
| Less: Unwinding impact of discounted deferred markup | (16,448) | - |
| | <u>188,249</u> | <u>192,117</u> |

Note 10

Long Term Financing

| | | June 30, 2019 (Un-audited) | December 31, 2018 (Audited) |
|---|------|----------------------------------|-----------------------------------|
| | | ----- (Rupees in '000) ----- | |
| From Banking Companies (secured) | | | |
| Askari Bank Limited | 10.1 | - | 13,893 |
| Allied Bank Limited | 10.2 | 97,401 | - |
| | | <u>97,401</u> | <u>13,893</u> |
| 10.1 Askari Bank Limited | | | |
| Opening balance | | 48,627 | 76,414 |
| Repayments / adjustments | | (13,893) | (27,787) |
| | | <u>34,734</u> | <u>48,627</u> |
| Less: Current and overdue portion | | (34,734) | (34,734) |
| | | <u>-</u> | <u>13,893</u> |

This represents liability created by the bank due to encashment of performance guarantee issued in favor of Universal Service Fund (USF). The tenure of the loan is 3 years and is repayable by April 30, 2020. It carries mark up at 6 months KIBOR plus 2% per annum. The mark up charged during the period on the outstanding balance ranged from 12.80% to 15.11% (December 31, 2018: 8.43% to 8.61%) per annum. The loan is secured through joint collateral comprising first joint pari passu hypothecation charge of Rs. 1.26 billion over all present and future fixed and current assets of the Company with 25% margin, first exclusive assignment of all present and future receivables of LDI business arm of the Company in favor of lender with 25% margin and collection accounts with the Bank for routing of LDI receivables.

10.2 Allied Bank Limited

| | | |
|--------------------------------------|----------------|----------|
| Opening balance | - | 51,820 |
| Transfer from running finance | 123,000 | - |
| Repayments / adjustments | (2,303) | (51,820) |
| | <u>120,697</u> | <u>-</u> |
| Less: Current and overdue portion | (27,697) | - |
| | <u>93,000</u> | <u>-</u> |
| Add: Deferred markup | 6,971 | - |
| Less: Discounting of deferred markup | (2,570) | - |
| | <u>4,401</u> | <u>-</u> |
| | <u>97,401</u> | <u>-</u> |



This represents balance transferred as a result of restructuring of short term running finance (RF) facility to Term Loan Facility. Principle will be repaid in 48 stepped up monthly installments starting from January 2019 till December 2022. Markup will be accrued and will be serviced in 12 equal monthly installments, starting from January 01, 2023. Effective markup rate applicable will be 3 Month KIBOR + 85 bps. The facility is secured against Joint pari passu hypothecation charge on present and future current and fixed assets excluding land and building.

Note 11

Sponsor's Loan

| | | June 30, 2019 | December 31, 2018 |
|-----------------------------------|-----------------|------------------------------|----------------------|
| | Note | (Un-audited) | (Audited) |
| | | ----- (Rupees in '000) ----- | |
| Sponsor's Loan - unsecured | | | |
| - Interest bearing | 11.1 | 493,500 | 417,300 |
| - Non-interest bearing | 11.2 | 902,416 | 838,631 |
| | | <u>1,395,916</u> | <u>1,255,931</u> |
| 11.1 | Opening balance | 417,300 | 331,500 |
| | Exchange loss | 76,200 | 85,800 |
| | | <u>493,500</u> | <u>417,300</u> |

This represents USD denominated loan obtained from Worldcall Services (Private) Limited, Parent Company. It carries mark up at 12 months KIBOR plus 1%. The mark up rate charged during the period on the outstanding balance is 12.34% (December 31, 2018: 7.50%) per annum.

- 11.2** This represents interest free loan obtained from Worldcall Services (Private) Limited, Parent Company. The amount is not payable over the period of next 3 years.

In accordance with the requirements of IFRS 9, this loan has been carried at amortized cost and the relevant difference is being charged to the statement of profit or loss. During the last year, imputed markup was calculated at 12 months KIBOR plus 2% per annum and accounted for.

| | | |
|-------------------------------------|------------------|------------------|
| Opening balance | 1,221,337 | 368,500 |
| Transferred from current account | - | 852,837 |
| Amount of loan | <u>1,221,337</u> | <u>1,221,337</u> |
| Adjustment due to impact of IFRS 9: | | |
| Discounting | (382,706) | (406,813) |
| Unwinding of discount | <u>63,785</u> | <u>24,107</u> |
| | <u>(318,921)</u> | <u>(382,706)</u> |
| | <u>902,416</u> | <u>838,631</u> |



Note 12

Lease Liabilities

| | | June 30, 2019 | December 31, 2018 |
|--|------|-----------------------------|----------------------|
| | Note | (Un-audited) | (Audited) |
| | | ------(Rupees in '000)----- | |
| Lease liabilities | 12.1 | 196,024 | - |
| 12.1 Opening balance | | - | - |
| Add: Adoption effect of IFRS 16 Leases | | 250,847 | - |
| Add: Accrued lease rentals as at December 31, 2018 | | 7,848 | - |
| Add: Additions during the year | | 10,506 | - |
| Add: Interest expense | | 15,924 | - |
| Less: Lease payments | | (30,827) | - |
| Gross liability | | 254,298 | - |
| Less: current portion | | (58,274) | - |
| Closing balance | | 196,024 | - |

12.2 Summary of amounts relating to leases charged in different line items of the financial statements is as follows:

| | | 2019 | 2018 |
|---------------------------------------|-------------------------------|----------------|--------------------------|
| | Included in | Note | ------(Rs. in '000)----- |
| Interest expense on lease liabilities | Finance cost | 15,924 | - |
| Amortization charge for ROU assets | Depreciation and amortization | 23,255 | - |
| Carrying amount of ROU assets | Property, plant and equipment | 15.2 1,243,337 | - |
| Expense relating to short-term leases | Direct costs | 696 | - |
| Expense relating to short-term leases | Operating costs | 10,134 | - |
| Repayment of lease liability | Financing Activities | 30,828 | - |

12.3 Maturity analysis of contractually undiscounted cash flows

| At June 30, 2019 (Un-audited) | Within One Year | Between Two to Five Years | Later than Five Years |
|-------------------------------|--------------------|---------------------------------|--------------------------|
| Lease liabilities | 58,274 | 242,376 | 198,240 |

12.4 Nature of leasing activities

The Company's leases comprise cables and certain premises for installation of equipment, use as warehouse, guest house and office operations. Periodic rentals are usually fixed over the lease term. However, in some contracts, it is customary for lease contracts to provide escalation in lease payments after specified period of time. These neither contain any variable lease payments nor any lease incentives. The Company is not committed to any leases not yet commenced at the reporting date.

Lease terms, and the remaining lease terms at the date of initial application, vary. Remaining lease term of existing lease contracts for which lease liability is booked ranges from 2 to 14 years.



Note 13

Short Term Borrowings

| | | June 30, 2019 | December 31, 2018 |
|--|--|------------------------------|----------------------|
| | Note | (Un-audited) | (Audited) |
| | | ----- (Rupees in '000) ----- | |
| Banking companies (secured - interest bearing): | | | |
| - Running finances | 13.1 | 442,212 | 562,458 |
| Related parties (unsecured - interest free): | | | |
| - Ferret Consulting F.Z.C. | 13.2 | 246,750 | 139,100 |
| - Worldcall Services (Private) Limited | 13.3 | 79,893 | - |
| | | <u>768,855</u> | <u>701,558</u> |
| 13.1 | These represent short term running finance facilities available from commercial banks under mark up arrangements. One of the running finance facility was transferred to long term financing during the year as a result of restructuring of short term running finance (RF) facility to Term Loan Facility (note 10.2). | | |
| 13.2 | This represents USD denominated interest free amount of USD 1.5 million received from M/s Ferret Consulting - F.Z.C to meet the working capital requirements. An amount of USD 0.5 million was received during the period. The amount is repayable on demand. | | |
| 13.3 | This represents interest free amount received from M/s Worldcall Services (Private) Limited to meet the working capital requirements. The amount is repayable on demand. Reconciliation is as follows: | | |
| | Opening balance | - | - |
| | Add: Amount paid by WSL on behalf of the Company | 52,893 | - |
| | Add: Receipts during the period / year | 27,000 | - |
| | | <u>79,893</u> | - |

Note 14

Contingencies and Commitments

There is no significant change in the status of contingencies from the preceding annual financial statements of the Company for the year ended December 31, 2018, except for the followings:

- 14.1 As disclosed in note 21.4.3 of the annual financial statements of the Company for the year ended December 31, 2018, one of the Company's supplier and its allied international identities had filed civil suit before Islamabad Civil Court for recovery of USD 12.3 million and Rs. 68 million along with damages of USD 20 million. As per recent progress of the case, the honorable court, on application of the Company, has dismissed this petition on July 10, 2019 for its presentation before proper forum.
- 14.2 During the period, the Company received a show cause notice from Punjab Revenue Authority (PRA) on account of non-deduction and deposit of withholding sales tax as per the provisions of the Punjab Sales Tax on Services (Withholding) Rules, 2015 amounting to Rs. 49.09 million on services rendered during January 2017 to December 2017. The Company filed a writ petition before Honorable Lahore High Court on March 7, 2019 against initiation of such proceedings by the Punjab Revenue Authority pleading to stop such frivolous proceedings. The Honorable Court has allowed PRA to continue proceedings under the impugned show cause notice but at the same time it was restrained from passing a final order. The writ petition is pending adjudication. The management is hopeful that its viewpoint shall be upheld; thus no provision has been incorporated in these financial statements.



- 14.3** During the period, the Company received a notice from Federal Board of Revenue (FBR) alleging charge of super tax under section 4B of the Income Tax Ordinance, 2001 amounting to Rs. 43.82 million for the tax year 2018. The Company filed a writ petition before Honorable Lahore High Court on May 18, 2019 impugning vires of section 4B in the Income Tax Ordinance, 2001. The Honorable Court has restrained FBR from adopting coercive measures. The writ petition is pending adjudication. The management is hopeful that its viewpoint shall be upheld; thus no provision has been incorporated in these financial statements.

| | June 30, 2019 (Un-audited) ----- (Rupees in '000) ----- | December 31, 2018 (Audited) |
|---|--|-----------------------------------|
| Guarantees and Letter of Credits | | |
| Outstanding guarantees and letter of credits | 329,638 | 349,100 |
| Commitments | | |
| Commitments in respect of capital expenditure | 137,456 | 138,330 |

Note 15

Property, Plant and Equipment

| | | June 30, 2019 (Un-audited) ----- (Rupees in '000) ----- | December 31, 2018 (Audited) |
|--------------------------|------|--|-----------------------------------|
| | Note | | |
| Operating fixed assets | 15.1 | 7,020,051 | 7,217,963 |
| Right-of-use assets | 15.2 | 1,243,337 | 1,001,746 |
| Capital work-in-progress | | 58,352 | 56,401 |
| | | 8,321,740 | 8,276,110 |

15.1 Operating fixed assets

| | | | |
|--|--------|-----------|-----------|
| Opening book value | | 7,217,963 | 6,480,167 |
| Additions during the period / year | 15.1.1 | 255,828 | 150,532 |
| Revaluation surplus during the period / year | | - | 1,340,623 |
| | | 7,473,791 | 7,971,322 |
| Disposals / settlement (at book value) for the period / year | 15.1.2 | (25,758) | (70,276) |
| Depreciation charged during the period / year | | (427,982) | (683,083) |
| Closing book value | | 7,020,051 | 7,217,963 |

15.1.1 Detail of additions

| | | |
|--------------------------------|---------|---------|
| Leasehold improvements | 3,347 | 5,500 |
| Plant and equipment | 250,875 | 133,306 |
| Office equipment | 233 | 5,500 |
| Furniture and fixtures | 890 | 909 |
| Computers | 483 | 5,211 |
| Laboratory and other equipment | - | 106 |
| | 255,828 | 150,532 |

**15.1.2 Book values of assets disposed off**

| | June 30, 2019 (Un-audited) | December 31, 2018 (Audited) |
|------------------------|----------------------------------|-----------------------------------|
| | ------(Rupees in '000)----- | |
| Freehold Land | - | 19,800 |
| Leasehold improvements | - | - |
| Plant and equipment | 25,758 | 49,725 |
| Office Equipment | - | 165 |
| Computers | - | 58 |
| Furniture and fixtures | - | - |
| Vehicles | - | 528 |
| | <u>25,758</u> | <u>70,276</u> |

15.2 Right-of-use assets

| | | |
|--|------------------|------------------|
| Opening balance | 1,001,746 | 333,853 |
| Add: Adoption effect of IFRS 16 Leases | 250,847 | - |
| Add: Prepaid lease rentals as at December 31, 2018 | 3,493 | - |
| Add: Additions during the period / year | 10,506 | 720,000 |
| Less: Amortization charge for the period / year | (23,255) | (52,107) |
| Closing balance | <u>1,243,337</u> | <u>1,001,746</u> |
| Lease Term (Years) | <u>2 to 14</u> | <u>-</u> |

15.2.1 Depreciation on right-of-use assets has been allocated to depreciation and amortization on face of the statement of profit or loss.

15.2.2 There are no variable lease payments in the lease contracts. There were no leases with residual value guarantees or leases not yet commenced to which the Company is committed.

Note 16

Long Term Investment

| | June 30, 2019 (Un-audited) | December 31, 2018 (Audited) |
|--|----------------------------------|-----------------------------------|
| | ------(Rupees in '000)----- | |

Wholly owned subsidiary Company - at cost [unquoted]

Route 1 Digital (Private) Limited

30,000 (December 31, 2018: 30,000) ordinary shares of

Rs. 100 each, equity held 100% (December 31, 2018: 100%)

| | |
|---------------|---------------|
| <u>50,000</u> | <u>50,000</u> |
|---------------|---------------|

16.1 The Company has acquired 100% shares of Route 1 Digital (Private) Limited during last year. The principal place of business of Route 1 Digital (Private) Limited is situated at 2nd Floor 300-Y Block Phase III Defence Housing Authority Lahore, Pakistan. This investment in subsidiary is stated at cost. From the total consideration amount of Rs. 50 million, Rs. 5 million has been paid as at the reporting date.

16.2 This investment has been made in accordance with the requirements under the Companies Act, 2017.



Note 17

Trade Debts

| | | June 30, 2019 (Un-audited) | December 31, 2018 (Audited) |
|---------------------------------|------|----------------------------------|-----------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| Considered good - unsecured | | 1,462,335 | 1,674,557 |
| Considered doubtful - unsecured | | 2,292,437 | 2,064,433 |
| | | 3,754,772 | 3,738,990 |
| Less: Impairment allowance | 17.1 | (2,292,437) | (2,064,433) |
| | | <u>1,462,335</u> | <u>1,674,557</u> |

17.1 Impairment allowance

| | | |
|---|------------------|------------------|
| Opening balance | 2,064,433 | 2,033,988 |
| Add: Effect of adoption of IFRS 9 | 190,785 | - |
| Add: Provision for expected credit losses | 37,219 | 30,445 |
| | <u>2,292,437</u> | <u>2,064,433</u> |
| Less: Write offs | - | - |
| Closing balance | <u>2,292,437</u> | <u>2,064,433</u> |

Note 18

Revenue

| Revenue | | Half Year Ended June 30, | |
|------------------------------------|------|--------------------------|--------------|
| | | 2019 | 2018 |
| | Note | (Un-audited) | (Un-audited) |
| ----- (Rupees in '000) ----- | | | |
| Disaggregated revenue information: | | | |
| Telecom | | 992,814 | 1,046,010 |
| Broadband | 18.1 | 1,301,754 | 1,275,267 |
| Other | | 13,517 | 31,653 |
| | | 2,308,085 | 2,352,930 |
| Less: Sales tax | | (27,417) | (48,948) |
| Less: Discount and commission | | (11,734) | (13,273) |
| | | 2,268,934 | 2,290,709 |

18.1 This includes revenue amounting to Rs. 507.545 million (2018: Rs. 720 million) in respect of agreement for Indefeasible Right of Use of metro fiber with a customer. The agreement grants both parties to the agreement IRU for 20 years.

Note 19

Other Income - Net

This includes the impact of write back of provisions and unclaimed liabilities amounting to Rs. 374.52 million (June 30, 2018: Rs. 559.43 million).



Note 20

Cash Generated from Operations
Half Year Ended June 30,

| | 2019 | 2018 |
|---|-----------------------------|------------------|
| | (Un-audited) | (Un-audited) |
| | ------(Rupees in '000)----- | |
| Profit before taxation | 173,025 | 657,539 |
| Adjustment for non-cash charges and other items: | | |
| - Depreciation on property, plant and equipment | 427,982 | 323,762 |
| - Amortization on intangible assets | 195,017 | 195,967 |
| - Amortization of long term trade receivable | (10,456) | (9,540) |
| - Provision for expected credit losses | 37,219 | 93 |
| - Amortization of right of use assets | 23,255 | - |
| - Revenue from IRU agreement | - | (720,000) |
| - Disposal of fiber under IRU arrangement | 24,543 | - |
| - Reversal of Provision for Loan and Advances | (1,189) | - |
| - Provisions and unclaimed liabilities written back | (374,521) | (559,427) |
| - Gain on disposal of property, plant and equipment | (645) | (1,412) |
| - Discounting of long term deposit | - | (16,220) |
| - Unwinding of discounted long term deposit | 11,419 | - |
| - Unwinding of discounted deferred markup on TFCs | 16,448 | - |
| - Unwinding of discounted sponsor's loan | 63,785 | 12,054 |
| - Post employment benefits | 32,279 | 28,977 |
| - Exchange loss on foreign currency loans | 114,765 | 33,300 |
| - Discounting of deferred markup on TFCs | (12,580) | (156,915) |
| - Discounting of sponsors' loan | - | (34,907) |
| - Discounting of deferred markup on long term financing | (2,570) | - |
| - Exchange (gain) / loss on foreign currency payables - net | (95,601) | 88,106 |
| - Imputed interest on lease liability | 15,925 | - |
| - Finance cost | 141,925 | 102,771 |
| | 607,000 | (713,391) |
| Operating income / (loss) before working capital changes | 780,025 | (55,852) |
| (Increase) / decrease in current assets | | |
| - Stores and spares | 8,978 | (1,719) |
| - Stock-in-trade | - | 9,385 |
| - Trade debts | (563,308) | (99,261) |
| - Loans and advances | (58,780) | (42,822) |
| - Deposits and prepayments | (18,054) | (28,116) |
| - Other receivables | (1,532) | (13,127) |
| Increase / (decrease) in current liabilities | | |
| - Unearned revenue | 18,440 | (25,605) |
| - Trade and other payables | 197,320 | 107,249 |
| | (416,936) | (94,016) |
| Cash generated from / (used in) operations | 363,089 | (149,868) |



Note 21

Transaction with Related Parties

Related parties comprise the parent Company, subsidiary, associated companies / undertakings, directors of the Company and their close relatives and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties. Significant transactions and balances with related parties are as follows:

| | | | Half Year Ended June 30, | |
|---|--|--|------------------------------|--------------|
| | | | 2019 | 2018 |
| | | | (Un-audited) | (Un-audited) |
| | | | ----- (Rupees in '000) ----- | |
| Transactions during the year with local companies | | | | |
| Related party | Relationship | Nature of transaction | | |
| Worldcall Services (Private) Limited | <div>Parent Company</div> | Short term borrowings received during the period | 27,000 | 54,400 |
| | | Amount paid by WSL on behalf of the Company | 52,893 | - |
| | | Funds repaid by the Company during the year | - | 32,652 |
| | | Sponsor's loan received during the period | - | 300,000 |
| | | Markup adjusted during the period | 107,923 | - |
| | | Markup accrued during the period | 31,603 | 18,229 |
| Route 1 Digital (Private) Limited | <div>Wholly Owned Subsidiary</div> | Investment made during the period | - | 50,000 |
| | | Expenses borne on behalf of subsidiary | 3,079 | - |
| Worldcall Business Solutions (Private) Limited | <div>Associate</div> | Expenses borne on behalf of associate | 10,038 | - |
| Worldcall Cable (Private) Limited | <div>Associate</div> | Expenses borne on behalf of associate | 600 | - |
| Ride Hail (Private) Limited | <div>Associate</div> | Expenses borne on behalf of associate | 14 | - |
| Key management personnel | <div>Associated persons</div> | Salaries and employees benefits | 63,972 | 31,348 |

Transactions during the year with foreign companies

| Related party | Relationship | Nature of transaction | | |
|---------------------------|--------------|--|--------|---------|
| Ferret Consulting - F.Z.C | Associate | Dividend on CPS | - | 178,073 |
| | | Short term borrowings obtained during the period | 69,085 | - |

Ferret Consulting, F.Z.C is incorporated in United Arab Emirates having its registered address at SM-Office, E1- 26, A032 , Ajman, United Arab Emirates. Basis for association of the Company with Ferret is common directorship. Mr. Babar Ali Syed is the Managing Director of Ferret Consulting. Ferret Consulting is actively operative.

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

| | | June 30, 2019 | December 31, 2018 |
|---|--|------------------------------|----------------------|
| | | (Un-audited) | (Audited) |
| | | ----- (Rupees in '000) ----- | |
| Outstanding Balance as at the period/year end | | | |
| Worldcall Services (Private) Limited | Sponsor's loan - interest bearing | 493,500 | 417,300 |
| | Sponsor's loan - non interest bearing | 902,416 | 838,631 |
| | Dividend on CPS | 130,868 | 130,868 |
| | Accrued markup | 5,916 | 75,913 |
| | Short term borrowings - interest free | 79,893 | - |
| Ferret Consulting - F.Z.C | Dividend on CPS | 606,303 | 606,303 |
| | Short term borrowings - interest free | 246,750 | 139,100 |
| AMB Management Consultants (Pvt.) Limited | Dividend on CPS | 16,311 | 16,311 |
| Route 1 Digital (Private) Limited | Investment in subsidiary | - | 50,000 |
| | Other receivables | 10,848 | 7,769 |
| Worldcall Business Solutions (Private) Limited | Other receivables | 37,249 | 27,211 |
| Ride Hail (Private) Limited | Other receivables | 14 | - |
| Worldcall Cable (Private) Limited | Other receivables | 1,840 | 1,240 |
| Key management personnel | Payable against expenses, salaries and other employee benefits | 99,801 | 89,805 |
| | Long term loans | - | 269 |
| | Advance against expenses | 15,030 | 12,455 |

These are in normal course of business.



Note 22

Financial Risk Management

22.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The condensed interim financial statements (un-audited) do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2018.

There have been no changes in any risk management policies since the year end.

22.2 Fair value estimation

22.2.1 Fair value is determined on the basis of objective evidence at each reporting date. Set out below, is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at the reporting date:

| | June 30, 2019 | | December 31, 2018 | |
|-------------------------------|------------------|------------------|-------------------|------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | Rs. in '000 | | | |
| Financial Assets: | | | | |
| Long term trade receivable | 360,882 | 772,004 | 54,578 | 372,186 |
| Financial Liabilities: | | | | |
| Term finance certificates | 1,722,122 | 1,910,371 | 1,713,769 | 1,905,886 |
| Long term financing | 159,832 | 162,402 | 48,627 | 48,627 |
| Sponsors' loan | 1,395,916 | 1,714,837 | 1,255,931 | 1,638,637 |
| | <u>3,277,870</u> | <u>3,787,610</u> | <u>3,018,327</u> | <u>3,593,150</u> |

Carrying amounts of all other financial assets and financial liabilities approximate to their fair values. During the period, there were no significant changes in the business or economic circumstances that affect the fair value of these assets and liabilities.

22.2.2 The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at June 30, 2019:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------|----------------|----------|----------|---------------|
| | Rupees in '000 | | | |
| Assets | | | | |
| Short-term investments | <u>28,806</u> | <u>-</u> | <u>-</u> | <u>28,806</u> |

The following table presents the Company's assets and liabilities that are measured at fair value at December 31, 2018:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------|----------------|----------|----------|---------------|
| | Rupees in '000 | | | |
| Assets | | | | |
| Short-term investments | <u>38,115</u> | <u>-</u> | <u>-</u> | <u>38,115</u> |

During the period, there were no significant changes in the business or economic circumstances that affect the fair value of the Company's financial assets and financial liabilities. Furthermore, there were no reclassifications of financial assets except those specified in Note 3.1.1.3 due to adoption of IFRS 9 and there were no changes in valuation techniques during the period.



Note 23

Segment Information

As per IFRS 8, "Operating Segments", operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The Chief Executive Officer (CEO) of the Company has been identified as the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

The CEO is responsible for the Company's entire product portfolio and considers business as a single operating segment. The Company's assets allocation decisions are based on a single integrated investment strategy and the Company's performance is evaluated on an overall basis.

The internal reporting provided to the CEO for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting and reporting standards as applicable in Pakistan.

The Company is domiciled in Pakistan. All of the Company's assets are located in Pakistan as at the reporting date.

Note 24

Date of Authorization for Issue

These condensed interim financial statements (un-audited) were approved and authorized for issue on 31 August 2019 by the Board of Directors of the Company.

Note 25

Corresponding Figures

Corresponding figures have been re-arranged / reclassified, wherever necessary, to reflect more appropriate presentation of events and transactions for the purpose of comparison. Following re-arrangements / reclassifications have been made in these financial statements:

| Nature | Reason | From | To | Amount (Rupees in '000) |
|------------------|---------------------|---|---|----------------------------|
| Leased asset | Required by IFRS 16 | Operating fixed assets | Right-of-use assets | 1,001,746 |
| Advance received | Required by IFRS 15 | Advance from customers - trade and other payables | Contract liabilities - trade and other payables | 10,639 |


Chief Executive Officer


Director


Chief Financial Officer



**CONDENSED INTERIM
CONSOLIDATED FINANCIAL INFORMATION
(UN-AUDITED)**

HALF YEARLY REPORT 2019



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF WORLDCALL TELECOM LIMITED ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of **WorldCall Telecom Limited and its Subsidiary Company** as at June 30, 2019 and the related consolidated condensed interim statement of profit or loss and other comprehensive income, consolidated condensed interim statement of changes in equity, and consolidated condensed interim statement of cash flows, and notes to the consolidated financial statements for the six-month period then ended (here-in-after referred to as the "consolidated interim financial statements"). Management is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these consolidated financial statements based on our review. The figures included in the consolidated condensed interim statement of profit or loss and consolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2018 and June 30, 2019 have not been reviewed, as we are required to review only the cumulative figures for half year ended June 30, 2019.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 2.6 to the consolidated condensed interim financial statements (un-audited), which indicates that the Group has accumulated losses of Rs. 13,062.71 million and its current liabilities exceeded its current assets by Rs. 5,506.64 million. These conditions, along with others set forth in note 14 to the consolidated condensed interim financial statements (un-audited), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Other Matter

The consolidated condensed interim financial statements for the six-month period ended June 30, 2018 are not reviewed.

The engagement partner on the audit resulting in this independent auditor's report is Amin Ali.

LAHORE
Dated: 31 August 2019


HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants



CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

AS AT 30 JUNE 2019

| | | June 30, 2019 | December 31, 2018 |
|--|----|---|----------------------|
| | | Un-audited | Audited |
| Note | | ------(Rupees in '000)----- | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital: | | | |
| | | 1,500,000,000 (December 31, 2018: 1,500,000,000) ordinary shares of Rs. 10 each | |
| 5 | | 15,000,000 | 15,000,000 |
| | | 500,000 (December 31, 2018: 500,000) preference shares of USD 100 each (USD 50,000,000 equivalent to Rs. 6,000,000,000) | |
| 5 | | 6,000,000 | 6,000,000 |
| Ordinary share capital | 6 | 10,835,944 | 10,835,944 |
| Preference share capital | 7 | 2,585,646 | 2,585,646 |
| Dividend on preference shares | 8 | 949,662 | 949,662 |
| Capital reserves | | 597,467 | 606,776 |
| Accumulated loss | | (13,062,712) | (13,170,319) |
| Surplus on revaluation of fixed assets | | 1,351,683 | 1,466,342 |
| | | 3,257,690 | 3,274,051 |
| NON-CURRENT LIABILITIES | | | |
| Term finance certificates | 9 | 1,572,122 | 1,583,763 |
| Long term financing | 10 | 97,401 | 13,893 |
| Sponsor's loan | 11 | 1,395,916 | 1,255,931 |
| License fee payable | | 1,021,500 | 1,021,500 |
| Post employment benefits | | 272,753 | 241,020 |
| Long term deposit | | - | 93,580 |
| Lease liabilities | 12 | 196,024 | - |
| | | 4,555,716 | 4,209,687 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 6,429,119 | 6,985,295 |
| Unearned revenue | | 92,343 | 73,903 |
| Accrued mark up | | 77,807 | 122,184 |
| Current portion of non-current liabilities | | 375,705 | 164,740 |
| Short term borrowings | 13 | 768,855 | 701,558 |
| Unclaimed dividend | | 1,807 | 1,807 |
| Provision for taxation - net | | 349,042 | 276,261 |
| | | 8,094,678 | 8,325,768 |
| Contingencies and Commitments | | | |
| | 14 | - | - |
| TOTAL EQUITY AND LIABILITIES | | | |
| | | 15,908,084 | 15,809,506 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | 8,325,174 | 8,279,862 |
| Intangible assets | | 2,158,057 | 2,353,114 |
| Investment properties | | 50,210 | 50,210 |
| Long term trade receivable | | 360,882 | 54,578 |
| Deferred taxation | | 2,384,624 | 2,281,289 |
| Long term deposits | | 41,097 | 46,677 |
| | | 13,320,044 | 13,065,730 |
| CURRENT ASSETS | | | |
| Stores and spares | | 51,683 | 60,661 |
| Stock-in-trade | | 204,777 | 204,777 |
| Trade debts | 16 | 1,462,534 | 1,674,755 |
| Loans and advances | | 263,457 | 203,497 |
| Deposits and prepayments | | 488,061 | 473,500 |
| Short term investments | | 26,806 | 38,115 |
| Other receivables | | 79,564 | 81,111 |
| Cash and bank balances | | 9,158 | 7,360 |
| | | 2,588,040 | 2,743,776 |
| TOTAL ASSETS | | | |
| | | 15,908,084 | 15,809,506 |

The annexed notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.

Baburaj
Chief Executive Officer

Vijay
Director

Bha. and S
Chief Financial Officer



**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2019**

| | | Half year ended June 30, | | Quarter ended June 30, | |
|---|------|------------------------------|------------------|------------------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | Note | ----- (Rupees in '000) ----- | | | |
| Revenue | 17 | 2,268,937 | 2,290,882 | 1,243,647 | 1,581,363 |
| Direct costs excluding depreciation and amortization | | (1,215,423) | (1,314,301) | (596,437) | (807,928) |
| Operating costs | | (391,453) | (381,948) | (229,834) | (195,036) |
| Other income - net | 18 | 403,710 | 694,836 | 206,556 | 263,014 |
| Profit before Interest, Taxation, Depreciation and Amortization | | 1,065,771 | 1,289,469 | 623,932 | 841,413 |
| Depreciation and amortization | | (646,613) | (519,901) | (332,930) | (260,441) |
| Finance cost | | (249,515) | (114,827) | (163,157) | (64,267) |
| Profit before Taxation | | 169,643 | 654,741 | 127,845 | 516,705 |
| Taxation | | 20,852 | (17,727) | (55,621) | 5,738 |
| Net Profit for the Period attributable to Parent Company | | 190,495 | 637,014 | 72,224 | 522,443 |
| Earnings per share - basic (Rupees) attributable to Parent Company | | 0.11 | 0.04 | 0.09 | 0.19 |
| Earnings per share - diluted (Rupees) attributable to Parent Company | | 0.07 | 0.03 | 0.09 | 0.10 |

The annexed notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer



**CONDENSED INTERIM CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2019**

| | Half year ended June 30, | | Quarter ended June 30, | |
|--|------------------------------|---------|------------------------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| | ----- (Rupees in '000) ----- | | | |
| Net Profit for the Period | 190,495 | 637,014 | 72,224 | 522,443 |
| Other comprehensive income - net of tax: | | | | |
| <i>Item that may be subsequently reclassified to profit or loss:</i> | | | | |
| - Changes in fair value of financial assets at fair value through other comprehensive income | (9,309) | (1,924) | (10,608) | (9,569) |
| Other Comprehensive Loss - net of tax | (9,309) | (1,924) | (10,608) | (9,569) |
| Total Comprehensive Income for the period attributable to Parent Company | 181,186 | 635,090 | 61,616 | 512,874 |

The annexed notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2019

| Particulars | Ordinary Share Capital | Preference Share Capital | Dividend on Preference Shares | Fair Value Reserve | Exchange Translation Reserve | Total Capital Reserves | Surplus on Revaluation of Fixed Assets | Revenue Reserve (Accumulated Loss) | Total |
|--|------------------------|--------------------------|-------------------------------|--------------------|------------------------------|------------------------|--|------------------------------------|-------------|
| | 9,850,546 | 3,150,236 | 900,887 | (5,928) | 291,839 | 285,911 | 605,949 | (13,027,326) | 1,865,303 |
| Balance as at December 31, 2017 | | | | | | | | | |
| Net profit for the period | - | - | - | - | - | - | - | - | 637,014 |
| Other comprehensive loss for the period - net of tax | - | - | - | (1,924) | - | (1,924) | - | - | (1,924) |
| Total comprehensive income for the period - net of tax | - | - | - | (1,924) | - | (1,924) | - | - | 635,090 |
| Incremental depreciation / amortization for the period on surplus on revaluation of fixed assets | - | - | - | - | - | - | (40,885) | 40,885 | - |
| Effect of change in tax rates | - | - | - | - | - | - | 10,850 | - | 10,850 |
| Exchange translation reserve | - | - | - | - | 334,808 | 334,808 | - | (334,808) | - |
| Conversion of preference shares and dividend thereon | 808,830 | (100,640) | (29,660) | - | (10,003) | (10,003) | - | - | 668,521 |
| Discount on issuance of ordinary shares | (668,521) | - | - | - | - | - | - | - | (668,521) |
| Dividend on preference shares for the period | - | - | 197,011 | - | - | - | - | - | (197,011) |
| Total transactions with owners, recognized directly in equity | 140,309 | (100,640) | 167,345 | - | 324,805 | 324,805 | - | (651,819) | - |
| Balance as at June 30, 2018 | | | | | | | | | |
| Net loss for the period | - | - | - | - | - | - | - | - | (186,056) |
| Other comprehensive income for the period - net of tax | - | - | - | (18,922) | - | (18,922) | 965,383 | - | 950,346 |
| Total comprehensive income for the period - net of tax | - | - | - | (18,922) | - | (18,922) | 965,383 | - | 752,290 |
| Incremental depreciation / amortization for the period on surplus on revaluation of fixed assets | - | - | - | - | - | - | (84,773) | 84,773 | - |
| Effect of change in tax rates | - | - | - | - | - | - | 10,418 | - | 10,418 |
| Exchange translation reserve | - | - | - | - | 128,982 | 128,982 | - | (128,982) | - |
| Conversion of preference shares and dividend thereon | 6,039,232 | (463,950) | (169,063) | - | (112,076) | (112,076) | - | - | 5,294,143 |
| Discount on issuance of ordinary shares | (5,294,143) | - | - | - | - | - | - | - | (5,294,143) |
| Dividend on preference shares for the period | - | - | 50,693 | - | - | - | - | (50,693) | - |
| Total transactions with owners, recognized directly in equity | 745,089 | (463,950) | (118,370) | - | 16,906 | 16,906 | - | (179,675) | - |
| Balance as at December 31, 2018 as previously reported | | | | | | | | | |
| Effect of adoption of IFRS 9 | 10,835,944 | 2,595,046 | 949,862 | (26,774) | 633,550 | 606,776 | 1,466,342 | (13,170,319) | 3,274,051 |
| Balance as at December 31, 2018 as restated | | | | | | | | | |
| Net profit for the period | - | - | - | - | - | - | - | - | 190,495 |
| Other comprehensive loss for the period - net of tax | - | - | - | (9,309) | - | (9,309) | - | - | (9,309) |
| Total comprehensive income for the period - net of tax | - | - | - | (9,309) | - | (9,309) | - | - | 181,186 |
| Incremental depreciation / amortization for the period on surplus on revaluation of fixed assets | - | - | - | - | - | - | (107,897) | 107,897 | - |
| Effect of change in tax rates | - | - | - | - | - | - | (6,762) | - | (6,762) |
| Balance as at June 30, 2019 | | | | | | | | | |
| | 10,835,944 | 2,595,046 | 949,862 | (36,083) | 633,550 | 597,467 | 1,351,683 | (13,062,712) | 3,257,690 |

The annexed notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Director



Chief Financial Officer



CONDENSED INTERIM CONSOLIDATED STATEMENT CASH FLOWS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2019

| | Half Year Ended June 30, | |
|---|------------------------------|--------------|
| | 2019 | 2018 |
| | (Un-audited) | (Un-audited) |
| Note | ----- (Rupees in '000) ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash used in operations | 19 363,079 | (150,432) |
| <i>Decrease / (Increase) in non-current assets:</i> | | |
| - Long term loans | - | 460 |
| - Long term trade receivables | (311,240) | 15,266 |
| - Long term deposits | 5,580 | (716) |
| | (305,660) | 15,010 |
| Cash (used in) / generated from operations | 57,419 | (135,422) |
| Post employment benefits paid | (546) | (8,927) |
| Finance cost paid | (43,246) | (9,566) |
| Income tax paid | (16,483) | (20,913) |
| Net Cash Used in Operating Activities | (2,856) | (174,828) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (19,021) | (40,247) |
| Investment in subsidiary | - | (5,659) |
| Proceeds from disposal of property, plant and equipment | 1,860 | 70,858 |
| Net Cash Used in Investing Activities | (17,161) | 24,952 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of term finance certificates | (30,000) | - |
| Repayment of long term financing | (13,893) | (63,257) |
| Sponsor's loan | - | 300,000 |
| Short term borrowings - net | 96,536 | 2,502 |
| Repayment of lease liability | (30,828) | - |
| Net Cash Generated from Financing Activities | 21,815 | 239,245 |
| Net Decrease in Cash and Cash Equivalents | 1,798 | 89,369 |
| Cash and cash equivalents at the beginning of the period | 7,360 | 22,919 |
| Cash and Cash Equivalents at the End of the Period | 9,158 | 112,288 |

The annexed notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30 2019

Note 1

Legal Status and Nature of Operations

The Group is structured as follows:

- Worldcall Telecom Limited is the Parent Company (refer to note 1.1)
- Route 1 Digital (Private) Limited (the subsidiary) was acquired during the year ended December 31, 2018 (refer to note 1.2). The subsidiary is wholly owned by the Parent with 100% shareholding of the Parent Company in the subsidiary.

The registered office of the Group is situated at Plot # 1566/124, Main Walton Road, Lahore Cantt.

- 1.1** Worldcall Telecom Limited (the Parent Company) is a public limited Company incorporated in Pakistan on March 15, 2001 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Its shares are quoted on Pakistan Stock Exchange. The Parent Company commenced its operations on December 01, 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan; re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals; interactive communication and to establish, maintain and operate the licensed telephony services. The Parent Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The Parent Company is domiciled in Pakistan and its registered office and principal place of business is situated at Plot # 1566/124, Main Walton Road, Lahore Cantt.
- Worldcall Services (Pvt.) Limited (the "Holding Company"), Holding Company of the Parent Company and incorporated in Pakistan, owns 27.79% (December 31, 2018: 27.79%) ordinary shares of the Parent Company. Aggregate holding of Worldcall Services (Private) Limited through other associates is 45.81% (December 31, 2018: 53.27%).
- 1.2** Route 1 Digital (Private) Limited (the subsidiary) is a private limited Company incorporated in Pakistan on December 21, 2016 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The primary business is to carry out the business of all transport services, sharing motor vehicle transportation with another or others, and consultancy in the field of information technology, software development and all activities ancillary thereto. The subsidiary is domiciled in Pakistan and its registered office is situated at 2nd Floor, 300 Y Block, Phase-III, Defence Housing Authority, Lahore Cantt. Its principal place of business is situated at 20, Tariq Block, New Garden Town, Lahore. The Group acquired this subsidiary during the year for which control was obtained on April 20, 2018.

Note 2

Basis of Preparation

- 2.1** These condensed interim consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard ("IAS") 34, 'Interim Financial Reporting', issued by International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
 - Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2** These condensed interim consolidated financial statements are unaudited.
- 2.3** These condensed interim consolidated financial statements (un-audited) do not include all of the information required for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018. Selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Group's financial statements since the last financial statements.



2.4 These condensed interim consolidated financial statements (un-audited) should be read in conjunction with annual audited consolidated financial statements for the year ended December 31, 2018. Comparative statement of financial position is extracted from annual audited consolidated financial statements for the year ended December 31, 2018 whereas comparative statement of profit or loss, comparative statement of comprehensive income, comparative statement of changes in equity and comparative statement of cash flows are extracted from unaudited condensed interim consolidated financial statements for the half year ended June 30, 2018.

2.5 These condensed interim (un-audited) consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentational currency. All the figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

2.6 Going concern assumption

The Group has earned a profit after taxation of Rs. 190.495 million during the period ended June 30, 2019 (June 30, 2018: profit after taxation of Rs. 637.014 million) which includes the impact of write back of provisions and unclaimed liabilities for Rs. 374.52 million (June 30, 2018: Rs. 559.43 million). As at June 30, 2019, the accumulated loss of the Group stands at Rs. 13,062.71 million (December 31, 2018: Rs. 13,170.32 million) and its current liabilities exceed its current assets by Rs. 5,506.64 million (December 31, 2018: Rs. 5,581.99 million). These conditions, along with the factors discussed in note 14, indicate the existence of material uncertainties that cast significant doubt about the Group's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Group's management has carried out an assessment of going concern status of the Group and believes that preparation of these financial statements on going concern assumption is appropriate. The management has placed reliance on the following factors:

2.6.1 Net Liabilities Position - Risk Mitigation

As mentioned above, there is a net current liability position of approximately Rs. 5.507 billion as on the reporting date, which has the following major components:

| Description | Note | Rs in million |
|--|---------|---------------|
| Short term Borrowings (Principal+Markup) | 2.6.1.1 | 817 |
| Pakistan Telecommunication Authority (PTA) | 2.6.1.2 | 2,312 |
| Claims of Parties Challenged | 2.6.1.3 | 885 |
| Continuing Business Partners | 2.6.1.4 | 704 |
| Provision for taxation | 2.6.1.5 | 349 |
| | | 5,067 |

The management believes that certain balances included in the above amounts do not represent immediately payable liabilities as detailed below:

2.6.1.1 The Group has been successful in obtaining renewals of its short term financing facilities from all major banks except two facilities and markup servicing is also being improved. Moreover, short term borrowings include funds obtained from sponsors / related parties to the tune of Rs. 326.64 million.

2.6.1.2 Liabilities towards PTA stand at approximately Rs. 2.3 billion which are not immediately payable owing to non-fulfilment of certain conditions relating to the demand of such amounts. These conditions relate to the industry circumstances and Court Orders.

2.6.1.3 This amount represents the amounts owed to certain parties whose claims have been challenged by the Group in various judicial forums for the breach and non-performance of their contractual obligations. Based on the merits of Group's position, the management believes that such amounts may not be immediately payable under the circumstances.

2.6.1.4 This represents routine trade credits extended by regular parties and these balances are of revolving nature. Thus, no immediate net cash outlay would be required.

2.6.1.5 The Group does not anticipate cash outlays on account of Provision for Taxation, since it has sufficient brought forward losses.

2.6.2 Continued Parent Company Support

The Group's majority shareholder, Worldcall Services (Private) Limited (WSL) has given assurance to provide continued cash flow support to the Group through its letter to the Group's Board of Directors.



Note 3

Significant Accounting Policies

The Group's accounting and financial risk management policies and methods of computation adopted in the preparation of these condensed interim (un-audited) consolidated financial statements are the same as those applied in the preparation of preceding annual financial statements of the Group for the year ended December 31, 2018 except for the adoption of new and amended standards as set out below:

3.1 Initial application of standards, amendments or interpretations to existing standards

There has been no financial effect of the change in accounting policy on the prior period financial statements except for certain reclassifications in the corresponding period.

The following amendments to existing standards have been published that are applicable to the Group's condensed interim consolidated financial statements:

3.1.1 Standards, amendments and interpretations to approved accounting and reporting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting and reporting standards are effective for accounting periods beginning on January 1, 2019, but are considered not to be relevant or to have any significant effect on the Group's condensed interim consolidated financial statements and are, therefore, not detailed in these condensed interim consolidated financial statements.

The following standards, amendments and interpretations to approved accounting and reporting standards have been adopted by the Group which are relevant for the Group. Any change in presentation or classification of items has been accounted for in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. However, no restatement has been deemed necessary in this regard.

3.1.1.1 IFRS 15 'Revenue from Contracts with Customers'

This Standard had been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This Standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations.

The Group has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any impact on the revenue recognition policy of the Group and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application is nil.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 July 2018) replaces IAS 18 Revenue, IAS 11 Construction Contracts, and other related interpretations on revenue recognition. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Set out below, are the amounts by which each financial statement line item is affected as at and for the period ended June 30, 2019 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on the financial statements of the Group. The only change is the change in terminologies with no change in amounts to be recognized. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:



| | IFRS 15 | Previous IFRS | Increase / (Decrease) |
|---|-------------------------------|---------------|--------------------------|
| | -----Rupees in thousands----- | | |
| LIABILITIES | | | |
| Contract liabilities - trade and other payables | 10,639 | - | 10,639 |
| Advance from customers - trade and other payables | - | 10,639 | (10,639) |

The Group has not presented a third statement of financial position as at the beginning of the the preceding period as the Group believes that the there is no effect of restatement and reclassifications.

3.1.1.2 IFRS 16 'Leases'

The Group has adopted IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) during the period that has replaced IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating Leases - Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for virtually all of the leases. IFRS 16 includes an optional exemptions for certain short-term leases and leases of low-value assets for lessees. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the lease payments. Under the previous standard, IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 'Leases'. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, as the IASB has updated the guidance on the definition of a lease as well as the guidance on the combination and separation of contracts, lessors will also be affected by the new standard. The adoption of IFRS 16 has necessitated change in accounting policy for the Group.

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore the comparative information presented has not been restated and continues to be reported under IAS 17 and related interpretations.

On transition to IFRS 16, the Group has elected to use the following practical expedients under IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease;
- A single discount rate has been applied to portfolio of leases with reasonably similar characteristics;
- Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases (i.e. not recognized in the statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group, as a lessee, previously used to classify leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. The Group used to recognize minimum lease payments in full as an expense. Now, under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for all leases, after taking into account the elections made for available practical expedients described above.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement contains a Lease'. The Group now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group depreciates right-of-use assets in depreciation and amortization and unwounds the discount on lease liability into finance cost.



On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019, the date of initial application. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. There has been no impact on the opening equity.

The Group has applied IAS 36 Impairment of Assets to ROU assets at the date of initial application and assessed that ROU assets are not impaired as at that date.

On transition to IFRS 16, the Group has recognized an additional Rs. 254.34 million of right-of-use assets (adjusted by prepaid lease payments of Rs. 3.49 million) and Rs. 250.85 million of lease liabilities in the statement of financial position. The Group used its incremental borrowing rate at January 1, 2019 to discount the lease payments. The weighted average incremental borrowing rate applied to lease liabilities on January 1, 2019 was 13.35%.

The reconciliation of aggregate lease liability recognized in the statement of financial position at January 1, 2019 with the Group's operating lease commitment as at December 31, 2018 is as follows:

| | Rs. in '000 |
|--|----------------|
| - Operating lease commitment as at December 31, 2018 | 452,216 |
| - Recognition exemption for short-term leases | (12,204) |
| - Effect of discounting those lease commitments at an annual rate of 13.35% | (189,165) |
| Lease liabilities recognized at January 1, 2019 as a result of initial application of IFRS 16 | 250,847 |

3.1.1.3 IFRS 9 'Financial Instruments'

The Securities and Exchange Commission of Pakistan ('SECP') through SRO 1007(I)/2017 dated October 4, 2017 had notified that IFRS 9, 'Financial Instruments' would be applicable for annual periods beginning on or after July 1, 2018, however, subsequent to reporting date, SECP through SRO 229(I)/2019 dated February 14, 2019 has notified the deferment of this standard to reporting period/year ending on or after June 30, 2019 (earlier application is permitted). Consequently, the Group has adopted this standard in the preparation of these condensed interim consolidated financial statements for the six-month period ended June 30, 2019.

The Group has adopted IFRS 9 'Financial Instruments' during the period that has replaced IFRIC 9 - Reassessment of Embedded Derivatives, IAS 39 - Financial Instruments: Recognition and Measurement, IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). IFRS 9 shall now govern the classification, recognition, measurement, presentation and disclosure of financial instruments.

IFRS 9 has introduced new requirements governing the recognition and measurement of financial instruments and impairment losses on financial assets. IFRS 9 also includes new guidelines on hedge accounting. The financial assets are now classified on the basis of the business model in which they are held and their cash flow characteristics. Equity instruments currently classified as held for trading financial assets may now be recognized at fair value through other comprehensive income. The change in recognition of impairment of financial assets from the incurred loss model to the expected loss model will result in earlier recognition of expected losses in the profit and loss account. The loss allowances to be recognized on receivables will now be determined using the full lifetime expected loss model. The default rates will be based on historical and forward-looking data. The requirements regarding financial liabilities remain mostly unchanged.

The Group has applied IFRS 9 prospectively, with an initial application date of January 1, 2019. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising, if any, from the adoption of IFRS 9 have been recognized directly in retained earnings and other components of the equity.

Effects of IFRS 9, Financial Instruments

The reclassification of financial instruments from IAS 39 to IFRS 9 categories depending on the applicable business model and the associated contractual cash flows did not materially affect the condensed interim consolidated financial statements.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.



The assessment of the Group's business model was made as of the date of initial application, January 1, 2019. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

- Financial assets classified as Loans and receivables as at December 31, 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning January 1, 2019.
- Quoted debt investments classified as Available-for-sale (AFS) financial assets as at December 31, 2018 are classified and measured as debt instruments at fair value through OCI beginning January 1, 2019. The Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at January 1, 2019:

| IAS 39 Category | IFRS 9 Category | | | |
|------------------------------|-------------------------------|-----------------------------------|----------------|------------------------|
| | Amount under IAS 39 | Fair value through profit or loss | Amortized cost | Fair value through OCI |
| | -----Rupees in thousands----- | | | |
| Loans and receivables | | | | |
| Long term loans | 2,758 | - | 2,758 | - |
| Long term deposits | 46,677 | - | 46,677 | - |
| Long term trade receivables | 54,578 | - | 54,578 | - |
| Trade debts* | 1,674,755 | - | 1,483,970 | - |
| Short term deposits | 458,565 | - | 458,565 | - |
| Other receivables | 81,111 | - | 81,111 | - |
| Cash and bank balances | 7,360 | - | 7,360 | - |
| Available for sale | | | | |
| Listed equity investments | 38,115 | - | - | 38,115 |

*The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below:

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the Group recognized additional impairment on the Group's Trade debts of Rs. 190.785 million which resulted in a decrease in retained earnings of Rs. 190.785 as at January 1, 2019. Impairment losses do not reduce the carrying amount of debt instruments at fair value through OCI in the statement of financial position, which remains at fair value.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

| | Allowance for impairment under IAS 39 as at December 31, 2018 | Re-measurement | ECL under IFRS 9 as at January 1, 2019 |
|--|---|----------------|--|
| | -----Rupees in '000----- | | |
| Loans and receivables under IAS 39 / Financial assets at amortized cost under IFRS 9 | 2,064,433 | 190,785 | 2,255,218 |



3.1.1.3 IFRIC 23 'Uncertainty over Income Tax Treatments'

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. There is no impact on these interim consolidated financial statements for application of this IFRIC.

Note 4

Significant Accounting Judgments and Estimates

The preparation of condensed interim (un-audited) consolidated financial statements in conformity with approved accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates, 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. In preparing these condensed interim (un-audited) consolidated financial statements, the significant judgments made by the management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the year ended December 31, 2018 except for impairment testing of assets; taxation; provision for expected credit losses; identifying performance obligations in a bundled sale of goods and installation services; determining the timing of performance obligation satisfaction; determining method to estimate variable consideration; consideration of significant financing component in a contract; and estimation of stand-alone selling prices.

Note 5

Authorized Share Capital

| June 30, 2019 | December 31, 2018 | | June 30, 2019 | December 31, 2018 |
|---|----------------------|-----------------------------------|------------------------------|----------------------|
| (Un-audited) | (Audited) | | (Un-audited) | (Audited) |
| No. of Shares | | | ----- (Rupees in '000) ----- | |
| <u>Ordinary share capital:</u> | | | | |
| <u>1,500,000,000</u> | <u>1,500,000,000</u> | Ordinary shares of Rs. 10 each | <u>15,000,000</u> | <u>15,000,000</u> |
| <u>Preference share capital:</u> | | | | |
| <u>500,000</u> | <u>500,000</u> | Preference shares of USD 100 each | <u>6,000,000</u> | <u>6,000,000</u> |

- 5.1 During the period, shareholders of the Group resolved in annual general meeting held on April 30, 2019 that the authorized capital of the Group be increased from PKR 21 billion to PKR 29 billion divided into 2.9 billion ordinary shares of PKR 10 which may be utilized to issue ordinary shares of PKR 10 each and / or preference shares of PKR 10 each of the Group as the Board of Directors of the Group may decide from time to time in accordance with the Companies Act, 2017. Regulatory requirements as to the alteration of Memorandum and Articles of Association are in process.



Note 6

Ordinary Share Capital

| June 30, 2019 (Un-audited) No. of Shares | December 31, 2018 (Audited) | Note | June 30, 2019 (Un-audited) ----- (Rupees in '000) ----- | December 31, 2018 (Audited) ----- (Rupees in '000) ----- |
|---|-----------------------------------|---|--|---|
| 344,000,000 | 344,000,000 | Ordinary shares of Rs. 10 each fully paid in cash | 3,440,000 | 3,440,000 |
| 309,965,789 | 309,965,789 | Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger | 3,099,658 | 3,099,658 |
| 98,094,868 | 98,094,868 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 980,949 | 980,949 |
| 108,510,856 | 108,510,856 | Ordinary shares of Rs. 10 each issued against convertible loan | 1,085,109 | 1,085,109 |
| 945,350,404 | 945,350,404 | Ordinary shares of Rs. 10 each issued against convertible preference shares | 9,453,504 | 9,453,504 |
| | | 6.6 | 18,059,220 | 18,059,220 |
| | | Less: Discount on issue of shares | (7,223,276) | (7,223,276) |
| <u>1,805,921,917</u> | <u>1,805,921,917</u> | | <u>10,835,944</u> | <u>10,835,944</u> |

- 6.1 During the period, Nil (December 31, 2018: 56,100) convertible preference shares and accumulated preference dividend thereon amounting to Rs. Nil (December 31, 2018: Rs. 198.729 million) have been converted into ordinary shares in accordance with the agreed terms and conditions detailed in Note 7.2. Legal formalities for allotment of 306,887,260 shares (December 31, 2018: 306,887,260) by SECP are under process.
- 6.2 The terms of agreement between the Group and certain lenders impose certain restrictions on distribution of dividends by the Group.
- 6.3 Worldcall Services (Pvt.) Limited, the Holding Company, holds 501,862,290 shares (December 31, 2018: 501,862,290 shares) representing 27.79% (December 31, 2018: 27.79%) in the Group. Out of these shares, 175 million shares are pledged to secure TFC liability which will be released with quarterly scheduled principal repayments proportionately starting from June 2019 (refer to note 9).
- 6.4 Ferret Consulting F.Z.C., an associate of the Group, holds 324,444,643 shares (December 31, 2018: 324,444,643 shares) representing 17.97% (December 31, 2018: 17.97%) in the Group.
- 6.5 AMB Management Consultants (Pvt.) Limited, an associate of the Group, holds 931,543 shares (December 31, 2018: 135,576,543 shares) representing 0.05% (December 31, 2018: 7.51%) in the Group.

| | June 30, 2019 (Un-audited) ----- (Rupees in '000) ----- | December 31, 2018 (Audited) ----- (Rupees in '000) ----- |
|---|--|---|
| 6.6 Reconciliation of outstanding ordinary share capital is as follows: | | |
| Opening balance | 18,059,220 | 11,211,158 |
| Add: Ordinary share capital issued against convertible preference share capital | - | 6,848,062 |
| Closing balance | <u>18,059,220</u> | <u>18,059,220</u> |
| 6.7 Reconciliation of discount on issue of shares is as follows: | | |
| Opening balance | 7,223,276 | 1,260,612 |
| Add: Discount on issuance of ordinary shares during the period / year | - | 5,962,664 |
| Closing balance | <u>7,223,276</u> | <u>7,223,276</u> |



Note 7

Preference Share Capital

| | | June 30, 2019 (Un-audited) -----No. of Shares----- | December 31, 2018 (Audited) | June 30, 2019 (Un-audited) -----Rupees in '000----- | December 31, 2018 (Audited) |
|---|------|---|-----------------------------------|--|-----------------------------------|
| | Note | | | | |
| Opening balance | | 255,400 | 311,500 | 2,585,646 | 3,150,236 |
| Less: Preference shares converted into ordinary shares during the year | 7.3 | - | (56,100) | - | (564,590) |
| | | <u>255,400</u> | <u>255,400</u> | <u>2,585,646</u> | <u>2,585,646</u> |

- 7.1 These preference shares are US Dollars denominated, non-voting, cumulative and convertible preference shares ("CPS", or "preference shares") having a face value of USD 100 each.
- 7.2 The conversion option was exercisable by the holder at any time after the 1st anniversary of the issue date but not later than the 5th anniversary. On 5th anniversary, CPS had to be mandatorily converted into ordinary voting common shares. CPS were to be converted at the conversion ratio defined in the agreement at 10% discount on share price after first anniversary and thereby increased by 10% additional discount for each completed year of anniversary.
- 7.3 In accordance with the terms detailed in Note 7.2 above, certain preference shareholders have exercised conversion option. Thus, their CPS and accrued preference dividend thereon have been converted into ordinary shares as reflected in Note 6.1 and Note 8.2. Out of these converted, 22,000 preference shares (December 31, 2018: 46,100) are yet to be cancelled by the Group in SECP's records.
- 7.4 CPS holders are entitled to non-cash dividend which shall be calculated @ 5.9% per annum on each of the preference shares or the dividend declared by the Group for Ordinary Shareholders, whichever is higher.
- 7.5 Certain preference shareholders have served conversion notices for conversion of 38,800 preference shares. The Group is yet to issue ordinary shares against these CPS along with accumulated dividend thereon. Such conversion would result in issuance of 541,237,537 ordinary shares.
- 7.6 Worldcall Services (Pvt.) Limited, the Holding Company, holds 34,500 preference shares (December 31, 2018: 34,500 preference shares) in the Group.
- 7.7 Ferret Consulting F.Z.C., an associate of the Group, holds 164,100 preference shares (December 31, 2018: 164,100 preference shares) in the Group.
- 7.8 AMB Management Consultants (Pvt.) Limited, an associate of the Group, holds 4,300 preference shares (December 31, 2018: 4,300 preference shares) in the Group.
- 7.9 Mandatory date of conversion of CPS has expired during the last year and the Group has failed to redeem the un-converted preference shares in a timely fashion as contemplated by its Articles of Association. Thus, the Group is in default of Regulation 12 of the Companies (Further Issue of Shares) Regulations 2018. According to these Regulations, a listed Company that fails to, completely or partially, fulfill or comply with any of the relevant terms and conditions of preference shares is considered to be in an event of default.
- 7.10 During the period, the preference shareholders in an Extra Ordinary General Meeting held on January 4, 2019 and ordinary shareholders in annual general meeting held on April 30, 2019 have given their assent for the conversion of preference shares be made at nominal value of PKR 10 each and for the amendments in the Memorandum and Articles of Association. Resultantly, preference shares along with dividend accrued thereon shall be converted on any date from the mandatory conversion date, at par value of PKR 10 each. However, the shares for which notices have been received before mandatory conversion date would be converted on the terms prevalent on the date of notice.

Note 8

Dividend on Preference Shares

| | | June 30, 2019 (Un-audited) -----Rupees in '000----- | December 31, 2018 (Audited) |
|--------------------------------|------|--|-----------------------------------|
| | Note | | |
| Dividends on preference shares | 8.1 | <u>949,662</u> | <u>949,662</u> |

- 8.1 This represents accumulated dividend on preference shares which is not payable in cash rather it will be converted into ordinary shares as and when the preference shares are converted into ordinary shares.
- 8.2 During the period, cumulative preference dividend amounting to Rs. Nil (December 31, 2018: Rs. 198.72 million) was converted into ordinary shares as a result of conversion option exercised by certain preference shareholders in accordance with the terms and conditions given in Note 7.2 above.



Note 9

Term Finance Certificates

| | | June 30, 2019 | December 31, 2018 |
|--|-------------|------------------------------|------------------------------|
| | Note | (Un-audited) | (Audited) |
| | | ----- (Rupees in '000) ----- | |
| Opening balance | | 1,317,110 | 1,517,110 |
| Less: Payments made during the period/year | | (30,000) | (200,000) |
| | | 1,287,110 | 1,317,110 |
| Less: Current and overdue portion | | (150,000) | (130,006) |
| | | 1,137,110 | 1,187,104 |
| Add: Deferred markup | 9.1 | 435,012 | 396,659 |
| | | <u>1,572,122</u> | <u>1,583,763</u> |

Term finance certificates (TFCs) have a face value of Rs. 5,000 per certificate. These TFCs carry mark up at the rate of six months average KIBOR plus 1.0% per annum (December 31, 2018: six month average KIBOR plus 1.6% per annum), payable quarterly. The mark up rate charged during the year on the outstanding balance ranged from 11.80% to 12.10% (December 31, 2018: 8.03% to 8.21%) per annum.

The liability of these TFCs has been rescheduled in December 2012 and then on April 03, 2015. During last year, third rescheduling of these TFCs has successfully been executed through signing of the Third Supplemental Trust Deed between the Trustee and the Group.

In accordance with the 3rd Supplemental Trust Deed executed during last year, the outstanding principal is repayable by way of quarterly staggered installments with downward revision in markup of 0.60% i.e. revised markup of six months average KIBOR + 1%. The outstanding markup payable as at the date of restructuring and up to December 20, 2018 is agreed to be deferred and shall be paid from March 20, 2021 in quarterly installments. 50% of the markup accrued for the period between December 20, 2018 to December 20, 2020 shall be paid on regular quarterly basis commencing from March 20, 2019 and the remaining 50% shall be deferred and paid from March 20, 2021. Markup deferred has been measured at present value. Under the revised term sheet, these TFCs are due to mature on September 20, 2026.

The other main terms were included appointment of one representative as nominee director nominated by the Trustee which has been appointed.

IGI Investment Bank Limited is the Trustee (herein referred to as the Trustee) under the Trust Deed. These TFCs are secured against first pari passu charge over the Group's present and future fixed assets including equipment, plant and machinery, fixtures excluding land and building with 25% margin in addition to all rights, benefits, claims and interests procured by the Group under:

- a) LDI and WLL license issued by PTA to the Group; and
- b) Assigned frequency spectrum as per deed of assignment.

Further, 175 million sponsor's shares are pledged for investors which will be released with quarterly scheduled principal repayments proportionately starting from June 2019.

9.1 Deferred markup

| | | | |
|------------------------------------|-------|----------------|----------------|
| Deferred markup | 9.1.1 | 623,261 | 588,776 |
| Adjustment due to impact of IFRS 9 | 9.1.2 | (188,249) | (192,117) |
| | | <u>435,012</u> | <u>396,659</u> |



| | June 30, 2019 (Un-audited) | December 31, 2018 (Audited) |
|---|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| 9.1.1 Reconciliation of deferred markup is as follows: | | |
| Opening balance | 588,776 | - |
| Add: Markup deferred during the period / year | 34,485 | 588,776 |
| | <u>623,261</u> | <u>588,776</u> |
| 9.1.2 Reconciliation is as follows: | | |
| Opening balance | 192,117 | - |
| Add: Discounting impact of deferred markup | 12,580 | 192,117 |
| | <u>204,697</u> | <u>192,117</u> |
| Less: Unwinding impact of discounted deferred markup | (16,448) | - |
| | <u>188,249</u> | <u>192,117</u> |

Note 10

Long Term Financing

| | Note | June 30, 2019 (Un-audited) | December 31, 2018 (Audited) |
|---|------|----------------------------------|-----------------------------------|
| | | ----- (Rupees in '000) ----- | |
| From Banking Companies (secured) | | | |
| Askari Bank Limited | 10.1 | - | 13,893 |
| Allied Bank Limited | 10.2 | 97,401 | - |
| | | <u>97,401</u> | <u>13,893</u> |
| 10.1 Askari Bank Limited | | | |
| Opening balance | | 48,627 | 76,414 |
| Repayments / adjustments | | (13,893) | (27,787) |
| | | <u>34,734</u> | <u>48,627</u> |
| Less: Current and overdue portion | | (34,734) | (34,734) |
| | | <u>-</u> | <u>13,893</u> |

This represents liability created by the bank due to encashment of performance guarantee issued in favor of Universal Service Fund (USF). The tenure of the loan is 3 years and is repayable by April 30, 2020. It carries mark up at 6 months KIBOR plus 2% per annum. The mark up charged during the period on the outstanding balance ranged from 12.80% to 15.11% (December 31, 2018: 8.43% to 8.61%) per annum. The loan is secured through joint collateral comprising first joint pari passu hypothecation charge of Rs. 1.26 billion over all present and future fixed and current assets of the Group with 25% margin, first exclusive assignment of all present and future receivables of LDI business arm of the Group in favor of lender with 25% margin and collection accounts with the Bank for routing of LDI receivables.

10.2 Allied Bank Limited

| | | |
|--------------------------------------|----------------|----------|
| Opening balance | - | 51,820 |
| Transfer from running finance | 123,000 | - |
| Repayments / adjustments | (2,303) | (51,820) |
| | <u>120,697</u> | <u>-</u> |
| Less: Current and overdue portion | (27,697) | - |
| | <u>93,000</u> | <u>-</u> |
| Add: Deferred markup | 6,971 | - |
| Less: Discounting of deferred markup | (2,570) | - |
| | <u>4,401</u> | <u>-</u> |
| | <u>97,401</u> | <u>-</u> |



This represents balance transferred as a result of restructuring of short term running finance (RF) facility to Term Loan Facility. Principle will be repaid in 48 stepped up monthly installments starting from January 2019 till December 2022. Markup will be accrued and will be serviced in 12 equal monthly installments, starting from January 01, 2023. Effective markup rate applicable will be 3 Month KIBOR + 85 bps. The facility is secured against Joint pari passu hypothecation charge on present and future current and fixed assets excluding land and building.

Note 11

Sponsor's Loan

| | | June 30, 2019 | December 31, 2018 |
|-----------------------------------|-----------------|------------------------------|----------------------|
| | Note | (Un-audited) | (Audited) |
| | | ----- (Rupees in '000) ----- | |
| Sponsor's Loan - unsecured | | | |
| - Interest bearing | 11.1 | 493,500 | 417,300 |
| - Non-interest bearing | 11.2 | 902,416 | 838,631 |
| | | <u>1,395,916</u> | <u>1,255,931</u> |
| 11.1 | Opening balance | 417,300 | 331,500 |
| | Exchange loss | 76,200 | 85,800 |
| | | <u>493,500</u> | <u>417,300</u> |

This represents USD denominated loan obtained from Worldcall Services (Private) Limited, the Holding Company. It carries mark up at 12 months KIBOR plus 1%. The mark up rate charged during the period on the outstanding balance is 12.34% (December 31, 2018: 7.50%) per annum.

- 11.2 This represents interest free loan obtained from Worldcall Services (Private) Limited, the Holding Company. The amount is not payable over the period of next 3 years.

In accordance with the requirements of IFRS 9, this loan has been carried at amortized cost and the relevant difference is being charged to the statement of profit or loss. During the last year, imputed markup was calculated at 12 months KIBOR plus 2% per annum and accounted for.

| | | |
|-------------------------------------|------------------|------------------|
| Opening balance | 1,221,337 | 368,500 |
| Transferred from current account | - | 852,837 |
| Amount of loan | <u>1,221,337</u> | <u>1,221,337</u> |
| Adjustment due to impact of IFRS 9: | | |
| Discounting | (382,706) | (406,813) |
| Unwinding of discount | <u>63,785</u> | <u>24,107</u> |
| | <u>(318,921)</u> | <u>(382,706)</u> |
| | <u>902,416</u> | <u>838,631</u> |



Note 12

Lease Liabilities

| | | June 30, 2019 | December 31, 2018 |
|--|------|------------------------------|----------------------|
| | Note | (Un-audited) | (Audited) |
| | | ----- (Rupees in '000) ----- | |
| Lease liabilities | 12.1 | 196,024 | - |
| 12.1 Opening balance | | - | - |
| Add: Adoption effect of IFRS 16 Leases | | 250,847 | - |
| Add: Accrued lease rentals as at December 31, 2018 | | 7,848 | - |
| Add: Additions during the year | | 10,506 | - |
| Add: Interest expense | | 15,924 | - |
| Less: Lease payments | | (30,827) | - |
| Gross liability | | 254,298 | - |
| Less: current portion | | (58,274) | - |
| Closing balance | | 196,024 | - |

12.2 Summary of amounts relating to leases charged in different line items of the financial statements is as follows:

| | | 2019 | 2018 |
|---------------------------------------|-------------------------------|------|---------------------------|
| | Included in | Note | ----- (Rs. in '000) ----- |
| Interest expense on lease liabilities | Finance cost | | 15,924 |
| Amortization charge for ROU assets | Depreciation and amortization | | 23,255 |
| Carrying amount of ROU assets | Property, plant and equipment | 15.2 | 1,243,337 |
| Expense relating to short-term leases | Direct costs | | 696 |
| Expense relating to short-term leases | Operating costs | | 11,509 |
| Repayment of lease liability | Financing Activities | | 30,828 |

12.3 Maturity analysis of contractually undiscounted cash flows

| At June 30, 2019 (Un-audited) | Within One Year | Between Two to Five Years | Later than Five Years |
|-------------------------------|--------------------|---------------------------------|--------------------------|
| Lease liabilities | 58,274 | 242,376 | 198,240 |

12.4 Nature of leasing activities

The Group's leases comprise cables and certain premises for installation of equipment, use as warehouse, guest house and office operations. Periodic rentals are usually fixed over the lease term. However, in some contracts, it is customary for lease contracts to provide escalation in lease payments after specified period of time. These neither contain any variable lease payments nor any lease incentives. The Group is not committed to any leases not yet commenced at the reporting date.

Lease terms, and the remaining lease terms at the date of initial application, vary. Remaining lease term of existing lease contracts for which lease liability is booked ranges from 2 to 14 years.



Note 13

Short Term Borrowings

| | | June 30, 2019 | December 31, 2018 |
|--|--|------------------|----------------------|
| | Note | (Un-audited) | (Audited) |
| ----- (Rupees in '000) ----- | | | |
| Banking companies (secured - interest bearing): | | | |
| - Running finances | 13.1 | 442,212 | 562,458 |
| Related parties (unsecured - interest free): | | | |
| - Ferret Consulting F.Z.C. | 13.2 | 246,750 | 139,100 |
| - Worldcall Services (Private) Limited | 13.3 | 79,893 | - |
| | | <u>768,855</u> | <u>701,558</u> |
| 13.1 | These represent short term running finance facilities available from commercial banks under mark up arrangements. One of the running finance facility was transferred to long term financing during the year as a result of restructuring of short term running finance (RF) facility to Term Loan Facility (note 10.2). | | |
| 13.2 | This represents USD denominated interest free amount of USD 1.5 million received from M/s Ferret Consulting - F.Z.C to meet the working capital requirements. An amount of USD 0.5 million was received during the period. The amount is repayable on demand. | | |
| 13.3 | This represents interest free amount received from M/s Worldcall Services (Private) Limited to meet the working capital requirements. The amount is repayable on demand. Reconciliation is as follows: | | |
| | Opening balance | - | - |
| | Add: Amount paid by WSL on behalf of the Group | 52,893 | - |
| | Add: Receipts during the period / year | 27,000 | - |
| | | <u>79,893</u> | <u>-</u> |

Note 14

Contingencies and Commitments

There is no significant change in the status of contingencies from the preceding annual financial statements of the Group for the year ended December 31, 2018, except for the followings:

- 14.1 As disclosed in note 21.4.3 of the annual consolidated financial statements of the Group for the year ended December 31, 2018, one of the Group's supplier and its allied international identities had filed civil suit before Islamabad Civil Court for recovery of USD 12.3 million and Rs. 68 million along with damages of USD 20 million. As per recent progress of the case, the honorable court, on application of the Group, has dismissed this petition on July 10, 2019 for its presentation before proper forum.
- 14.2 During the period, the Group received a show cause notice from Punjab Revenue Authority (PRA) on account of non-deduction and deposit of withholding sales tax as per the provisions of the Punjab Sales Tax on Services (Withholding) Rules, 2015 amounting to Rs. 49.09 million on services rendered during January 2017 to December 2017. The Group filed a writ petition before Honorable Lahore High Court on March 7, 2019 against initiation of such proceedings by the Punjab Revenue Authority pleading to stop such frivolous proceedings. The Honorable Court has allowed PRA to continue proceedings under the impugned show cause notice but at the same time it was restrained from passing a final order. The writ petition is pending adjudication. The management is hopeful that its viewpoint shall be upheld; thus no provision has been incorporated in these financial statements.



- 14.3** During the period, the Group received a notice from Federal Board of Revenue (FBR) alleging charge of super tax under section 4B of the Income Tax Ordinance, 2001 amounting to Rs. 43.82 million for the tax year 2018. The Group filed a writ petition before Honorable Lahore High Court on May 18, 2019 impugning vires of section 4B in the Income Tax Ordinance, 2001. The Honorable Court has restrained FBR from adopting coercive measures. The writ petition is pending adjudication. The management is hopeful that its viewpoint shall be upheld; thus no provision has been incorporated in these financial statements.

| | June 30, 2019 (Un-audited) | December 31, 2018 (Audited) |
|---|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| Guarantees and Letter of Credits | | |
| Outstanding guarantees and letter of credits | 329,638 | 349,100 |
| Commitments | | |
| Commitments in respect of capital expenditure | 137,456 | 138,330 |

Note 15

Property, Plant and Equipment

| | | June 30, 2019 (Un-audited) | December 31, 2018 (Audited) |
|--------------------------|------|----------------------------------|-----------------------------------|
| | | ----- (Rupees in '000) ----- | |
| | Note | | |
| Operating fixed assets | 15.1 | 7,023,485 | 7,221,715 |
| Right-of-use assets | 15.2 | 1,243,337 | 1,001,746 |
| Capital work-in-progress | | 58,352 | 56,401 |
| | | 8,325,174 | 8,279,862 |

15.1 Operating fixed assets

| | | | |
|--|--------|-----------|-----------|
| Opening book value | | 7,221,715 | 6,480,167 |
| Additions during the period / year | 15.1.1 | 255,828 | 150,558 |
| Transfers on acquisition of subsidiary (book value) | 15.1.2 | - | 4,199 |
| Revaluation surplus during the period / year | | - | 1,340,623 |
| | | 7,477,543 | 7,975,547 |
| Disposals / settlement (at book value) for the period / year | 15.1.3 | (25,758) | (70,276) |
| Depreciation charged during the period / year | | (428,300) | (683,556) |
| Closing book value | | 7,023,485 | 7,221,715 |

15.1.1 Detail of additions

| | | |
|--------------------------------|---------|---------|
| Leasehold improvements | 3,347 | 5,500 |
| Plant and equipment | 250,875 | 133,306 |
| Office equipment | 233 | 5,508 |
| Furniture and fixtures | 890 | 909 |
| Computers | 483 | 5,229 |
| Laboratory and other equipment | - | 106 |
| | 255,828 | 150,558 |



| | June 30, 2019 (Un-audited) | December 31, 2018 (Audited) |
|---|----------------------------------|-----------------------------------|
| | ------(Rupees in '000)----- | |
| 15.1.2 Transfers on acquisition of subsidiary (book value) | | |
| Leasehold improvements | - | 2,597 |
| Office Equipment | - | 796 |
| Computers | - | 130 |
| Furniture and fixtures | - | 676 |
| | <u>-</u> | <u>4,199</u> |
| 15.1.3 Book values of assets disposed off | | |
| Freehold Land | - | 19,800 |
| Leasehold improvements | - | - |
| Plant and equipment | 25,758 | 49,725 |
| Office Equipment | - | 165 |
| Computers | - | 58 |
| Furniture and fixtures | - | - |
| Vehicles | - | 528 |
| | <u>25,758</u> | <u>70,276</u> |
| 15.2 Right-of-use assets | | |
| Opening balance | 1,001,746 | 333,853 |
| Add: Adoption effect of IFRS 16 Leases | 250,847 | - |
| Add: Prepaid lease rentals as at December 31, 2018 | 3,493 | - |
| Add: Additions during the period / year | 10,506 | 720,000 |
| Less: Amortization charge for the period / year | (23,255) | (52,107) |
| Closing balance | <u>1,243,337</u> | <u>1,001,746</u> |
| Lease Term (Years) | <u>2 to 14</u> | <u>-</u> |

15.2.1 Depreciation on right-of-use assets has been allocated to depreciation and amortization on face of the consolidated statement of profit or loss.

15.2.2 There are no variable lease payments in the lease contracts. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.



Note 16

Trade Debts

| | | June 30, 2019 | December 31, 2018 |
|---------------------------------|------|------------------------------|----------------------|
| | Note | (Un-audited) | (Audited) |
| | | ----- (Rupees in '000) ----- | |
| Considered good - unsecured | | 1,462,534 | 1,674,755 |
| Considered doubtful - unsecured | | 2,292,437 | 2,064,433 |
| | | 3,754,971 | 3,739,188 |
| Less: Impairment allowance | 16.1 | (2,292,437) | (2,064,433) |
| | | <u>1,462,534</u> | <u>1,674,755</u> |

16.1 Impairment allowance

| | | |
|---|------------------|------------------|
| Opening balance | 2,064,433 | 2,033,988 |
| Add: Effect of adoption of IFRS 9 | 190,785 | - |
| Add: Provision for expected credit losses | 37,219 | 30,445 |
| | <u>2,292,437</u> | <u>2,064,433</u> |
| Less: Write offs | - | - |
| Closing balance | <u>2,292,437</u> | <u>2,064,433</u> |

Note 17

Revenue

| Revenue | | Half Year Ended June 30, | |
|------------------------------------|------|------------------------------|--------------|
| | | 2019 | 2018 |
| | Note | (Un-audited) | (Un-audited) |
| | | ----- (Rupees in '000) ----- | |
| Disaggregated revenue information: | | | |
| Telecom | | 992,814 | 1,046,010 |
| Broadband | 17.1 | 1,301,754 | 1,275,267 |
| Other | | 13,520 | 31,826 |
| | | 2,308,088 | 2,353,103 |
| Less: Sales tax | | (27,417) | (48,948) |
| Less: Discount and commission | | (11,734) | (13,273) |
| | | 2,268,937 | 2,290,882 |

17.1 This includes revenue amounting to Rs. 507.545 million (2018: Rs. 720 million) in respect of agreement for Indefeasible Right of Use of metro fiber with a customer. The agreement grants both parties to the agreement IRU for 20 years.

Note 18

Other Income - Net

This includes the impact of write back of provisions and unclaimed liabilities amounting to Rs. 374.52 million (June 30, 2018: Rs. 559.43 million).



Note 19

Cash Generated from Operations

Half Year Ended June 30,

| | 2019 | 2018 |
|---|-----------------------------|---------------------|
| | (Un-audited) | (Un-audited) |
| | ------(Rupees in '000)----- | |
| Profit before taxation | 169,643 | 654,741 |
| Adjustment for non-cash charges and other items: | | |
| - Depreciation on property, plant and equipment | 428,300 | 323,917 |
| - Amortization on intangible assets | 195,057 | 195,987 |
| - Amortization of long term trade receivable | (10,456) | (9,540) |
| - Provision for expected credit losses | 37,219 | 93 |
| - Amortization of right of use assets | 23,255 | - |
| - Revenue from IRU agreement | - | (720,000) |
| - Disposal of fiber under IRU arrangement | 24,543 | - |
| - Reversal of Provision for Loan and Advances | (1,189) | - |
| - Liabilities no longer payable written back | (374,521) | (559,427) |
| - Gain on disposal of property, plant and equipment | (645) | (1,412) |
| - Discounting of long term deposit | - | (16,220) |
| - Unwinding of discounted long term deposit | 11,419 | - |
| - Unwinding of discounted deferred markup on TFCs | 16,448 | - |
| - Unwinding of discounted sponsor's loan | 63,785 | 12,054 |
| - Post employment benefits | 32,279 | 28,977 |
| - Exchange loss on foreign currency loan | 114,765 | 33,300 |
| - Discounting of deferred markup on TFCs | (12,580) | (156,915) |
| - Discounting of sponsors' loan | - | (34,907) |
| - Discounting of deferred markup on long term financing | (2,570) | - |
| - Exchange (gain) / loss on foreign currency payables - net | (95,596) | 88,106 |
| - Imputed interest on lease liability | 15,925 | - |
| - Finance cost | 141,925 | 102,771 |
| | 607,363 | (713,216) |
| Operating income / (loss) before working capital changes | 777,006 | (58,475) |
| (Increase) / decrease in current assets | | |
| - Stores and spares | 8,978 | (1,719) |
| - Stock-in-trade | - | 9,385 |
| - Trade debts | (563,308) | (99,364) |
| - Loans and advances | (58,771) | (42,989) |
| - Deposits and prepayments | (18,054) | (28,116) |
| - Other receivables | 1,547 | (10,968) |
| Increase / (decrease) in current liabilities | | |
| - Unearned revenue | 18,440 | (25,605) |
| - Trade and other payables | 197,241 | 107,419 |
| | (413,927) | (91,957) |
| Cash generated from / (used in) operations | 363,079 | (150,432) |



Note 20

Transaction with Related Parties

Related parties comprise the Holding Company, subsidiary, associated companies / undertakings, directors of the Group and their close relatives and key management personnel of the Group. The Group in the normal course of business carries out transactions with various related parties. Significant transactions and balances with related parties are as follows:

| | | | Half Year Ended June 30, | |
|---|-----------------------|--|------------------------------|--------------|
| | | | 2019 | 2018 |
| | | | (Un-audited) | (Un-audited) |
| | | | ----- (Rupees in '000) ----- | |
| Transactions during the year with local companies | | | | |
| Related party | Relationship | Nature of transaction | | |
| Worldcall Services (Private) Limited | Holding Company | Short term borrowings received during the period | 27,000 | 54,400 |
| | | Amount paid by WSL on behalf of the Group | 52,893 | - |
| | | Funds repaid by the Group during the year | - | 32,652 |
| | | Sponsor's loan received during the period | - | 300,000 |
| | | Markup adjusted during the period | 107,923 | - |
| | | Markup accrued during the period | 31,603 | 18,229 |
| Worldcall Business Solutions (Private) Limited | Associate | Expenses borne on behalf of associate | 10,038 | - |
| Worldcall Cable (Private) Limited | Associate | Expenses borne on behalf of associate | 600 | - |
| Ride Hail (Private) Limited | Associate | Expenses borne on behalf of associate | 14 | - |
| Key management personnel | Associated persons | Salaries and employees benefits | 63,972 | 31,348 |

Transactions during the year with foreign companies

| Related party | Relationship | Nature of transaction | | |
|---------------------------|---------------------|--|--------|---------|
| Ferret Consulting - F.Z.C | Associate | Dividend on CPS | - | 178,073 |
| | | Short term borrowings obtained during the period | 69,085 | - |

Ferret Consulting, F.Z.C is incorporated in United Arab Emirates having its registered address at SM-Office, E1- 26, A032 , Ajman, United Arab Emirates. Basis for association of the Group with Ferret is common directorship. Mr. Babar Ali Syed is the Managing Director of Ferret Consulting. Ferret Consulting is actively operative.

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

| | | June 30, 2019 | December 31, 2018 |
|---|--|------------------------------|----------------------|
| | | (Un-audited) | (Audited) |
| Outstanding Balance as at the period/year end | | ----- (Rupees in '000) ----- | |
| Worldcall Services (Private) Limited | Sponsor's loan - interest bearing | 493,500 | 417,300 |
| | Sponsor's loan - non interest bearing | 902,416 | 838,631 |
| | Dividend on CPS | 130,868 | 130,868 |
| | Accrued markup | 5,916 | 75,913 |
| | Short term borrowings - interest free | 79,893 | - |
| Ferret Consulting - F.Z.C | Dividend on CPS | 606,303 | 606,303 |
| | Short term borrowings - interest free | 246,750 | 139,100 |
| AMB Management Consultants (Pvt.) Limited | Dividend on CPS | 16,311 | 16,311 |
| Worldcall Business Solutions (Private) Limited | Other receivables | 37,249 | 27,211 |
| Ride Hail (Private) Limited | Other receivables | 14 | - |
| Worldcall Cable (Private) Limited | Other receivables | 1,840 | 1,240 |
| Key management personnel | Payable against expenses, salaries and other employee benefits | 99,801 | 89,805 |
| | Long term loans | - | 269 |
| | Advance against expenses | 15,030 | 12,455 |

These are in normal course of business.



Note 21

Financial Risk Management**21.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The condensed interim consolidated financial statements (un-audited) do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2018.

There have been no changes in any risk management policies since the year end.

21.2 Fair value estimation

21.2.1 Fair value is determined on the basis of objective evidence at each reporting date. Set out below, is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at the reporting date:

| | June 30, 2019 | | December 31, 2018 | |
|-------------------------------|-----------------------|------------------|-------------------|------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | -----Rs. in '000----- | | | |
| Financial Assets: | | | | |
| Long term trade receivable | 360,882 | 772,004 | 54,578 | 372,186 |
| Financial Liabilities: | | | | |
| Term finance certificates | 1,722,122 | 1,910,371 | 1,713,769 | 1,905,886 |
| Long term financing | 159,832 | 162,402 | 48,627 | 48,627 |
| Sponsors' loan | 1,395,916 | 1,714,837 | 1,255,931 | 1,638,637 |
| | <u>3,277,870</u> | <u>3,787,610</u> | <u>3,018,327</u> | <u>3,593,150</u> |

Carrying amounts of all other financial assets and financial liabilities approximate to their fair values. During the period, there were no significant changes in the business or economic circumstances that affect the fair value of these assets and liabilities.

21.2.2 The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at June 30, 2019:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------|----------------|----------|----------|---------------|
| | Rupees in '000 | | | |
| Assets | | | | |
| Short-term investments | <u>28,806</u> | <u>-</u> | <u>-</u> | <u>28,806</u> |

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2018:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------|----------------|----------|----------|---------------|
| | Rupees in '000 | | | |
| Assets | | | | |
| Short-term investments | <u>38,115</u> | <u>-</u> | <u>-</u> | <u>38,115</u> |

During the period, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. Furthermore, there were no reclassifications of financial assets except those specified in Note 3.1.1.3 due to adoption of IFRS 9 and there were no changes in valuation techniques during the period.



Note 22

Segment Information

As per IFRS 8, "Operating Segments", operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The Group does not have any reportable segments. Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker (CODM) to assess segment's performance, and for which discrete financial information is available. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The internal reporting provided to the CODM for the Group's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Group is domiciled in Pakistan. All of the Group's assets are located in Pakistan as at the reporting date.

Note 23

Date of Authorization for Issue

These condensed interim consolidated financial statements (un-audited) were approved and authorized for issue on 31 August 2019 by the Board of Directors of the Parent Company.

Note 24

Corresponding Figures

Corresponding figures have been re-arranged / reclassified, wherever necessary, to reflect more appropriate presentation of events and transactions for the purpose of comparison. Following re-arrangements / reclassifications have been made in these financial statements:

| Nature | Reason | From | To | Amount (Rupees in '000) |
|------------------|---------------------|---|---|----------------------------|
| Leased asset | Required by IFRS 16 | Operating fixed assets | Right-of-use assets | 1,001,746 |
| Advance received | Required by IFRS 15 | Advance from customers - trade and other payables | Contract liabilities - trade and other payables | 10,639 |


Chief Executive Officer


Director


Chief Financial Officer



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