



PAKISTAN TELECOMMUNICATION AUTHORITY  
HEADQUARTERS, F-5/1, ISLAMABAD

**Enforcement Order under section 23 of the Pakistan Telecommunication (Re-organization) Act, 1996 against WorldCall Telecom Limited for Non-Submission of Annual Audited Accounts and Non-Payment of Annual Regulatory Dues and Contributions for the year ended 31<sup>st</sup> December, 2019**

No. PTA/Finance/LDI/Worldcall Telecom LDI/134/2006/3/406

Show Cause Notice: 13<sup>th</sup> July, 2020  
Venue of Hearing: PTA HQs, Islamabad  
Date of Hearing: 8<sup>th</sup> October, 2020

**Panel of Hearing:**

- |                                   |                                   |
|-----------------------------------|-----------------------------------|
| 1. Maj. Gen. Amir Azeem Bajwa (R) | Chairman                          |
| 2. Dr. Khawar Siddique Khokhar    | Member (Compliance & Enforcement) |
| 3. Muhammad Naveed                | Member (Finance)                  |

**Issue:**

**“Non-Submission of Annual Audited Accounts and Non-Payment of Annual Regulatory Dues and Contributions for the year ended 31<sup>st</sup> December, 2019**

**DECISION OF THE AUTHORITY**

**1. BRIEF FACTS:**

1.1 WorldCall Telecom Limited (the “licensee”) is engaged in the business of operating telecommunication system as Long Distance and International (LDI) operator pursuant to non-exclusive license No. LDI-02(01)-2004 dated 14<sup>th</sup> July 2004 and Fixed Local Loop (FLL) operator pursuant to non-exclusive Fixed Local Loop License No. LL 10-2004 dated 16<sup>th</sup> July 2004 and Fixed Local Loop License No. LL 09-2004 dated 16<sup>th</sup> July 2004 (the “license”) granted by Pakistan Telecommunication Authority (the “Authority”) to establish, maintain and operate a Telecommunication System, subject to the terms and conditions contained in the licenses

1.2 The license clauses 4.1.2 (a), 4.1.3, 4.2.1, 4.2.2 and 4.2.3 read with clauses 3.3, 3.4 and 3.6 and sub-regulation (6) and (7) of regulation 23 of the PTA (Functions and Powers) Regulations, 2006 makes it obligatory upon the licensee to deposit Annual Regulatory Dues (“ARDs”) comprised of Annual License Fee (“ALF”), Research and Development Fund Contribution (“R&D”) and Universal Service Fund Contribution (“USF”) within 120 days of the end of financial year to which such fees and contributions relate. Moreover, license conditions 4.2.4 and 6.4.3, also require the licensee to submit Annual Audited Accounts

(“AAAs”) within 120 days of the close of financial year in support of its calculations of ARDs payable pursuant to Article 3 and 4 of the license and the Authority shall have the right to audit such statements at any time.

1.3 The licensee vide letters dated 19<sup>th</sup> March, 2020, 13<sup>th</sup> April, 2020, 8<sup>th</sup> May, 2020 and through email dated 11<sup>th</sup> May, 2020 was required to submit AAAs and make payment of ARDs, and submit auditors’ certified breakup of inter-operator payments relating to local operators and foreign carriers and license wise detail of co-location revenue and cost for the year ended 31<sup>st</sup> December, 2019 (“2019”). In response, licensee vide email dated 11<sup>th</sup> May, 2020 only stated that “*Financials for the year ended Dec 31, 2019 are not yet finalized due to COVID and Lock down situation*”. Despite lapse of considerable time and multiple reminders, licensee neither submitted AAAs and auditors’ certificate nor made payment of ARDs.

1.4 As a consequence thereof, a show cause notice dated 13<sup>th</sup> July 2020 was issued under section 23 of the Act, wherein the licensee was required to remedy the contravention by submitting AAAs and make payment of outstanding dues for the year 2019 within seven (07) days of issuance of show cause notice and also to explain in writing within thirty (30) days, as to why any enforcement order should not be passed under section 23 of the Act.

1.5 The licensee vide letter No. WTL-05/4-1/1367 dated 10<sup>th</sup> August, 2020 and email dated 10<sup>th</sup> August, 2020 replied to the show cause notice stating that AAAs for 2019 are enclosed and informed that SECP has given extension till 30<sup>th</sup> July, 2020. It was observed that contrary to the licensee’s stance, AAAs were neither enclosed with the above referred letter nor with the email. However, the licensee deposited Rs. 287,954 on account of ALF, Rs 287,954/- and Rs 863,861/- on account of R&D and USF contributions, respectively, based on its own calculation without furnishing any basis or underlying documents in support of its calculation for all licenses it holds. In addition, the licensee stated that it is not liable to pay Late Payment Additional Fee (“LPAF”) as it is *ultra vires* the Act. Subsequently, an email dated 12<sup>th</sup> August, 2020 was sent to licensee informing that AAAs have not been received and requested to provide auditors certificate containing interconnect cost relating to local operators and foreign carriers along with calculation on the basis of which amount of ARDs were calculated. However, no response was received from licensee.

1.6 The matter was fixed for hearing before the Authority on 8<sup>th</sup> October, 2020. During the hearing, the licensee submitted letter No. WTL-05/4-1/1378 dated 7<sup>th</sup> October, 2020 along with auditors’ certificate and its revised estimate of ARDs payable for the year 2019 having claimed numerous deductions on account of various head of accounts other than inter-operator costs and PTA/FAB mandated payments as allowed as per license terms and conditions. The breakup of revenue and costs as per the auditors’ certificate provided by the licensee is reproduced hereunder for reference:

**“Breakup of Revenue:**

	<b>Wireless Local Loop</b>	<b>Long Distance and International &amp; CATV</b>	<b>Total</b>
<b>Amount (Rupees in Millions)</b>			
Revenue as per audited financial statements	1,805	2,256	4,061
Less:			
Sales Tax	(179)	-	(179)
CATV, advertisement and other revenue	-	(243)	(243)
Provision – against receivable balance	(269)	(200)	(469)
Non-cash cost of fiber purchased	(1,013)	-	(1,013)
Discount	(25)	-	(25)
Revenue share cost	(97)	-	(97)
<b>Revenue</b>	<b>222</b>	<b>1,813</b>	<b>2,035</b>

**Breakup of inter-operator cost**

	<b>Wireless Local Loop</b>	<b>Long Distance and International &amp; CATV</b>	<b>Total</b>
<b>Amount (Rupees in Millions)</b>			
Interconnect, Settlement and other charges	-	1,589	1,589
Bandwidth and other PTCL charges	74	25	99
Regulatory Compliances cost paid	-	62	62
<b>Inter-operator cost</b>	<b>74</b>	<b>1,676</b>	<b>1,750”</b>

Further, the license wise breakup of ARDs provided by the licensee is as follows;

	<b>WLL</b>		<b>LDI</b>		
	<b>Principal</b>	<b>Payable</b>	<b>Principal</b>	<b>Already paid</b>	<b>Payable</b>
ALF	734,123	734,123	682,719	287,954	394,765
R&D	734,123	724,123	682,719	287,954	394,765
USF	2,202,368	2,202,368	2,048,156	863,861	1,184,295
	<b>3,670,613</b>	<b>3,670,613</b>	<b>3,413,593</b>	<b>1,439,769</b>	<b>1,973,824</b>

Moreover, the licensee stated that settlement of amount tabulated above be accommodated as per its letter No. WTL-05/1-1/1377 dated 18<sup>th</sup> September, 2020, wherein licensee had requested for settlement of outstanding dues from its joint Escrow Account with PTA.

1.7 In response, PTA vide letter dated 26<sup>th</sup> October, 2020 required the licensee to explain the relevant license conditions on the basis of which following deductions were claimed in its above referred revised estimate of ARDs:

- a) Deduction amounting to Rs 1,013 Million on account of “Non-cash cost of fiber purchased”
- b) Deduction amounting to Rs 97 Million on account of “Revenue share cost”
- c) Deduction amounting to Rs 62 Million on account of “Regulatory Compliance cost paid”

In addition to the above, since the auditors’ certificate earlier provided was incomplete, the licensee was again reminded through queries reproduced below to provide the required information duly certified by the auditors:

- a) Breakup of “interconnect, settlement and other charges” relating to local operators and foreign carrier costs;
- b) Nature of “Unclaimed liabilities written back during the year” amounting to Rs 325,490,000 as disclosed in note 43.2 of AAAs and whether said amount has previously been claimed as deduction or not while calculating ARDs?
- c) Nature of “liabilities written back on settlement with parties” amounting to Rs 339,411,000 as disclosed in note 43 of AAAs and whether said amount has previously been claimed as deduction or not while calculating ARDs?

Moreso, licensee was also asked to explain the reason for the fact that AAAs for 2019 were audited by Crowe Hussain Chaudhury & Co, Chartered Accountants, however, auditors’ certificate was signed by another Auditors i.e. Nasir Javaid Maqsood Imran, Chartered Accountants. Further, with reference to licensee’s request to settle the outstanding dues from Escrow Account, PTA referred its letters dated 8<sup>th</sup> October, 2020 and 23<sup>rd</sup> October, 2020, wherein licensee was already informed that funds in Escrow Account can only be settled against APC for USF, hence, the outstanding dues in the instant matter were not eligible for such adjustment. Moreover, the licensee was instructed to furnish the above referred information immediately and noncompliance of which would lead to finalization of determination without considering the deductible expenses against which the licensee had not provided the underlying requisite details.

1.8 In response, the licensee vide its email dated 2<sup>nd</sup> November, 2020 stated that its team is working on the observations raised by PTA and same has also been referred to the auditors for required information/explanations and will be shared as soon as auditor’s response is received. However, no response was received from the licensee until 17<sup>th</sup> November, 2020, therefore, a reminder vide letter was sent to the licensee requiring it to furnish the details latest by 23<sup>rd</sup> November 2020.

1.9 Despite significant delay no response was received, therefore, PTA vide letter dated 25<sup>th</sup> November, 2020 raised provisional demand note based on the information available in record requiring the licensee to pay Rs 26,204,371, Rs 26,207,827 and Rs 79,236,246 on account of ALF, R&D and USF, respectively. The licensee was also again required to furnish following information certified by auditors immediately to finalize the demand of ARDs;

Dated: 27<sup>th</sup> December, 2022

- a) License-wise breakup of “interconnect, settlement and other charges” relating to local operators and foreign carriers since previous certificate issued by auditors was silent regarding breakup of local operators and foreign carriers costs;
- b) Party-wise breakup and nature of amount of Rs 325,490,000 appearing in note 43.2 of AAAs under the head “Unclaimed liabilities written back during the year” and whether such amount was claimed as deduction in previous years in which said expense was booked;
- c) Party-wise breakup and nature of amount of Rs 339,411,000 appearing in note 43 of AAAs under “Liabilities written back on settlement with parties” and whether such amount was claimed as deduction in previous years in which said expense was booked;
- d) Confirmation whether the discount amounting to RS 25 Million appearing in auditors’ certificate is disclosed in AAAs;
- e) License wise detail of bandwidth cost of RS 74 Million and 25 Million against WLL and LDI license;
- f) Nature of “unwinding of discount” amounting to RS 330 Million and justification on which this amount is excluded from calculation of fees and contribution;
- g) Details of revenue earned from local loop license;
- h) Justification regarding different auditors signing AAAs and auditors’ certificate.

1.10 In response, licensee vide letter No. WTL-05/4-1/1381 dated 21<sup>st</sup> December, 2020 provided para-wise response as follows;

<b>Particulars</b>	<b>Response of licensee</b>												
Deduction of Rs 1,013 Million on account of “Non-cash cost of fiber purchased”	<i>This is an inter-operator cost under WLL license</i>												
Deduction of Rs 97 Million on account of “Revenue share cost”	<i>This is revenue share cost paid to network partner</i>												
Deduction of Rs 62 Million on account of “Regulatory compliance cost paid”	<i>Monitoring charges paid under LDI license</i>												
Confirmation on discount amounting to Rs 25 Million	<i>The amount is included in Note 41 direct cost in AAAs under the head “commission on sales”</i>												
License wise detail of bandwidth cost of Rs 74 Million and Rs 25 Million against WLL and LDI license	<p><i>License wise breakup of bandwidth cost is as follows;</i></p> <table border="1"> <thead> <tr> <th></th> <th><b>Amount (RS)</b></th> </tr> </thead> <tbody> <tr> <td><i>PTCL bandwidth</i></td> <td><i>48,677,728</i></td> </tr> <tr> <td><i>Linkdotnet - bandwidth</i></td> <td><i>48,586,640</i></td> </tr> <tr> <td><i>Zeta Technologies (Pvt) Limited - Colocation</i></td> <td><i>167,040</i></td> </tr> <tr> <td><i>National Telecom Corporation- Colocation</i></td> <td><i>938,378</i></td> </tr> <tr> <td><i>Multan Internet Service (Pvt) Limited- Colocation</i></td> <td><i>222,720</i></td> </tr> </tbody> </table>		<b>Amount (RS)</b>	<i>PTCL bandwidth</i>	<i>48,677,728</i>	<i>Linkdotnet - bandwidth</i>	<i>48,586,640</i>	<i>Zeta Technologies (Pvt) Limited - Colocation</i>	<i>167,040</i>	<i>National Telecom Corporation- Colocation</i>	<i>938,378</i>	<i>Multan Internet Service (Pvt) Limited- Colocation</i>	<i>222,720</i>
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<i>Multan Internet Service (Pvt) Limited- Colocation</i>	<i>222,720</i>												
Justification and nature of unwinding of discount of RS 330 Million	<i>Long term trade receivable part was discounted of IFRS 39 and charged to expense account previously this amount was</i>												

Dated: 27<sup>th</sup> December, 2022

<b>Particulars</b>	<b>Response of licensee</b>
	<i>not claimed as deduction while calculating PTA charges. Now that discount amount is being un-winded as per IFRS 39, this is notional cost and income so it was not considered as cost initially nor as income now for PTA charges calculation</i>
Justification for signing of AAAs and auditors' certificate by different auditors	<i>Crowe Hussain Chaudhury &amp; Co Chartered Accountants were auditors for the year 2019 and in AGM held in 2020 the Nasir Javaid Masood Imran Chartered Accountants have been appointed as auditors of WorldCall Telecom Limited, so certificate has been obtained from current auditors instead of retiring auditors.</i>

In addition, the licensee furnished auditors' certificate involving following queries:

- Interconnect, settlement and other charges relating to local operators and foreign carriers;
- Nature of "Unclaimed liabilities written back during the year" amounting to Rs 325,490,000;
- Nature of "Liabilities written back on settlement with parties" amounting to Rs 339,411,000;

The auditor certificate mentioned following details;

<b>Particulars</b>	<b>Licensee's Auditors Response</b>	
		<b>Rs. In Millions</b>
Interconnect, settlement and other charges relating to local operators and foreign carriers	<i>Foreign Operators</i>	<i>212.89</i>
	<i>Local Operators</i>	<i>1,375.73</i>
	<b>Total</b>	<b>1,588.62</b>
Nature of "Unclaimed liabilities written back during the year" amounting to Rs 325,490,000	<i>Out of total unclaimed liabilities written back during the year approximately Rs. 87,357,132 relates to inter-operator cost</i>	
Nature of "Liabilities written back on settlement with parties" amounting to Rs 339,411,000	<i>Out of total unclaimed liabilities written back during the year approximately Rs. 270,073,549 relates to inter-operator cost</i>	

The licensee further mentioned that detail of revenue under local loop license has been mentioned in the auditor's certificate; however, no such detail as to requisitioned information was included in the annexed auditors' certificate.

1.11 Subsequently, its WLL and LDI licenses were terminated; however, the licensee being aggrieved from the termination of LDI license filed appeal before the Honorable Sindh

High Court at Karachi. In light of court order dated 31<sup>st</sup> December, 2020 LDI license was restored. Provisional demand notes were accordingly raised on 26<sup>th</sup> May, 2021 amounting to Rs 7,529,620, Rs. 7,533,076 and Rs 23,279,951 on account of ALF, R&D and USF, respectively, pertaining to LDI license based on the information provided by licensee till that date and following information duly certified by auditors was once again called up from licensee to finalize the demand;

- a) Licensee wise bandwidth cost of 25 Million against LDI license;
- b) Nature of “unwinding of discount” of Rs. 330 Million and justification on which said amount has been excluded for calculation of fees and contribution. It was requested to share a brief of accounting entries made at the time of initial recognition of transaction in Financial Statements, adjustment made at the time of adoption of IFRS 9 and subsequent adjustment made along with reference from relevant notes where such amounts were reflected;
- c) Details of revenue under local loop license.

1.12 In response, the licensee once again revised its calculation vide letter No. WTL-05/4-1/1386 dated 7<sup>th</sup> June 2021 and provided party wise detail of bandwidth cost. It stated the same stance as to unwinding of discount amounting to Rs 330 Million as before without providing the requisite accounting entries made at the time of initial recognition of underlying transaction in its financial statements as per applicable International Accounting Standard 39 (IAS 39) and subsequent adjustment under applicable International Financial Reporting Standard 9 (IFRS 9). As regard add back of written off liabilities amounting to Rs 87 Million and Rs 270 Million in demand note dated 26<sup>th</sup> May 2021 pertaining to inter-operator costs as certified in the auditors’ certificate, the licensee contrary to its auditors certified breakup stated, taking stance otherwise, that said amount being a notional income should be excluded from the calculation of ARDs and based on this stance it excluded the said amount from its calculation. However, the licensee didn’t explain complete detail as to nature of revenue earned from local loop services and basis of bifurcation of the same between different licenses. Further, besides contesting application of LPAF on the grounds that liability of principal amount is not finalized and in absence of malafide the same can’t be applied, the licensee again claimed Rs 200 Million on account of provision for bad debts (receivable balance), monitoring charges amounting to Rs 57.54 Million and reported a meagre amount of Rs 153,943 as revenue from Fixed Local Loop services. The licensee also requested for reconciliation before the Authority.

1.13 Based on its revised calculation, the licensee deposited cheque amounting to Rs 1,449,794 on 11<sup>th</sup> June, 2021 to PTA on account of ALF and shared MoIT challans for Rs 1,449,794 and Rs 4,349,382 on account of R&D and USF Contributions, respectively, paid on 15<sup>th</sup> June, 2021.

1.14 Subsequently, final reminder dated 20<sup>th</sup> June, 2022 was issued to licensee mentioning year wise outstanding dues based on available information provided by the licensee, including following outstanding ARDs for the year 2019:

Annual License Fee		USF Contribution		R&D Contribution		Total
Principal	LPAF	Principal	LPAF	Principal	LPAF	
14,718,355	6,427,015	44,155,065	18,751,184	14,718,355	6,250,395	105,020,369

1.15 Pursuant to final reminder and request of the licensee, a meeting in this regard was held among Chief Financial Officer of the licensee, its external counsel and officers of the Authority on 13<sup>th</sup> July, 2022 wherein it was assured by the licensee that complete details as to pending information shall be shared for the reconciliation. The licensee vide email dated 22<sup>nd</sup> July, 2022 shared same auditors' certificates for the year 2019 that were previously provided vide letter dated 7<sup>th</sup> October, 2020 and 21<sup>st</sup> December, 2020 having incomplete information and stated that its finance team would be available for addressing the queries.

1.16 In response thereof, the licensee was invited for meeting vide email dated 2<sup>nd</sup> August 2022 in which agenda of the meeting was shared, comprising of brief description of the issues for clarity and readiness of the licensee and requiring its written representation on said matters. Subsequently meetings dated 4<sup>th</sup> August, 2022 was held in PTA Headquarters with nominated officers of the licensee in which the licensee, having discussed their concerns on calculation of ARDs for the year 2019, relied on verbal explanation of their point of view without providing any written response. The licensee was again requested during the meeting to furnish written response in support of its point of view. Since the discussion couldn't be concluded in absence of written response of the licensee and other requisitioned details, the licensee was again invited for online meeting, scheduled for 12<sup>th</sup> August, 2022, vide email dated 5<sup>th</sup> August 2022 and also requested to provide the response before the meeting latest by 11<sup>th</sup> August 2022.

1.17 In response, the licensee vide its email dated 11<sup>th</sup> August, 2022 shared comments to PTA queries which are reproduced hereunder:

<b>“PTA Query</b>	<b>Licensee’s response</b>
<i>Unwinding Long term Trade Receivables - WTL was previously requested to furnish a brief comprised of nature of underlying transaction, accounting impacts over the life of transaction along with sample of relevant accounting entries including but not limited to initial recognition, subsequent adjustments made at the time of adoption of IFRS 9 and other adjustments, however, the same is still awaited. Please provide</i>	<i>It is pertinent to mention that transaction relates to WLL and doesn't fall under LDI license.  Nature of transaction is sale of fiber network with receivables over say 20 years. Long Term Receivables portion was discounted as per application of IFRS 39 and this was notional amount and so was not claimed as deduction while calculating PTA charges. Now the discount amount is being unwinded. This is notional cost and notional income so this was not considered as cost initially nor same to be taken as income upon unwinding for PTA charges calculation.  Sample accounting entries over the life of transaction are</i>



<b>“PTA Query</b>	<b>Licensee’s response</b>								
<p><i>the brief and a schedule of all relevant accounting impacts in various years along with sample entries in support of WTL claim that said impacts don’t tantamount to revenue.</i></p>	<p><i>illustrated below for understanding:</i></p>								
	<table border="1"> <thead> <tr> <th data-bbox="644 346 718 428"><b>Sr No</b></th> <th data-bbox="718 346 1177 428"><b>Description</b></th> <th data-bbox="1177 346 1279 428"><b>Debit</b></th> <th data-bbox="1279 346 1392 428"><b>Credit</b></th> </tr> </thead> </table>	<b>Sr No</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>				
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		<b>Rs.</b>	<b>Rs.</b>						
	<table border="1"> <tbody> <tr> <td data-bbox="644 476 718 813">1</td> <td data-bbox="718 476 1177 813">                     Long Term Receivables                       Revenue                       (initial recognition)                 </td> <td data-bbox="1177 476 1279 813">100</td> <td data-bbox="1279 476 1392 813">100</td> <td data-bbox="1392 476 1403 813"></td> </tr> </tbody> </table>	1	Long Term Receivables  Revenue  (initial recognition)	100	100				
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	<table border="1"> <tbody> <tr> <td data-bbox="644 813 718 1319">2</td> <td data-bbox="718 813 1177 1319">                     Discounting/finance on long term receivables                       Long term receivables                       (Discounting/finance cost on initial recognition for long term receivables)                 </td> <td data-bbox="1177 813 1279 1319">71</td> <td data-bbox="1279 813 1392 1319">71</td> <td data-bbox="1392 813 1403 1319"></td> </tr> </tbody> </table>	2	Discounting/finance on long term receivables  Long term receivables  (Discounting/finance cost on initial recognition for long term receivables)	71	71				
2	Discounting/finance on long term receivables  Long term receivables  (Discounting/finance cost on initial recognition for long term receivables)	71	71						
	<table border="1"> <tbody> <tr> <td data-bbox="644 1319 718 1740">3</td> <td data-bbox="718 1319 1177 1740">                     Unwinding- Trade receivables                       Unwinding of Discounting- Other Income                       (Unwinding of long term receivables over the period)                 </td> <td data-bbox="1177 1319 1279 1740">71</td> <td data-bbox="1279 1319 1392 1740">71</td> <td data-bbox="1392 1319 1403 1740"></td> </tr> </tbody> </table>	3	Unwinding- Trade receivables  Unwinding of Discounting- Other Income  (Unwinding of long term receivables over the period)	71	71				
3	Unwinding- Trade receivables  Unwinding of Discounting- Other Income  (Unwinding of long term receivables over the period)	71	71						

*From above it is evident that the amount of unwinding of long term receivables is not revenue and so should be excluded in PTA charges calculation.*

| **2. Interconnect & Settlement parties written back**   – As per Auditors Certificate provided by WTL vide letter No. WTL-05/4-1/1401 dated 21st December, 2021, Rs. 87 Million | *This write back is included in other income and doesn’t fall in the definition of Gross revenue as given in License document which is being reproduced below for reference:*  **Gross Revenue" means the turnover or gross income** | | | |

<b>“PTA Query</b>	<b>Licensee’s response</b>
<p>and 270 Million were certified as write back of inter-operator costs. Considering that WTL has taken credit of all such inter-operator costs in relevant prior years on accrual basis, WTL is required to clarify as to why such write back shouldn't be added back as revenue (opposite of deductible inter-operator cost) upon reversal of said accruals. As requested earlier, please clarify w.r.t applicable regulatory regime.</p>	<p>exclusive of sales tax or any other tax levied by the Government from time to time which is charged and collected by the Licensee at the time of sale and deposited with the tax authorities and trade discount shown on invoices or bills, derived from sale of goods or from rendering or supplying services or benefits or from execution of contracts for Licensed Services or business;</p> <p>Cost has been booked and claimed on accrual basis as allowed inter operator cost under the license document. Write back of liabilities has been done on the basis of general principal of law (Limitation Act) and on accounting prudence concept for accounting purposed only. So this write back of liabilities is included in other income and should not been added back as revenue.</p>
<p><b>Provision against receivables</b> – Referring working provided by WTL, an amount of Rs. 200 Million has been claimed as allowable deduction on account of provision for bad debts. WTL is required to provide justification and reference of applicable regulatory regime based on which WTL is expecting such costs as allowable deduction for calculation of ARDs.</p>	<p>It represents the variable consideration part under IFRS 15-(Revenue from Contract with Customers) recognized on best estimate basis as revenue. Relevant extract of IFRS 15 are reproduced below for reference:</p> <p><b>Constraining estimates of variable consideration (IFRS-15 Para 56-57)</b></p> <p>An entity shall include in the transaction price some or all of an amount of variable consideration estimated in accordance with Para 53 only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.</p> <p>In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty related to the variable consideration is subsequently resolved, an entity shall consider both likelihood and magnitude of revenue reversal. (should consider Factor for Reversal)</p> <p><b>Reassessment of variable consideration (IFRS-15 Para 59)</b></p> <p>At the end of each reporting period, An entity shall update the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstance present at the end of the reporting period and the changes in circumstances</p>

<b>“PTA Query</b>	<b>Licensee’s response</b>
	<p>during the reporting period. The entity shall account for changes in the transaction price in accordance with Paragraphs (87-90 IFRS-15)</p> <p><b>Changes in Transaction Price (IFRS-15 Para 87)</b></p> <p>After contract inception, the transaction price can change for various reasons, including the resolution of uncertain events or other changes in circumstances that change the amount of consideration to which an entity expects to be entitled in exchange for the promised goods or services.</p> <p>As mentioned in above paras Upon subsequent adjustment in transaction price same is provided for and adjusted from revenue for PTA charges calculation. It is also evident from Auditor certificate where amount of provision against receivables has been shown as deduction from revenue.</p>
<p><b>Late Payment Additional Fee &amp; Penalty</b> - WTL is required to submit its response regarding the two terms to clarify its point of view.</p>	<p>LPC is charged from the date of finalization of principal liability. As principal liability has not been calculated/finalized so LPC is not applicable. Moreover, late payment is in the nature of a penalty and in the absence of any malafide same cannot be applied as a mechanical charge. The late payment is not mechanical charge and authority can finish it. The authority has no approval of this charge from cabinet thus it is unregularised charge. During the pendency of the cases, late payment has become much more than actual amount and under no circumstances can be paid keeping in view the business conditions.</p> <p>Besides, late payment legality is under question before Honorable Supreme Court of Pakistan in CP No.1558/2018 and any decision of the said CP will finally settle the issue”.</p>

1.18 The licensee response was examined in detail and it was observed that the licensee has still not provided the requisite complete information comprised of accounting trail of unwinding of discount and underlying arrangement/justification as to categorizing fiber optic based services as Wireless Local Loop services that otherwise fall under the ambit of Fixed Local Loop and LDI licenses. A meeting was held on 28<sup>th</sup> September, 2022 to conclude the discussion in which the underlying transaction and related accounting entries were discussed in length. The licensee explained that the underlying receivable pertains to long term contract involving sale of fiber network covering period of 20 years, the corresponding full amount of contract amounting to Rs 846 Million was recorded as revenue during the year ended 31<sup>st</sup> December 2012 and had reported the same in note 36 of its financial statements in said year. As regard the query about same amount of income under the head unwinding of

discount i.e. Rs 330 Million also recorded as expense under the head provision for expected credit losses on long term receivable in note 44 of the financial statements, the licensee couldn't provide any justification and requested for additional time to respond.

1.19. The licensee vide email dated 28<sup>th</sup> September, 2022 was provided another opportunity to justify its stance. The licensee shared its response vide email dated 30<sup>th</sup> September, 2022 stating the same stance about unwinding of discount as provided in meeting dated 28<sup>th</sup> September 2022 that it unwound the full amount of discount during the year 2019. As regard query relating provision of expected credit losses, the licensee explained that corresponding receivable was doubtful for recovery, therefore, provision for bad debt for same amount was reported in note 44 as expense during the same year.

## **2. Findings of the Authority**

2.1 Inter-operator costs and PTA/FAB mandated payments are allowable deductions from licensee's gross revenue from licensed services for the year. It is an admitted fact that interconnect cost and bandwidth charges amounting to Rs 1,375,730,000 and Rs 24,592,506 respectively, as certified by the auditors are eligible inter-operator costs against revenue under LDI license amounting to Rs 2,256 Million in line with applicable license terms and conditions.

2.2 As regard written back liabilities amounting to Rs 664.901 Million (Rs 325.490 Million under the head "unclaimed liabilities written back during the year" + Rs 339,411 Million under the head "Liabilities written back on settlement with parties") incurred in prior years, the same amount has been recorded as income for the year 2019 in note 43 of the financial statements as a result thereof. The auditors of the licensee have certified that said amount of written back liabilities include costs incurred on account of inter-operator costs amounting to Rs 87,357,132 and Rs 270,073,543 in prior years. Licensee's contention about addback of inter-operator costs embedded in written off liabilities is inconsistent with its own auditors' certification based on the fact that deduction on account of inter-operator cost for said amounts was already allowed when corresponding expense was recorded in relevant years. Therefore, write back of said liabilities amounting to Rs 357,430,675 (Rs 87,357,132 + Rs 270,073,543) being no longer payable against which deduction was previously claimed would be added back for calculation of ARDs for the year it has been written back.

2.3 As regard the licensee's claim of deductions amounting to Rs 469 Million (Rs 200 Million + Rs 269 Million) and Rs 57 Million qua provision for doubtful debt and regulatory compliance cost, respectively, the head of accounts for which such expense would have been incurred don't correspond to head of accounts allowed as deductions as provided in the license. Therefore, licensee's claim being against the terms and conditions of the license is disallowed.

2.4 Licensee's stance regarding "Unwinding impact of long term receivable" amounting to Rs 330 Million in note No. 43.1 in its financial statements pertains to a long term contract in which the contract amount was recoverable over the period of 20 years and as stated by the licensee, full amount of related revenue for that contract was booked upfront in prior years. The licensee couldn't provide any reference from the applicable accounting framework and applicable laws governing preparation of financial statements that allows such treatment in financial statements. Further, the accounting entries and interpretation provided by the licensee are inconsistent with its own accounting treatment of recording unwinding of receivable under the head other income in note 43.1 of the financial statements vis-à-vis corresponding same amount recorded as expense in note 44 of the financial statements under the head "Provision for expected credit losses on long term receivable". Foregoing in view, it is considered that the unwinding of receivable in this case is in fact revenue earned from licensed services that the licensee has otherwise recorded under the head other income, therefore, said amount i.e. Rs 330 Million shall accordingly be considered revenue earned from licensed services for calculation of ARDs.

2.5 As regard licensee's categorization of services amounting to Rs 1,805 Million as wireless local loop services, the licensee couldn't justify the basis of such categorization of fiber optic cable based services as wireless local loop services. Further, such categorization is inconsistent with licensee's own representation on record that it has discontinued the wireless local loop operations long time back. Foregoing in view, it is considered that said amount should be categorized under Fixed Local Loop license to which such services relate to and corresponding sales tax amounting to Rs 179 Million and inter-operator cost amounting to Rs. 74 Million being allowable deductions as per license conditions shall be allowed under the same license in calculation of ARDs. Further the revenue amounting to Rs 243 Million on account of CATV and advertisement as per auditors in certified breakup being non-licensed revenue in nature shall be allowed as deduction for calculation of ARDs.

2.6 As regard licensee's claim for deduction of discount amounting to Rs 25 Million, stated by the licensee, as reported in note 41 to the financial statements is commission on sales in nature and substance. As per regulation 23 of Pakistan Telecommunication Authority (Functions & Powers) Regulations, 2006 read with regulation 2 of Pakistan Telecommunication Authority (Functions & Powers) (Amendment) Regulation, 2017 and license terms and conditions, commission on sales is not an allowable deduction while calculating ARDs. Therefore, the licensee's claim being inconsistency with the applicable laws and license terms and conditions is disallowed.

2.7 Moreso, the licensee as regard its claim for deduction of Rs 1,013 Million and Rs 97 Million on account of "Non-cash cost of fiber purchased" and "revenue share cost", respectively, was required to explain and provide justification for allowability of such costs and refer relevant license condition, under which such cost has been prescribed as allowable deduction, in support of its claim. However, licensee neither referred the relevant clause from

Dated: 27<sup>th</sup> December, 2022

license nor provided any reasonable justification to substantiate its claim, hence, the said amounts (i.e. Rs 1,013 Million and Rs 97 Million) is disallowed for calculation of ARDs.

2.8 Foregoing in view having considered above facts available on record, calculation of ARDs under FLL and LDI licenses is attached as Annexure-A.

**3. ORDER:**

Keeping in view the above-mentioned facts coupled with the available record, the Authority hereby decides as under:

3.1 What has been discussed above, since the licensee has not provided any persuasive justification to substantiate its claim; therefore, the licensee is hereby directed to make payment of outstanding ARDs amounting to Rs 105,635,514 (Rupees one hundred five million, six hundred thirty five thousand, five hundred and fourteen only) (LPAF calculated till 10<sup>th</sup> January, 2023) within seven (07) days from the date of receipt of this order.

3.2 In case of con-compliance of 3.1 above, legal proceeding(s) will be initiated against the licensee as per applicable law.

**Maj. Gen. Amir Azeem Bajwa (R)**  
Chairman

**Muhammad Naveed**  
Member (Finance)

**Dr. Khawar Siddique Khokhar**  
Member (Compliance & Enforcement)

Signed on 27<sup>th</sup> day of December, 2022 and comprised of (15) pages only.

**Pakistan Telecommunication Authority  
 Calculation of Annual Regulatory Dues of  
 WorldCall Telecom (Private) Limited  
 For the year ended 31 December, 2019**

Particulars	FLL	LDI	Total
	Amount in Rupees		
<b>Gross Revenue as per financial statements</b>	<b>1,805,000,000</b>	<b>2,256,000,000</b>	<b>4,061,000,000</b>
Less: Discount	(179,492,000)	-	(179,492,000)
Less: CATV and advertisement being non-licensed service revenue	(243,000,000)	-	(243,000,000)
	<b>1,382,508,000</b>	<b>2,256,000,000</b>	<b>3,638,508,000</b>
<b>Add back:</b>			
Unclaimed liabilities written back	-	87,357,132	87,357,132
Liabilities written back on settlement with parties	-	270,073,549	270,073,549
Unwinding impact of long term trade receivable	330,064,000	-	330,064,000
	<b>330,064,000</b>	<b>357,430,681</b>	<b>687,494,681</b>
<b>Total Revenue</b>	<b>1,712,572,000</b>	<b>2,613,430,681</b>	<b>4,326,002,681</b>
<b>Less Allowable Deductions:</b>			
Interconnect, Settlement and other charges (Local Operators Only)	-	(1,375,730,000)	(1,375,730,000)
Bandwidth and other PTCL charges (Local Operators Only)	(74,000,000)	(24,592,506)	(98,592,506)
USF paid during the year 2019	-	(3,886,349)	(3,886,349)
Numbering charges paid during the year 2019	-	(226,000)	(226,000)
	<b>(74,000,000)</b>	<b>(1,404,434,855)</b>	<b>(1,478,434,855)</b>
<b>Adjusted Gross Revenue for calculation of ARDs</b>	<b>1,638,572,000</b>	<b>1,208,995,826</b>	<b>2,847,567,826</b>

	Annual License Fee			Research and Development Fund (R&D)			Universal Service Fund					
	Date & Days	FLL	LDI	Total	Date & Days	FLL	LDI	Total	Date & Days	FLL	LDI	Total
<b>Annual Regulatory Dues - Principal Payments:</b>		<b>8,192,860</b>	<b>6,044,979</b>	<b>14,237,839</b>		<b>8,192,860</b>	<b>6,044,979</b>	<b>14,237,839</b>		<b>24,578,580</b>	<b>18,134,937</b>	<b>42,713,517</b>
1st Partial payment received on	13-Aug-20	-	(287,954)	(287,954)	31-Aug-20	-	(287,954)	(287,954)	31-Aug-20	-	(863,861)	(863,861)
2nd Partial payment received on	11-Jun-21	-	(1,449,794)	(1,449,794)	14-Jun-21	-	(1,449,794)	(1,449,794)	14-Jun-21	-	(4,349,382)	(4,349,382)
		-	<b>(1,737,748)</b>	<b>(1,737,748)</b>		-	<b>(1,737,748)</b>	<b>(1,737,748)</b>		-	<b>(5,213,243)</b>	<b>(5,213,243)</b>
<b>Late Payment Additional Fee:</b>												
LPAF @ 2% per month on outstanding amount till 1st partial payment	105	573,500	423,149	996,649	123	671,815	495,688	1,167,503	123	2,015,444	1,487,065	3,502,508
LPAF @ 2% per month on outstanding amount till 2nd partial payment	302	1,649,496	1,159,081	2,808,577	287	1,567,567	1,101,511	2,669,078	287	4,702,702	3,304,533	8,007,234
LPAF @ 2% per month on remaining amount till 10 January 2023.	578	3,156,982	1,659,720	4,816,702	575	3,140,596	1,651,105	4,791,702	575	9,421,789	4,953,316	14,375,105
		<b>5,379,978</b>	<b>3,241,949</b>	<b>8,621,927</b>		<b>5,379,978</b>	<b>3,248,304</b>	<b>8,628,282</b>		<b>16,139,934</b>	<b>9,744,914</b>	<b>25,884,848</b>

<b>Balance ARDs payable for 2019</b>	<b>13,572,838</b>	<b>7,549,180</b>	<b>21,122,019</b>
<b>Total Outstanding ARDs for 2019</b>	<b>105,635,514</b>		

<b>Balance ARDs payable for 2019</b>	<b>13,572,838</b>	<b>7,555,535</b>	<b>21,128,374</b>	<b>40,718,514</b>	<b>22,666,608</b>	<b>63,385,122</b>
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