FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Pakistan Telecommunication Company Limited (the Company) as at December 31, 2013 and the related statement of profit and loss, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

    (i) the statement of financial position, statement of profit and loss and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 9.7 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit and loss, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

A.F. Ferguson & Co.
Chartered Accountants
Islamabad

Dated: February 02, 2014

Engagement Partner:
S. Haider Abbas

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000 (Restated)	July 01, 2012 Rs '000 (Restated)
Equity and liabilities	**Equity**				
	Share capital and reserves				
	Share capital	6	51,000,000	51,000,000	51,000,000
	Revenue reserves				
	Insurance reserve		2,958,336	2,678,728	2,678,728
	General reserve		30,500,000	30,500,000	30,500,000
	Unappropriated profit		16,324,138	12,498,296	18,133,609
			49,782,474	45,677,024	51,312,337
	Unrealized gain on available for sale investments		89,785	51,789	62,977
			100,872,259	96,728,813	102,375,314
	Liabilities				
	Non-current liabilities				
	Long term security deposits	7	529,358	534,487	707,668
	Deferred income tax	8	3,749,739	2,886,049	6,119,346
	Employees' retirement benefits	9	33,050,773	32,422,497	23,114,716
	Deferred government grants	10	5,123,099	3,991,818	4,083,022
			42,452,969	39,834,851	34,024,752
	Current liabilities				
	Trade and other payables	11	38,583,250	27,621,334	20,548,656
	Total equity and liabilities		181,908,478	164,184,998	156,948,722
	Contingencies and commitments	12			

The annexed notes 1 to 48 are an integral part of these financial statements.

Chairman

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000 (Restated)	July 01, 2012 Rs '000 (Restated)
Assets	**Non-current assets**				
	Fixed assets				
	Property, plant and equipment	13	87,219,249	85,041,154	85,870,337
	Intangible assets	14	5,157,172	2,678,582	2,799,659
			92,376,421	87,719,736	88,669,996
	Long term investments	15	7,791,296	7,791,296	6,607,439
	Long term loans and advances	16	6,784,020	11,986,019	14,311,954
	Investment in finance lease	17	38,781	-	-
			106,990,518	107,497,051	109,589,389
	Current assets				
	Stores, spares and loose tools	18	3,675,314	2,934,843	2,972,824
	Trade debts	19	18,596,301	15,402,253	8,785,812
	Loans and advances	20	6,541,852	3,409,815	1,368,215
	Investment in finance lease	17	12,927	-	-
	Accrued interest	21	667,024	559,390	426,527
	Recoverable from tax authorities	22	15,586,424	17,384,612	17,784,694
	Receivable from the Government of Pakistan	23	2,164,072	2,164,072	2,164,072
	Prepayments and other receivables	24	910,116	885,415	666,466
	Short term investments	25	22,405,669	8,897,458	9,929,401
	Cash and bank balances	26	4,358,261	5,050,089	3,261,322
			74,917,960	56,687,947	47,359,333
	Total assets		181,908,478	164,184,998	156,948,722

President & CEO

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000 (Restated)
Revenue	27	81,061,355	37,033,228
Cost of services	28	(53,073,952)	(24,552,328)
Gross profit		27,987,403	12,480,900
Administrative and general expenses	29	(9,116,544)	(4,184,721)
Selling and marketing expenses	30	(2,901,035)	(1,312,132)
Voluntary separation scheme cost		-	(9,467,268)
		(12,017,579)	(14,964,121)
Operating profit / (loss)		15,969,824	(2,483,221)
Other income	31	4,214,290	1,580,750
Finance costs	32	(346,477)	(136,001)
Loss on disposal of property, plant and equipment		-	(216,220)
Profit / (loss) before tax		19,837,637	(1,254,692)
Provision for income tax	33	(7,141,504)	446,748
Profit / (loss) for the year / period		12,696,133	(807,944)
Earnings / (loss) per share - basic and diluted (Rupees)	34	2.49	(0.16)

The annexed notes 1 to 48 are an integral part of these financial statements.

Chairman

President & CEO

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000 (Restated)
Profit / (loss) for the year / period	12,696,133	(807,944)
Other comprehensive loss for the year / period		
Items that will not be reclassified to profit and loss:		
Remeasurement loss on defined benefit plans	(5,288,914)	(7,426,721)
Tax effect of remeasurement loss on defined benefit plans	1,798,231	2,599,352
	(3,490,683)	(4,827,369)
Items that may be reclassified subsequently to profit and loss:		
Unrealized gain arising during the year / period	87,291	16,899
Gain on disposal transferred to income for the year / period	(49,295)	(28,087)
Unrealized gain on available for sale investments - net of tax	37,996	(11,188)
Other comprehensive loss for the period - net of tax	(3,452,687)	(4,838,557)
Total comprehensive income / (loss) for the year / period	9,243,446	(5,646,501)

The annexed notes 1 to 48 are an integral part of these financial statements.

Chairman

President & CEO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

		Note	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000 (Restated)
Cash flows from operating activities	Cash generated from operations	36	38,230,663	15,577,884
	Long term security deposits		(5,129)	(173,181)
	Payment to Pakistan Telecommunication Employees' Trust (PTET)		(8,478,000)	(3,479,631)
	Employees' retirement benefits paid		(734,420)	(941,762)
	Payment of voluntary separation scheme cost		(54,305)	(5,143,842)
	Income tax paid		(2,681,395)	(327,947)
	Net cash inflows from operating activities		26,277,414	5,511,521
Cash flows from investing activities	Capital expenditure		(14,773,532)	(5,012,804)
	Acquisition of intangible assets		(368,857)	(15,910)
	Proceeds from disposal of property, plant and equipment		5,804	127,964
	Long term investments		-	(1,183,857)
	Investment in finance lease		(65,360)	-
	Long term loans and advances		(8,068)	181,537
	Return on long term loans and short term investments		2,680,433	1,133,373
	Government grants received		1,662,822	-
	Repayments of subordinated loans		2,500,000	-
	Dividend income on long term investments		-	15,000
	Net cash outflows from investing activities		(8,366,758)	(4,754,697)
Cash flows from financing activities	Dividend paid		(5,094,273)	-
	Net increase in cash and cash equivalents		12,816,383	756,824
	Cash and cash equivalents at the beginning of the year / period		13,947,547	13,190,723
	Cash and cash equivalents at the end of the year / period	37	26,763,930	13,947,547

The annexed notes 1 to 48 are an integral part of these financial statements.

Chairman

President & CEO

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

	Issued, subscribed and paid-up capital		Revenue reserves			Unrealized gain on available for sale investments	Total
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit (Restated)		
	(Rupees in '000)						
Balance as at June 30, 2012 - as previously reported	37,740,000	13,260,000	2,678,728	30,500,000	21,295,232	62,977	105,536,937
Effect of change in accounting policy							
for employee benefit plans - note 9.7	-	-	-	-	(3,161,623)	-	(3,161,623)
Balance as at July 01, 2012 - restated	37,740,000	13,260,000	2,678,728	30,500,000	18,133,609	62,977	102,375,314
Total comprehensive loss for the period							
Loss for the period - restated	-	-	-	-	(807,944)	-	(807,944)
Other comprehensive loss - restated	-	-	-	-	(4,827,369)	(11,188)	(4,838,557)
	-	-	-	-	(5,635,313)	(11,188)	(5,646,501)
Balance as at December 31, 2012 - restated	37,740,000	13,260,000	2,678,728	30,500,000	12,498,296	51,789	96,728,813
Total comprehensive income for the year							
Profit for the year	-	-	-	-	12,696,133	-	12,696,133
Other comprehensive (loss) / income	-	-	-	-	(3,490,683)	37,996	(3,452,687)
Transfer to insurance reserve	-	-	279,608	-	(279,608)	-	-
Interim dividend for the year ended							
December 31, 2013 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	279,608	-	3,825,842	37,996	4,143,446
Balance as at December 31, 2013	37,740,000	13,260,000	2,958,336	30,500,000	16,324,138	89,785	100,872,259

The annexed notes 1 to 48 are an integral part of these financial statements.

Chairman

President & CEO

1. The Company and its operations

Pakistan Telecommunication Company Limited (the Company) was incorporated in Pakistan on December 31, 1995 and commenced business on January 01, 1996. The Company, which is listed on the Karachi, Lahore and Islamabad stock exchanges, was established to undertake the telecommunication business formerly carried on by the Pakistan Telecommunication Corporation (PTC). PTC's business was transferred to the Company on January 01, 1996 under the Pakistan Telecommunication (Reorganization) Act, 1996, on which date, the Company took over all the properties, rights, assets, obligations and liabilities of PTC, except those transferred to the National Telecommunication Corporation (NTC), the Frequency Allocation Board (FAB), the Pakistan Telecommunication Authority (PTA) and the Pakistan Telecommunication Employees Trust (PTET). The registered office of the Company is situated at PTCL Headquarters, G-8/4, Islamabad.

The Company provides telecommunication services in Pakistan. It owns and operates telecommunication facilities and provides domestic and international telephone services and other communication facilities throughout Pakistan. The Company has also been licensed to provide such services in territories of Azad Jammu and Kashmir and Gilgit-Baltistan.

The Company changed its financial year end from June 30 to December 31 in last reporting period. Accordingly, corresponding figures in financial statements pertain to the six months period ended December 31, 2012 and therefore, are not entirely comparable in respect of statement of profit and loss, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes to and forming part of the financial statements.

2. Statement of compliance

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

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

2.1 Adoption of new and revised standards and interpretations:

a) The following amendments, revisions and interpretations to published accounting standards were effective during the period and have been adopted by the Company:

		Effective date (annual periods beginning on or after)
IFRS 7	Financial Instruments: Disclosures	January 01, 2013
IAS 1	Presentation of Financial Statements (Amendments)	January 01, 2013
IAS 16	Property, Plant and Equipment (Amendments)	January 01, 2013
IAS 19	Employee Benefits (Revised)	January 01, 2013
IAS 32	Financial Instruments Presentation (Amendments)	January 01, 2013
IAS 34	Interim Financial Reporting (Amendments)	January 01, 2013

Except for the effects on the financial statements of revision in IAS 19 "Employee Benefits (Revised)" (IAS 19), the adoption of the above standards, amendments and interpretations have no material impact on the Company's financial statements other than in presentation / disclosure.

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

		Effective date (annual periods beginning on or after)
IFRS 1	First-Time Adoption of International Financial Reporting Standards (Amendments)	July 01, 2009
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IAS 27	Separate Financial Statements (Revised)	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures (Revised)	January 01, 2013

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

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

		Effective date (annual periods beginning on or after)
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 01, 2014
IFRS 9	Financial Instruments	January 01, 2015
IFRS 10	Consolidated Financial Statements (Amendments)	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 01, 2014
IAS 27	Separate Financial Statements (Revised) (Amendments)	January 01, 2014
IAS 32	Financial Instruments Presentation (Amendments)	January 01, 2014
IAS 36	Impairment of Assets (Amendments)	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement	January 01, 2014
IFRIC 21	Levies	January 01, 2014

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

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

3. Basis of preparation

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments at fair value and the recognition of certain employees' retirement benefits on the basis of actuarial assumptions.

4. Critical accounting estimates and judgments

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

(a) Provision for employees' retirement benefits

The actuarial valuation of pension, gratuity, medical, accumulating compensated absences plans and benevolent grants (note 5.20) requires the use of certain assumptions related to future periods, including increase in future salary / pension / medical costs, rate of increase in benevolent grants, expected long-term returns on plan assets and the discount rate used to discount future cash flows to present values.

(b) Provision for income taxes

The Company recognizes income tax provisions using estimates based upon expert opinions of its tax and legal advisors. Differences, if any, between the recorded income tax provision and the Company's tax liability, are recorded on the final determination of such liability. Deferred income tax (note 5.19) is calculated at the rates that are expected to apply to the period when these temporary differences reverse, based on tax rates that have been enacted or substantively enacted, by the date of the statement of financial position.

(c) Recognition of government grant

The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

(d) Useful life and residual value of fixed assets

The Company reviews the useful lives and residual values of fixed assets (note 5.10) on a regular basis. Any change in estimates may affect the carrying amounts of the respective items of property, plant and equipment and intangible assets, with a corresponding effect on the related depreciation / amortization charge.

(e) Provision for stores, spares and loose tools

A provision against stores, spares and loose tools is recognized after considering their physical condition and expected future usage. It is reviewed by the management on a quarterly basis.

(f) Provision for doubtful receivables

A provision against overdue receivable balances is recognized after considering the pattern of receipts from, and the future financial outlook of, the concerned receivable party. It is reviewed by the management on a regular basis.

(g) Provisions and contingent liabilities

The management exercises judgment in measuring and recognizing provisions and the exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

5. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years / periods for which financial information is presented in these financial statements, unless otherwise stated.

5.1 Functional and presentation currency

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

5.2 Foreign currency transactions and translations

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

5.3 Insurance reserve

The assets of the Company are self insured, as the Company has created an insurance reserve for this purpose. Appropriations out of profits to this reserve, are made at the discretion of the Board of Directors. The reserve may be utilized to meet any losses to the Company's assets resulting from theft, fire, natural or other disasters.

5.4 Government grants

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

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

5.5 Borrowings and borrowing costs

Borrowings are recognized equivalent to the value of the proceeds received by the Company. Any difference, between the proceeds (net of transaction costs) and the redemption value, is recognized in income, over the period of the borrowings, using the effective interest method.

Borrowing costs, which are directly attributable to the acquisition and construction of a qualifying asset, are capitalized as part of the cost of that asset. All other borrowing costs are charged to income for the year / period.

5.6 Trade and other payables

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

5.7 Provisions

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

5.8 Contingent liabilities

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

5.9 Dividend distribution

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

5.10 Fixed assets

(a) Property, plant and equipment

Property, plant and equipment, except freehold land and capital work in progress, is stated at cost less accumulated depreciation and any identified impairment losses; freehold land is stated at cost less identified impairment losses, if any. Cost includes expenditure, related overheads, mark-up and borrowing costs (note 5.5) that are directly attributable to the acquisition of the asset.

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

Capital work in progress is stated at cost less impairment value, if any. It consists of expenditure incurred and advances made in respect of tangible and intangible fixed assets in the course of their construction and installation.

Depreciation on assets is calculated, using the straight line method, to allocate their cost over their estimated useful lives, at the rates mentioned in note 13.1.

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

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

(b) Intangible assets

(i) Licenses

These are carried at cost less accumulated amortization and any identified impairment losses. Amortization is calculated using the straight line method, to allocate the cost of the license over its estimated useful life specified in note 14, and is charged to income for the year / period.

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

(ii) Computer software

These are carried at cost less accumulated amortization, and any identified impairment losses. Amortization is calculated, using the straight line method, to allocate the cost of software over their estimated useful lives specified in note 14, and is charged to income for the year / period. Costs associated with maintaining computer software, are recognized as an expense as and when incurred.

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

5.11 Investments in subsidiaries and associates

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

5.12 Investment in finance lease

Leases in which the Company transfers substantially all the risk and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. Receivable is recognized at an amount equal to the present value of minimum lease payments.

5.13 Impairment of non financial assets

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

5.14 Stores, spares and loose tools

These are stated at the lower of cost and net realizable value. Cost is determined using the moving average method. Items in transit are valued at cost, comprising invoice values and other related charges incurred up to the date of the statement of financial position.

5.15 Trade debts

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

5.16 Financial instruments

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

(a) Financial assets

Classification and subsequent measurement

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

(i) Fair value through profit or loss

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

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

(ii) Held to maturity

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

(iii) Loans and receivables

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

The Company's loans and receivables comprise 'Long term loans and advances', 'Trade debts', 'Loans and advances', 'Accrued interest', 'Receivable from the Government of Pakistan', 'other receivables' and 'Cash and bank balances'.

(iv) Available for sale

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

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

Investments in equity instruments that do not have a quoted market price in active market and whose fair value cannot be reliably measured are measured at cost.

Impairment

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

(b) Financial liabilities

Initial recognition and measurement

The Company classifies its financial liabilities in the following categories: fair value through profit or loss and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs.

Subsequent measurement

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

(i) fair value through profit or loss

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

Financial liabilities at fair value through profit or loss are carried in the statement of financial position at their fair value, with changes therein recognized in the income for the year / period.

(ii) Other financial liabilities

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

(c) Offsetting of financial assets and liabilities

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

5.17 Cash and cash equivalents

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

5.18 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable, for the provision of telecommunication, broadband and related services in the ordinary course of the Company's activities and is recognized net of services tax, rebates and discounts.

The Company principally obtains revenue from providing telecommunication services such as wireline and wireless services, interconnect, data services and equipment sales. Equipment and services may be sold separately or in a bundled package.

Revenue is recognized, when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated cost incurred or to be incurred can be measured reliably, and when specific criteria have been met for each of the Company's activities as described below:

(i) Rendering of telecommunication services

Revenue from telecommunication services comprises of amounts charged to customers in respect of wireline and wireless services, equipment sales and interconnect, including data services. Revenue also includes the net income received or receivable from revenue sharing arrangements entered into with overseas and local telecommunication operators.

(a) Wireline and wireless services

Revenue from wireline services, mainly in respect of line rent, line usage and broadband, is invoiced and recorded as part of a periodic billing cycle.

Revenue from wireless services is recognized on the basis of consumption of prepaid cards which allow the forward purchase of a specified amount of airtime by customers; revenue is recognized as the airtime is utilized. Unutilized airtime is carried as advance from customers.

(b) Data services

Revenue from data services is recognized when the services are rendered.

(c) Interconnect

Revenue from interconnect services is recognized when the services are rendered.

(d) Equipment sales

Revenue from sale of equipment is recognized when the equipment is delivered to the end customer and the sale is considered complete. For equipment sales made to intermediaries, revenue is recognized if the significant risks associated with the equipment are transferred to the intermediary and the intermediary has no right of return. If the significant risks are not transferred, revenue recognition is deferred until sale of the equipment to the end customer by the intermediary or the expiry of the right of return.

(ii) Income on bank deposits

Return on bank deposits is recognized using the effective interest method.

(iii) Dividend income

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

5.19 Taxation

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

(a) Current

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

(b) Deferred

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

Deferred income tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

5.20 Employees' retirement benefits

The Company provides various retirement / post retirement benefit schemes. The plans are generally funded through payments determined by periodic actuarial calculations or up to the limits allowed in the Income Tax Ordinance, 2001. The Company has constituted both defined contribution and defined benefit plans.

(a) PTCL Employees' GPF Trust

The Company operates an approved funded provident plan covering its permanent employees. For the purposes of this plan, a separate trust, the "PTCL Employees' GPF Trust" (the Trust), has been established. Monthly contributions are deducted from the salaries of employees and are paid to the Trust by the Company. Interest is paid at the rate announced by the Federal Government, and this rate for the period was 12% (December 31, 2012: 13.7%) per annum. The Company contributes to the fund, the differential, if any, of the interest paid / credited for the year / period and the income earned on the investments made by the Trust.

(b) Defined benefit plans

The Company provides the following defined benefit plans:

(i) Pension plans

The Company accounts for an approved funded pension plan operated through a separate trust, the "Pakistan Telecommunication Employees' Trust" (PTET), for its employees recruited prior to January 01, 1996 when the Company took over the business from PTC. The Company operates an unfunded pension scheme for employees recruited on a regular basis, on or after January 01, 1996.

(ii) Gratuity plan

The Company operates an unfunded and unapproved gratuity plan for its New Terms and Conditions (NTCs) employees and contractual employees.

(iii) Medical benefits plan

The Company provides a post retirement medical facility to pensioners and their families. Under this unfunded plan, all ex-employees, their spouses, their children up to the age of 21 years (except unmarried daughters who are not subject to the 21 years age limit) and their parents residing with them and any other dependents, are entitled to avail the benefits provided under the scheme. The facility remains valid during the lives of the pensioner and their spouse. Under this facility there are no annual limits to the cost of drugs, hospitalized treatment and consultation fees.

(iv) Accumulating compensated absences

The Company provides a facility to its employees for accumulating their annual earned leaves. Under this plan, regular employees are entitled to four days of earned leaves per month. Unutilized leave balances can be accumulated without limit and can be used at any time, subject to the Company's approval, up to: (i) 120 days in a year without providing a medical certificate and (ii) 180 days with a medical certificate, but not exceeding 365 days during the entire service of the employee. Up to 180 days of accumulated leave can be encashed on retirement, provided the employee has a minimum leave balance of 365 days. Leaves are encashed at the rate of the latest emoluments applicable to employees, for calculating their monthly pension.

New Compensation Pay Grade (NCPG) employees are entitled to 20 leaves after completion of one year of service. Leaves can be accumulated after completion of the second year of service, upto a maximum of 28 days. Unavailed annual leaves can be encashed at the time of leaving the Company upto a maximum of two years of unavailed leaves.

NTCs / contractual employees are entitled to three days of earned leaves per month. Unutilized leave balances can be accumulated without limit. Up to 180 days of accumulated leaves can be encashed at the end of the employees' service, based on the latest drawn gross salary.

(v) Benevolent grants

The Company pays prescribed benevolent grants to eligible employees / retirees and their heirs. Up to December 31, 2012, the grants paid, net of the employees' contributions, were recognized as expense. Based on an independent actuarial valuation carried out as at December 31, 2013, present value of benevolent grants obligation for future periods has been accounted for retrospectively and the corresponding figures have been restated. Effect of the restatement has been disclosed in note 9.7.

The liability recognized in the statement of financial position in respect of defined benefit plans, is the present value of the defined benefit obligations at the date of the statement of financial position less the fair value of plan assets.

The defined benefit obligations are calculated annually, by an independent actuary using the projected unit credit method. The most recent valuations were carried out as at December 31, 2013. The present value of a defined benefit obligation is determined, by discounting the estimated future cash outflows, using the interest rates of high quality corporate bonds that are nominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized through other comprehensive income for the year / period except actuarial gains and losses arising on compensated absences which are recognized in statement of profit and loss.

5.21 Revision in accounting policy

Consequent to the revision of International Accounting Standard on Employee Benefits (IAS 19) which is effective for annual periods beginning on or after January 01, 2013, the Company has changed its accounting policy for recognition of remeasurement gains / losses on employee's retirement benefit plans. In terms of the new policy, the remeasurement gains and losses are recognized immediately in other comprehensive income. Previously, the remeasurement gains / losses in excess of the corridor limit were recognized in statement of profit and loss over the remaining service life of employees. The change in accounting policy has been accounted for retrospectively and the corresponding figures have been restated. The effect of the restatement has been disclosed in note 9.7.

6. Share capital

6.1 Authorized share capital

December 31, 2013 (Number of shares '000)	December 31, 2012 (Number of shares '000)		December 31, 2013 Rs '000	December 31, 2012 Rs '000
11,100,000	11,100,000	"A" class ordinary shares of Rs 10 each	111,000,000	111,000,000
3,900,000	3,900,000	"B" class ordinary shares of Rs 10 each	39,000,000	39,000,000
15,000,000	15,000,000		150,000,000	150,000,000

6.2 Issued, subscribed and paid up capital

December 31, 2013 (Number of shares '000)	December 31, 2012 (Number of shares '000)		December 31, 2013 Rs '000	December 31, 2012 Rs '000
3,774,000	3,774,000	"A" class ordinary shares of Rs 10 each issued as fully paid for consideration other than cash - note 6.3 and note 6.5.	37,740,000	37,740,000
1,326,000	1,326,000	"B" class ordinary shares of Rs 10 each issued as fully paid for consideration other than cash - note 6.3 and note 6.6.	13,260,000	13,260,000
5,100,000	5,100,000		51,000,000	51,000,000

6.3 These shares were initially issued to the Government of Pakistan, in consideration for the assets and liabilities transferred from Pakistan Telecommunication Corporation (PTC) to Pakistan Telecommunication Company Limited (PTCL), under the Pakistan Telecommunication (Re-organization) Act, 1996, as referred to in note 1.

6.4 Except for voting rights, the "A" and "B" class ordinary shares rank pari passu in all respects. "A" class ordinary shares carry one vote and "B" class ordinary shares carry four votes, for the purposes of election of directors. "A" class ordinary shares cannot be converted into "B" class ordinary shares; however, "B" class ordinary shares may be converted into "A" class ordinary shares, at the option, exercisable in writing and submitted to the Company, by the holders of three fourths of the "B" class ordinary shares. In the event of termination of the license issued to the Company, under the provisions of the Pakistan Telecommunication (Re-organization) Act, 1996, the "B" class ordinary shares shall be automatically converted into "A" class ordinary shares.

6.5 The Government of Pakistan, through an "Offer for Sale" document, dated July 30, 1994, issued to its domestic investors, a first tranche of vouchers exchangeable for "A" class ordinary shares of the Company; subsequently, through an Information Memorandum dated September 16, 1994, a second tranche of vouchers was issued to international investors, also exchangeable, at the option of the voucher holders, for "A" class ordinary shares or Global Depository Receipts (GDRs) representing "A" class ordinary shares of the Company. Out of 3,774,000 thousand "A" class ordinary shares, vouchers against 601,084 thousand "A" class ordinary shares were issued to the general public. Till December 31, 2013, 599,640 thousand (December 31, 2012: 599,584 thousand) "A" class ordinary shares had been exchanged for such vouchers.

6.6 In pursuance of the privatization of the Company, a bid was held by the Government of Pakistan on June 08, 2005 for sale of "B" class ordinary shares of Rs 10 each, conferring management control. Emirates Telecommunication Corporation (Etisalat), UAE was the successful bidder. The 26% (1,326,000,000 shares) ''B'' class ordinary shares, along with management control, were transferred, with effect from April 12, 2006, to Etisalat International Pakistan (EIP), UAE, which is a subsidiary of Etisalat.

7. Long term security deposits

These represent non interest bearing security deposits received from the customers of the Company, including security deposits of 3,623 thousand (December 31, 2012: Rs 3,623 thousand) from Pak Telecom Mobile Limited (PTML), a related party. The Company has adjusted / paid a sum of Rs 23,089 thousand (December 31, 2012: Rs 184,317 thousand) to its customers during the year / period against their balances.

		Note	December 31, 2013 Rs '000	December 31, 2012 (Restated) Rs '000
8. Deferred income tax	The liability for deferred taxation comprises of timing differences relating to:			
	Accelerated tax depreciation / amortization		11,903,192	11,141,422
	Provision for obsolete stores and receivables		(3,280,554)	(3,149,094)
	Remeasurements of defined benefit plans		(4,872,899)	(3,165,101)
	Unused tax loss		-	(1,755,482)
	Unused minimum tax credit		-	(185,696)
			3,749,739	2,886,049
	The gross movement in the deferred tax liability during the year / period is as follows:			
	Balance at beginning of the year / period		2,886,049	6,119,345
	Tax charge / (credit) recognized in profit and loss		2,661,921	(633,944)
	Tax credit recognized in other comprehensive income		(1,798,231)	(2,599,352)
	Balance at end of the year / period		3,749,739	2,886,049
9. Employees' retirement benefits	Liabilities for pension obligations			
	Funded	9.1	13,381,633	14,420,101
	Unfunded	9.1	1,741,300	1,222,489
			15,122,933	15,642,590
	Gratuity - unfunded	9.1	700,863	597,620
	Accumulating compensated absences - unfunded	9.1	1,157,458	912,351
	Post retirement medical facility - unfunded	9.1	12,635,982	11,895,646
	Benevolent grants - unfunded	9.1	3,433,537	3,374,290
			33,050,773	32,422,497

9.1 The latest actuarial valuations of the Company's defined benefit plans, were conducted at December 31, 2013 using the projected unit credit method. Details of obligations for defined benefit plans are as follows:

	Pension				Gratuity		Compensated absences		Post-retirement medical facility		Benevolent grants		Total	
	Funded		Unfunded		Unfunded		Unfunded		Unfunded		Unfunded			
	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)
a) The amounts recognized in the statement of financial position:														
Present value of defined benefit obligations	86,244,688	77,320,418	1,741,300	1,222,489	700,863	597,620	1,157,458	912,351	12,635,982	11,895,646	3,433,537	3,374,290	105,913,828	95,322,814
Fair value of plan assets - note 9.2	(72,863,055)	(62,900,317)	-	-	-	-	-	-	-	-	-	-	(72,863,055)	(62,900,317)
Liability at end of the year / period	13,381,633	14,420,101	1,741,300	1,222,489	700,863	597,620	1,157,458	912,351	12,635,982	11,895,646	3,433,537	3,374,290	33,050,773	32,422,497
b) Changes in the present value of defined benefit obligations:														
Balance at beginning of the year / period	77,320,418	66,448,037	1,222,489	1,572,484	597,620	638,099	912,351	1,052,037	11,895,646	10,356,829	3,374,290	3,247,614	95,322,814	83,315,100
Current service cost	417,022	270,110	88,328	58,718	104,777	49,817	65,636	17,708	136,487	64,610	43,024	20,774	855,274	481,737
Actuarial (gain)/ loss	-	-	-	-	-	-	130,034	(13,388)	-	-	-	-	130,034	(13,388)
(Gains) / losses on curtailment / settlement	-	3,939,412	-	(102,135)	-	17,377	-	161,032	-	244,222	-	-	-	4,259,908
Interest expense	8,505,246	4,422,587	134,474	99,500	65,738	39,183	100,359	62,976	1,308,521	684,356	371,172	178,619	10,485,510	5,487,221
Balance at end of the year / period	8,922,268	8,632,109	222,802	56,083	170,515	106,377	296,029	228,328	1,445,008	993,188	414,196	199,393	11,470,818	10,215,478
Remeasurements:														
(Gains) / losses from change in financial assumptions	677,049	5,053,437	334,654	(340,407)	-	-	-	-	-	-	-	-	1,011,703	4,713,030
Experience (gains) / losses	5,217,874	1,309,906	(32,296)	(30,594)	(30,880)	(13,649)	-	-	(233,694)	902,725	(185,170)	8,233	4,735,834	2,176,621
	5,894,923	6,363,343	302,358	(371,001)	(30,880)	(13,649)	-	-	(233,694)	902,725	(185,170)	8,233	5,747,537	6,889,651
Obligation transferred from unfunded pension plan to funded pension plan	-	32,582	-	(32,582)	-	-	-	-	-	-	-	-	-	-
Benefits paid	(5,892,921)	(4,155,653)	(6,349)	(2,495)	(36,392)	(133,207)	(50,922)	(368,014)	(470,978)	(357,096)	(169,779)	(80,950)	(6,627,341)	(5,097,415)
Balance at end of the year / period	86,244,688	77,320,418	1,741,300	1,222,489	700,863	597,620	1,157,458	912,351	12,635,982	11,895,646	3,433,537	3,374,290	105,913,828	95,322,814

	Pension				Gratuity		Compensated absences		Post-retirement medical facility		Benevolent grants		Total	
	Funded		Unfunded		Unfunded		Unfunded		Unfunded		Unfunded			
	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)	2013 Rs '000	2012 Rs '000 (Restated)
c) Charge for the year / period:														
Profit and Loss:														
Current service cost	417,022	270,110	88,328	58,718	104,777	49,817	65,636	17,708	136,487	64,610	43,024	20,774	855,274	481,737
Net Interest expense	1,586,211	509,562	134,474	99,500	65,738	39,183	100,359	62,976	1,308,521	684,356	371,172	178,619	3,566,475	1,574,196
Actuarial (gain)/ loss	-	-	-	-	-	-	130,034	(13,388)	-	-	-	-	130,034	(13,388)
(Gain) / losses recognized on curtailment / settlement	-	3,939,412	-	(102,135)	-	17,377	-	161,032	-	244,222	-	-	-	4,259,908
Contribution from employees	-	-	-	-	-	-	-	-	-	-	(26,703)	(14,830)	(26,703)	(14,830)
Contribution from deputationists	(815)	(922)	-	-	-	-	-	-	-	-	-	-	(815)	(922)
	2,002,418	4,718,162	222,802	56,083	170,515	106,377	296,029	228,328	1,445,008	993,188	387,493	184,563	4,524,265	6,286,701
Other comprehensive income														
Remeasurements:														
Return on plan assets, excluding amounts included in interest income	(458,623)	537,070	-	-	-	-	-	-	-	-	-	-	(458,623)	537,070
(Gains) / losses from changes in financial assumptions	677,049	- 5,053,437	334,654	(340,407)	-	-	-	-	-	-	-	-	1,011,703	4,713,030
Experience (gains) / losses	5,217,874	1,309,906	(32,296)	(30,594)	(30,880)	(13,649)	-	-	(233,694)	902,725	(185,170)	8,233	4,735,834	2,176,621
	5,436,300	6,900,413	302,358	(371,001)	(30,880)	(13,649)	-	-	(233,694)	902,725	(185,170)	8,233	5,288,914	7,426,721
	7,438,718	11,618,575	525,160	(314,918)	139,635	92,728	296,029	228,328	1,211,314	1,895,913	202,323	192,796	9,813,179	13,713,422
d) Significant actuarial assumptions at the date of the statement of financial position:														
Discount rate	12%	11%	12%	11%	12%	11%	12%	11%	12%	11%	12%	11%		
Future salary / medical cost increase	7 to 11%	7.5%	7 to 11%	7.5%	11%	9-10%	11%	9-10%	11%	10%	-	-		
Future pension increase	8.5%	7.5%	8.5%	7.5%	-	-	-	-	-	-	-	-		
Rate of increase in benevolent grant	-	-	-	-	-	-	-	-	-	-	4%	3%		
Average duration of the obligation	10 years	12 years	19 years	15 years	7 years	6 years	9 to 10 years	10 to 11 years	15 years	16 years	11 years	12 years		
Expected mortality rate	EFU 61-66*		EFU 61-66*		EFU 61-66*		EFU 61-66*		EFU 61-66*		EFU 61-66*			
Expected withdrawal rate	Based on experience		Based on experience		Based on experience		Based on experience		Based on experience		Based on experience			

* Mortality table adjusted for Company's experience

		Defined benefit pension plan - Funded	
		December 31, 2013 Rs '000	December 31, 2012 (Restated) Rs '000
9.2	**Changes in the fair value of plan assets**		
	Balance at beginning of the year / period	62,900,317	60,200,384
	Interest income	6,919,036	3,913,025
	Return on plan assets, excluding amounts included in interest income	458,623	(537,070)
	Contributions made by the Company during the year / period	8,478,000	3,479,631
	Benefits paid	(5,892,921)	(4,155,653)
	Balance at end of the year / period	72,863,055	62,900,317

9.3 Plan assets for funded defined benefit pension plan are comprised as follows:

	December 31, 2013		December 31, 2012	
	Rs '000	Percentage	Rs '000	Percentage
Debt instruments - unquoted				
- Special Savings Accounts	45,117,459	61.92	41,152,206	65.42
- Special Savings Certificates	8,327,666	11.43	7,434,661	11.82
- Defense Savings Certificates	1,223,264	1.68	1,088,943	1.73
- Pakistan Investment Bonds	405,611	0.56	555,685	0.88
	55,074,000	75.59	50,231,495	79.85
Cash and cash equivalents				
- Term deposits	9,779,208	13.42	5,302,896	8.43
- Bank balances	1,132,526	1.55	831,250	1.32
	10,911,734	14.98	6,134,146	9.75
Investment property				
- Telecom tower	6,002,067	8.24	5,776,405	9.18
- Telehouse	1,167,155	1.60	1,161,363	1.85
	7,169,222	9.84	6,937,768	11.03
Fixed assets	4,858	0.01	7,102	0.01
Other assets	145,945	0.20	110,627	0.18
	73,305,759	100.61	63,421,138	100.83
Liabilities that do not relate to employees' retirement benefits	(442,704)	(0.61)	(520,821)	(0.83)
	72,863,055	100.00	62,900,317	100.00

9.4 During the next financial year, the expected contributions to be paid to the funded pension plan by the Company is Rs 2,121,716 thousand (December 31, 2012: Rs 1,519,280 thousand).

9.5 Sensitivity analysis

The calculations of the defined benefits obligation is sensitive to the significant actuarial assumptions set out in note9.1 (d). The table below summarizes how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in the respective assumptions by one percent.

	1% increase in assumption Rs '000	1% decrease in assumption Rs '000
Future salary / medical cost		
Pension - funded	494,936	(458,656)
Pension - unfunded	133,772	(119,717)
Gratuity - unfunded	58,944	(46,311)
Accumulating compensated absences - unfunded	119,610	(104,952)
Post-retirement medical facility - unfunded	2,067,354	(1,674,719)
Discount rate		
Pension - funded	(8,071,092)	9,671,880
Pension - unfunded	(282,028)	362,978
Gratuity - unfunded	(45,487)	58,944
Accumulating compensated absences - unfunded	(104,480)	121,029
Post-retirement medical facility - unfunded	(1,647,845)	2,067,354
Benevolent grants - unfunded	(332,286)	392,479
Future pension increase		
Pension - funded	8,098,513	(6,924,853)
Pension - unfunded	129,359	(108,156)
Benevolent grants		
Benevolent grants - unfunded	296,247	(264,582)

If the life expectancy increases / decreases by 1 year, the impact on defined benefit obligation would be as follows:

	Increase by 1 year	Decrease by 1 year
Pension - funded	(2,242,362)	2,242,362
Pension - unfunded	(29,602)	34,826
Gratuity - unfunded	(3,504)	3,504
Accumulating compensated absences - unfunded	(3,193)	4,880
Post-retirement medical facility - unfunded	(353,807)	353,807
Benevolent grants - unfunded	(98,542)	95,796

The above sensitivity analyses are based on changes in assumptions while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognized within the statement of financial position.

9.6 Through its defined benefit pension plans the Company is exposed to a number of actuarial and investment risks, the most significant of which include, interest rate risk, property market risk and longetivity risk for pension plan and salary risk for all the plans.

9.7 Prior period effect of change in accounting policy for employees' retirement benefit plans

The effect of restatement consequent to revision in IAS 19 (note 5.21) and recognition of benevolent grants obligation (note 5.20) is summarized below:

i) Cumulative effect

	Revision in IAS 19		Benevolent grants		Total	
	December 31, 2012 Rs '000	July 01, 2012 Rs '000	December 31, 2012 Rs '000	July 01, 2012 Rs '000	December 31, 2012 Rs '000	July 01, 2012 Rs '000
Statement of financial position						
Increase in employees retirement benefits	9,034,911	1,616,421	3,374,290	3,247,614	12,409,201	4,864,035
Decrease in deferred tax liability	3,162,219	565,747	1,181,002	1,136,665	4,343,221	1,702,412
Decrease in unappropriated profit	5,872,692	1,050,674	2,193,288	2,110,949	8,065,980	3,161,623

ii) Effect for the six month period ended December 31, 2012

	Revision in IAS 19 Rs '000	Benevolent grants Rs '000	Total Rs '000
Statement of profit and loss			
Increase in employees' benefit expense	-	118,443	118,443
Related tax impact	-	(41,455)	(41,455)
	-	76,988	76,988
Statement of comprehensive income			
Other comprehensive income			
Increase in remeasurement loss on employee retirement benefits	7,418,488	8,233	7,426,721
Increase in tax effect of remeasurement loss on defined benefit plans	(2,596,470)	(2,882)	(2,599,352)
	4,822,018	5,351	4,827,369

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
10. Deferred government grants	Balance at beginning of the year / period		3,991,818	4,083,022
	Recognised during the year / period		1,422,822	-
	Amortization for the year / period	31	(291,541)	(91,204)
	Balance at end of the year / period		5,123,099	3,991,818

These represent grants received from the Universal Service Fund, as assistance towards the development of telecommunication infrastructure in rural areas, comprising telecom infrastructure projects for basic telecom access, transmission and broadband services spread across the country.

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
11. Trade and other payables	Trade creditors	11.1	10,479,024	7,791,426
	Accrued liabilities		17,562,926	8,895,647
	Receipts against third party works		783,551	1,007,017
	Income tax collected from subscribers / deducted at source		293,427	278,729
	Sales tax payable		72,373	230,963
	Advances from customers		2,881,859	2,912,110
	Technical services assistance fee	29.2	652,061	682,615
	Retention money / payable to contractors and suppliers			
	for fixed assets	11.1	5,638,890	5,600,592
	Unclaimed dividend		154,162	148,435
	Other liabilities		64,977	73,800
			38,583,250	27,621,334

11.1 Trade and other payables include payables to the following related parties:

	December 31, 2013 Rs '000	December 31, 2012 Rs '000
Trade creditors		
Pak Telecom Mobile Limited (PTML)	704,671	159,440
Etisalat - UAE	296,954	326,933
Etisalat - Afghanistan	111,015	133,881
Thuraya Satellite Telecommunication Company	16,315	-
Telecom Foundation	95,283	103,620
T.F. Pipes Limited	2,551	-
The Government of Pakistan and its related entities	8,371,083	5,164,709
	9,597,872	5,888,583
Retention money / payable to contractors and suppliers for fixed assets		
T.F. Pipes Limited	4,103	7,532

These balances relate to the normal course of business of the Company and are interest free.

12. Contingencies and commitments

Contingencies

12.1 Against the Federal Excise Duty (FED) demand of Rs 2,782,660 thousand for the years 2006 to 2009 on local interconnect revenue, the Company is in appeal before the Appellate Tribunal Inland Revenue (ATIR). Besides, the Company has already deposited the FED demand under the amnesty scheme of the Federal Board of Revenue. Subsequent to December 31, 2013, Honorable Islamabad High Court has passed a judgment in a similar case nullifying the viewpoint of tax authorities.

12.2 Against the decision of ATIR upholding tax authorities' decision to impose FED amounting to Rs 474,417 thousand on Technical Services Assistance fee assuming that the fee is against franchise arrangement for the period from July 2007 to June 2010, Honorable Islamabad High Court, in the wake of writ petition filed by the Company, has granted a stay against such decision.

12.3 Based on an audit of certain monthly returns of the FED, a demand of Rs 1,289,957 thousand was raised on the premise that the Company did not apportion the input tax between allowable and exempt supplies. The Company is in appeal before the ATIR, which is pending adjudication. Meanwhile, the Honorable Islamabad High Court has granted a stay order in this regard.

12.4 Based on an audit of the FED / sales tax records for the year 2008-09, tax authorities raised a demand of Rs 787,358 thousand on the premise of disallowance of input tax being claimed by the Company. The Company is in appeal before Commissioner Inland Revenue (CIR) – Appeals.

12.5 For the tax year 2007, the Company filed an appeal before the ATIR against disallowance of certain expenses by the Taxation Officer under section 122 (5A), with tax impact of Rs 4,887,370 thousand, upheld by CIR - Appeals. The ATIR in its judgment endorsed the departmental view regarding one of the disallowances with tax impact of Rs 80,850 thousand while judgment on rest of the disallowances is pending. A reference application filed by the Company with the Honorable Islamabad High Court is pending adjudication.

12.6 For the tax year 2008, the ATIR, while disposing off the Company's appeal against the tax demand of Rs 4,559,208 thousand on the basis that the Company applied incorrect withholding tax rate for payments to voluntary separation scheme optees, remanded the case back to the Taxation Officer for verification of filing of options before the concerned Commissioners. The Company has also filed a reference application with the Honorable Islamabad High Court, which is pending adjudication.

12.7 For the tax year 2009, taxation officer has disallowed certain expenses and created tax demand, which, after rectification, amounts to Rs 3,439,222 thousand. Against the Company's appeal, the ATIR remanded the case back to the taxation officer who upheld his original decision. The Company filed an appeal to CIR-Appeals which is pending for disposal. The Company has also filed reference applications before the Honorable Islamabad High Court, which is pending adjudication.

12.8 For the tax year 2011, taxation officer disallowed certain expenses under section 122(5A) and created tax demand of Rs 7,539,381 thousand. Besides the rectification application already filed, the Company has also filed an appeal before CIR-Appeals which is pending for disposal.

12.9 The Company implemented policy directives of Ministry of Information Technology conveyed by the Pakistan Telecommunication Authority regarding termination of all international incoming calls into Pakistan. On suspension of these directives by the Honorable Lahore High Court, the Honorable Supreme Court of Pakistan dismissed the pertinent writ petitions by directing Competition Commission of Pakistan (CCP) to decide the case. The Honorable Sindh High Court suspended the adverse decision of CCP by granting interim relief and the case is pending for adjudication.

12.10 A total of 1,518 cases (December 31, 2012: 1,498 cases) have been filed against the Company primarily involving subscribers, regulators, pensioners and employees. Because of the large number of cases and their uncertain nature, it is not possible to quantify their financial impact at present.

12.11 No provision on account of above contingencies has been made in these financial statements as the management and the tax/ legal advisors of the Company are of the view, that these matters will eventually be settled in favor of the Company.

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
	12.12 Bank guarantees and bid bonds issued in favor of:			
	Universal Service Fund (USF) against government grants		5,852,905	4,827,567
	Others		912,911	311,157
			6,765,816	5,138,724
	12.13 Commitments			
	Contracts for capital expenditure		10,184,640	6,270,263
13. Property, plant and equipment	Operating fixed assets	13.1	78,951,084	74,262,561
	Capital work in progress	13.6	8,268,165	10,778,593
			87,219,249	85,041,154

13.1 Operating fixed assets

	Land		Buildings on									
	Freehold - note 13.2	Leasehold	Freehold land	Leasehold land	Lines and wires	Apparatus, plant and equipment	Submarine cables	Office equipment	Computer equipment	Furniture and fittings	Vehicles	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
As at July 01, 2012												
Cost	1,633,560	90,026	10,885,983	1,008,671	110,491,304	143,415,307	10,578,988	803,440	628,682	472,055	1,650,017	281,658,033
Accumulated depreciation	-	(26,830)	(3,750,862)	(431,384)	(88,419,991)	(106,268,485)	(3,978,414)	(559,340)	(527,519)	(377,151)	(1,229,007)	(205,568,983)
Net book amount	1,633,560	63,196	7,135,121	577,287	22,071,313	37,146,822	6,600,574	244,100	101,163	94,904	421,010	76,089,050
Period ended December 31, 2012												
Opening net book amount	1,633,560	63,196	7,135,121	577,287	22,071,313	37,146,822	6,600,574	244,100	101,163	94,904	421,010	76,089,050
Additions	-	-	69,187	-	612,662	3,016,126	467,551	209,328	30,320	3,627	24,376	4,433,177
Disposals												
Cost	-	-	-	-	(1,628,431)	(756,591)	-	-	(89)	-	(9,350)	(2,394,461)
Accumulated depreciation	-	-	-	-	1,356,113	685,226	-	-	89	-	8,849	2,050,277
	-	-	-	-	(272,318)	(71,365)	-	-	-	-	(501)	(344,184)
Depreciation charge for the period	-	(639)	(136,150)	(12,606)	(1,955,320)	(3,242,758)	(355,248)	(23,325)	(27,993)	(10,688)	(63,969)	(5,828,696)
Impairment charge	-	-	-	-	-	(86,786)	-	-	-	-	-	(86,786)
Net book amount	1,633,560	62,557	7,068,158	564,681	20,456,337	36,762,039	6,712,877	430,103	103,490	87,843	380,916	74,262,561
As at January 01, 2013												
Cost	1,633,560	90,026	10,955,170	1,008,671	109,475,535	145,674,842	11,046,539	1,012,768	658,913	475,682	1,665,043	283,696,749
Accumulated depreciation	-	(27,469)	(3,887,012)	(443,990)	(89,019,198)	(108,912,803)	(4,333,662)	(582,665)	(555,423)	(387,839)	(1,284,127)	(209,434,188)
Net book amount	1,633,560	62,557	7,068,158	564,681	20,456,337	36,762,039	6,712,877	430,103	103,490	87,843	380,916	74,262,561
Year ended December 31, 2013												
Opening net book amount	1,633,560	62,557	7,068,158	564,681	20,456,337	36,762,039	6,712,877	430,103	103,490	87,843	380,916	74,262,561
Additions	4,160	-	348,318	-	3,450,147	12,123,970	259,077	32,592	475,279	32,402	123,927	16,849,872
Disposals - note 13.3												
Cost	-	-	-	-	-	-	-	-	(2,728)	(185)	(11,156)	(14,069)
Accumulated depreciation	-	-	-	-	-	-	-	-	2,719	185	10,909	13,813
	-	-	-	-	-	-	-	-	(9)	-	(247)	(256)
Depreciation charge for the year - note 13.4	-	(1,277)	(280,000)	(25,212)	(3,624,338)	(6,979,884)	(743,267)	(63,023)	(127,471)	(22,455)	(134,166)	(12,001,093)
Impairment charge - note 13.5	-	-	-	-	-	(160,000)	-	-	-	-	-	(160,000)
Net book amount	1,637,720	61,280	7,136,476	539,469	20,282,146	41,746,125	6,228,687	399,672	451,289	97,790	370,430	78,951,084
As at December 31, 2013												
Cost	1,637,720	90,026	11,303,488	1,008,671	112,925,682	157,798,812	11,305,616	1,045,360	1,131,464	507,899	1,777,814	300,532,552
Accumulated depreciation and impairment	-	(28,746)	(4,167,012)	(469,202)	(92,643,536)	(116,052,687)	(5,076,929)	(645,688)	(680,175)	(410,109)	(1,407,384)	(221,581,468)
Net book amount	1,637,720	61,280	7,136,476	539,469	20,282,146	41,746,125	6,228,687	399,672	451,289	97,790	370,430	78,951,084
Annual rate of depreciation (%)		1 to 3.3	2.5	2.5	7	10	6.67 to 8.33	10	33.33	10	20	

13.2 As explained in note 1, the property and rights vesting in the operating assets, as at January 01, 1996, were transferred to the Company from Pakistan Telecommunication Corporation, under the Pakistan Telecommunication (Re-organization) Act, 1996. However, the title to certain freehold land properties, were not formally transferred in the name of the Company in the land revenue records. The Company initiated the process of transfer of title to freehold land, in its own name, in previous years, which is still ongoing and shall be completed in due course of time.

13.3 Disposals of property, plant and equipment:

	Cost Rs'000	Accumulated depreciation Rs'000	Net book amount Rs'000	Sale proceeds Rs'000	Mode of disposal	Particulars of purchaser
Vehicles	11,156	(10,909)	247	5,654	Auction	Various buyers
Aggregate of others having net book amounts not exceeding Rs 50,000	2,913	(2,904)	9	150		
	14,069	(13,813)	256	5,804		

13.4 The depreciation charge for the year / period has been allocated as follows:

		Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
Cost of services	28	11,757,873	5,708,287
Administrative and general expenses	29	182,415	90,307
Selling and marketing expenses	30	60,805	30,102
		12,001,093	5,828,696

13.5 The carrying amount of certain items of apparatus, plant and equipment have been reduced to their recoverable amount through recognition of an impairment loss of Rs 160,000 thousand (December 31, 2012: Rs 86,786 thousand). This loss has been included in 'cost of services' in the statement of profit and loss. The impairment charge arose due to malfunctioning of various asset items in apparatus, plant and equipment.

	December 31, 2013 Rs '000	December 31, 2012 Rs '000
13.6 Capital work in progress		
Buildings	523,146	651,325
Lines and wires	6,381,077	5,349,871
Apparatus, plant and equipment	638,317	3,974,680
Advances to suppliers	599,851	331,333
Others	125,774	471,384
	8,268,165	10,778,593

	December 31, 2013 Rs '000	December 31, 2012 Rs '000
13.7 Movement during the year / period		
Balance at beginning of the year / period	10,778,593	9,781,287
Additions during the year / period	17,486,470	5,430,483
Transfers during the year / period	(19,996,898)	(4,433,177)
Balance at end of the year / period	8,268,165	10,778,593

13.8 Capital work in progress includes an amount of Rs 1,064,340 thousand (December 31, 2012: Rs 478,978 thousand), in respect of direct overheads relating to development of assets.

14. Intangible assets

	Note	Licenses and spectrum Rs '000	Computer Software Rs '000	Total Rs '000
As at July 01, 2012				
Cost		4,015,397	632,630	4,648,027
Accumulated amortization		(1,650,511)	(197,857)	(1,848,368)
Net book amount		2,364,886	434,773	2,799,659
Period ended December 31, 2012				
Opening net book amount		2,364,886	434,773	2,799,659
Additions		15,910	-	15,910
Amortization charge for the period		(100,929)	(36,058)	(136,987)
Net book amount		2,279,867	398,715	2,678,582
As at January 01, 2013				
Cost		4,031,307	632,630	4,663,937
Accumulated amortization		(1,751,440)	(233,915)	(1,985,355)
Net book amount	14.1	2,279,867	398,715	2,678,582
Year ended December 31, 2013				
Opening net book amount		2,279,867	398,715	2,678,582
Additions		2,500,000	318,746	2,818,746
Amortization charge for the year	28	(273,375)	(66,781)	(340,156)
Net book amount		4,506,492	650,680	5,157,172
As at December 31, 2013				
Cost		6,531,307	951,376	7,482,683
Accumulated amortization		(2,024,815)	(300,696)	(2,325,511)
Net book amount	14.1	4,506,492	650,680	5,157,172

	Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
14.1 Breakup of net book amounts as at year / period end is as follows :			
Licenses and spectrum			
Telecom	14.2	69,814	79,787
WLL spectrum	14.2	4,348,443	2,103,199
WLL and LDI License	14.3	79,220	84,683
IPTV	14.4	9,015	12,198
		4,506,492	2,279,867
Computer software	14.5		
Bill printing software		273	1,913
Billing and automation of broadband		86,240	13,052
HP OSS		21,689	28,539
BnCC software		6,814	-
Caller details record collector system		7,468	-
BnCC Oracle system		198,179	-
Customer Relationship Management (CRM)		120,223	-
SAP - Enterprise Resource Planning (ERP) system		209,794	355,211
		650,680	398,715
		5,157,172	2,678,582

14.2 The Pakistan Telecommunication Authority (PTA) has issued a license to the Company, to provide telecommunication services in Pakistan, for a period of 25 years, commencing January 01,1996, at an agreed license fee of Rs 249,344 thousand. During the year ended June 30, 2005, PTA modified the previously issued license to provide telecommunication services to include a spectrum license at an agreed license fee of Rs 3,646,884 thousand. This license allows the Company to provide Wireless Local Loop (WLL) services in Pakistan, over a period of 20 years, commencing October 2004. The cost of the license is being amortized on a straight line basis over the period of the license.

The Company has acquired exclusive right to use 1900 MHz spectrum in nine telecom regions from Telecard Limited in September 2013 under commercial arrangement to provide Wireless Local Loop (WLL) services in Pakistan for a consideration of Rs 2,500,000 thousand. The agreement embodying said commercial arrangement is subject to fulfilment of certain conditions. The cost is being amortized on a straight line basis over a period of 11 years.

14.3 PTA has issued a license under section 5 of the Azad Jammu and Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 1996, the Northern Areas Telecommunication (Re-organization) Act, 2005 and the Northern Areas

Telecommunication (Re-organization) (Adaptation and Enforcement) Order 2006, to the Company to establish, maintain and operate a telecommunication system in Azad Jammu and Kashmir and Gilgit-Baltistan, for a period of 20 years, commencing May 28, 2008, at an agreed license fee of Rs 109,270 thousand. The cost of the license is being amortized, on a straight line basis, over the period of the license.

14.4 IPTV license has been renewed by Pakistan Electronic Media Regulatory Authority during the period effective from November 02, 2011, at an agreed license fee of Rs 15,910 thousand. The cost of the license is being amortized, on a straight line basis, over a period of 5 years.

14.5 Cost of computer software except for SAP-ERP is being amortized, on a straight line basis, over a period of 5 years. Cost of SAP - Enterprise Resource Planning (ERP) system is being amortized, on a straight line basis, over a peroid of 10 years.

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
15. Long term investments	Investments in subsidiaries and associate	15.1	7,707,396	7,707,396
	Other investments	15.2	83,900	83,900
			7,791,296	7,791,296

15.1 Investments in subsidiaries and associate - at cost (unquoted)

Wholly owned subsidiaries		
Pak Telecom Mobile Limited - Islamabad, Pakistan		
650,000,000 (December 31, 2012: 650,000,000)		
ordinary shares of Rs 10 each		
Shares held 100% (December 31, 2012: 100%)	6,500,000	6,500,000
U Microfinance Bank Limited - Islamabad, Pakistan		
118,571,429 (December 31, 2012: 118,571,429)		
ordinary shares of Rs 10 each		
Shares held 100% (December 31, 2012: 100%)	1,183,857	1,183,857
	7,683,857	7,683,857
Associate		
TF Pipes Limited - Islamabad, Pakistan		
1,658,520 (December 31, 2012: 1,658,520)		
ordinary shares of Rs 10 each		
Shares held 40% (December 31, 2012: 40%)	23,539	23,539
	7,707,396	7,707,396

All subsidiaries and associated companies are incorporated in Pakistan

	Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
15.2 Other investments			
Available for sale investments - unquoted			
Thuraya Satellite Telecommunication Company - Dubai, UAE			
3,670,000 (December 31, 2012: 3,670,000)			
ordinary shares of 1 Dirham each		63,900	63,900
Alcatel - Lucent Pakistan Limited - Islamabad, Pakistan			
2,000,000 (December 31, 2012: 2,000,000)			
ordinary shares of Rs 10 each		20,000	20,000
		83,900	83,900

16. Long term loans and advances - considered good

	Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
Loans to PTML - unsecured	16.1	8,500,000	11,000,000
Loans to employees - secured		550,234	542,166
Imputed interest		(125,159)	-
	16.2	425,075	542,166
Advances to suppliers against turnkey contracts	16.3	3,460,862	3,026,774
Others		26,302	17,602
		12,412,239	14,586,542
Current portion shown under current assets			
Loans to PTML - unsecured	20	(5,500,000)	(2,500,000)
Loans to employees - secured	20	(128,219)	(100,523)
		6,784,020	11,986,019

16.1 These represent various unsecured loans given to PTML under subordinated debt agreements, from 2008 to 2010, on the following terms:

	First loan	Second loan	Third loan	Fourth loan
Disbursement date	November 15, 2008	November 04, 2009	May 18, 2010	July 05, 2010
Loan (Rs '000)	3,000,000	2,000,000	2,000,000	4,000,000
Mark-up Rate	3 months Kibor plus 82 basis points	3 months Kibor plus 82 basis points	3 months Kibor plus 180 basis points	3 months Kibor plus 180 basis points
Grace Period	4 years	4 years	3 years	3 years
Repayment method	Eight equal quarterly installments	Eight equal quarterly installments	Eight equal quarterly installments	Eight equal quarterly installments
Due date of first installment	February 15, 2013	February 04, 2014	August 18, 2013	October 02, 2013

The maximum amount of the loan to PTML, outstanding at any time since the date of the previous statement of financial position, was Rs 11,000,000 thousand (December 31, 2012: Rs 11,000,000 thousand).

16.2 These loans and advances are for house building and purchase of motor cars, motor cycles and bicycles. Loans to executive employees of the Company carry interest at the rate of 12% per annum (December 31, 2012: 14% per annum), whereas, loans to employees other than executive employees are interest free. These loans are recoverable in equal monthly installments spread over a period of 5 to 10 years and are secured against retirement benefits of the employees.

This balance also includes a sum of Rs 1,014 thousand (December 31, 2012: Rs 1,542 thousand), due from employees against purchase of vehicles from the Company, recoverable in monthly installments spread over a period of 1 to 2 years.

16.2.1 Reconciliation of carrying amounts of loans to executives and other employees:

	As at January 01, 2013 Rs '000	Disbursements Rs '000	Repayments Rs '000	As at December 31, 2013 Rs '000
Executives	4,123	-	(1,701)	2,422
Other employees	538,043	142,339	(132,570)	547,812
	542,166	142,339	(134,271)	550,234

	As at July 01, 2012 Rs '000	Disbursements Rs '000	Repayments Rs '000	As at December 31, 2012 Rs '000
Executives	6,224	-	(2,101)	4,123
Other employees	717,479	8,194	(187,630)	538,043
	723,703	8,194	(189,731)	542,166

	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
Maximum amount of loan to executives and other employees outstanding at any time during the year / period		
Executives	4,123	6,224
Other employees	684,186	706,122

16.3 These represent various unsecured non interest bearing advances issued to the Company's vendors under turnkey contracts. This includes an advance of Rs 18,029 thousand (December 31, 2012: Rs 18,029 thousand) given to Telecom Foundation, a related party.

17. Investment in finance lease

	December 31, 2013 Rs '000	December 31, 2012 Rs '000
Gross investment in finance lease	65,360	-
Unearned finance income	(13,652)	-
Net investment in finance lease	51,708	-
Current portion shown under current assets	(12,927)	-
	38,781	-

17.1 Details of investment in finance lease

	Not later than 1 year Rs '000	Later than 1 year and not later than 5 years Rs '000	Total Rs '000
Gross investment in finance lease	16,340	49,020	65,360
Unearned finance income	(3,413)	(10,239)	(13,652)
Net investment in finance lease	12,927	38,781	51,708

This represents motor cycles leased out to employees of the Company. The cost will be recoverd in 48 equal monthly installments.

18. Stores, spares and loose tools

	Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
Stores, spares and loose tools		4,932,945	3,721,177
Provision for obsolescence	18.1	(1,257,631)	(786,334)
		3,675,314	2,934,843

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
18.1	**Provision for obsolescence**			
	Balance at beginning of the year / period		786,334	622,706
	Provision during the year / period	28	478,397	163,628
			1,264,731	786,334
	Write off against provision		(7,100)	-
	Balance at end of the year / period		1,257,631	786,334
19. Trade debts - unsecured	Domestic			
	Considered good	19.1	12,684,285	11,162,235
	Considered doubtful		7,955,955	8,631,156
			20,640,240	19,793,391
	International			
	Considered good	19.2	5,912,016	4,240,018
	Considered doubtful		108,936	40,091
			6,020,952	4,280,109
			26,661,192	24,073,500
	Provision for doubtful debts	19.3	(8,064,891)	(8,671,247)
			18,596,301	15,402,253
19.1	**These include amounts due from the following related parties:**			
	Pak Telecom Mobile Limited		1,287,800	1,159,863
	The Government of Pakistan and its related entities		1,649,032	1,424,117
			2,936,832	2,583,980
19.2	**These include amounts due from the following related parties:**			
	Etisalat - UAE		2,518	-
	Etisalat - Afghanistan		57,160	-
	Etihad Etisalat Company		-	96,004
	The Government of Pakistan and its related entities		119,116	-
			178,794	96,004

These amounts are interest free and are accrued in the normal course of business.

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
19.3	**Provision for doubtful debts**			
	Balance at beginning of the year / period		8,671,247	9,656,235
	Provision for the year / period	29	1,992,362	916,287
			10,663,609	10,572,522
	Write off against provision		(2,598,718)	(1,901,275)
	Balance at end of the year / period		8,064,891	8,671,247

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
20. Loans and advances - considered good	Current portion of long term loans to PTML	16	5,500,000	2,500,000
	Current portion of long term loans to employees	16	128,219	100,523
	Advances to suppliers and contractors	20.1	913,633	809,292
			6,541,852	3,409,815

20.1 These include Rs 18,718 thousand (December 31, 2012: Rs 6,841 thousand) to TF Pipes Limited , a related party.

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
21. Accrued interest	Return on bank deposits		431,734	286,287
	Mark up on long term loans	21.1	167,456	209,044
	Interest receivable on loans to employees - secured		67,834	64,059
			667,024	559,390

21.1 This represents mark up on loans to PTML, as indicated in note 16.1.

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
22. Recoverable from tax authorities				
	Income tax	22.1	12,773,113	14,571,301
	Federal Excise Duty		3,279,487	3,279,487
			16,052,600	17,850,788
	Provision for doubtful amount		(466,176)	(466,176)
			15,586,424	17,384,612

	December 31, 2013 Rs '000	December 31, 2012 Rs '000
22.1 Movement in income tax recoverable		
Balance at beginning of the year / period	14,571,301	14,430,550
Current tax charge for the year / period	(4,479,583)	(187,196)
Income tax paid during the year / period	2,681,395	327,947
Balance at end of the year / period	12,773,113	14,571,301

23. Receivable from the Government of Pakistan - considered good

This represents the balance amount receivable from the Government of Pakistan, on account of its agreed share in the Voluntary Separation Scheme, offered to the Company's employees during the year ended June 30, 2008.

24. Prepayments and other receivables

	December 31, 2013 Rs '000	December 31, 2012 Rs '000
Prepayments		
- Pakistan Telecommunication Authority, a related party	11,415	151,132
- Prepaid rent and others	176,647	160,525
	188,062	311,657
Other receivables - considered good		
Due from related parties:		
- PTML- against SAP system	332,017	2,537
- Etisalat - UAE against secondment of employees	75,876	68,627
- Pakistan Telecommunication Employees Trust	118,209	108,816
- PTCL Employees' GPF Trust	107,349	69,851
- Universal Services Fund	-	240,000
Others	88,603	83,927
	722,054	573,758
	910,116	885,415
Considered doubtful	326,166	326,166
Provision for doubtful receivables	(326,166)	(326,166)
	-	-
	910,116	885,415

			December 31, 2013 Rs '000	December 31, 2012 Rs '000
25. Short term investments	Term deposits			
	- maturity upto 3 months	25.1	21,030,037	8,242,117
	Available for sale investments			
	- units of mutual funds	25.2	1,375,632	655,341
			22,405,669	8,897,458

25.1 Term deposits

	Maturity Upto	December 31, 2013 Rs '000	December 31, 2012 Rs '000
NIB Bank Limited	March 19, 2014	1,021,765	-
NIB Bank Limited	March 18, 2014	1,021,765	-
National Bank of Pakistan	March 18, 2014	2,200,000	-
Bank Alfalah Limited	March 18, 2013	2,091,101	-
Askari Bank Limited	March 06, 2014	1,500,000	-
Bank Alfalah Limited	March 03, 2014	1,000,000	-
Bank Alfalah Limited	March 03, 2014	1,000,000	-
Bank Alfalah Limited	March 03, 2014	1,250,615	-
Sindh Bank Limited	February 11, 2014	2,000,000	-
Soneri Bank Limited	February 11, 2014	500,000	-
NIB Bank Limited	February 11, 2014	1,000,000	-
Askari Bank Limited	February 11, 2014	1,500,000	-
Askari Bank Limited	January 10, 2014	2,944,791	-
NIB Bank Limited	January 04, 2014	1,000,000	-
JS Bank Limited	January 04, 2014	1,000,000	-
Askari Bank Limited	January 10, 2013	-	2,714,842
Bank of Punjab	February 05, 2013	-	2,027,275
National Bank of Pakistan	March 01, 2013	-	2,000,000
Habib Bank Limited	March 01, 2013	-	1,500,000
		21,030,037	8,242,117

	December 31, 2013 Rs '000	December 31, 2012 Rs '000
25.2 Available for sale investments		
25.2.1 Units of mutual funds		
Units of open-end mutual funds:		
Atlas Money Market Fund		
325,735 (December 31, 2012: 300,487) units	163,764	151,761
IGI Money Market Fund		
1,632,293 (December 31, 2012: 1,508,110) units	164,112	151,758
JS Cash Fund		
1,593,257 (December 31, 2012: 1,481,055) units	162,958	151,305
Askari Sovereign Cash Fund		
1,066,287 (December 31, 2012: NIL) units	107,481	-
ABL Cash Fund		
10,754,789 (December 31, 2012: NIL) units	107,631	-
NAFA Money Market Fund		
20,966,003 (December 31, 2012: NIL) units	209,907	-
MCB Cash Management Optimizer		
1,439,193 (December 31, 2012: NIL) units	143,993	-
KASB Cash Fund		
1,047,760 (December 31, 2012: NIL) units	107,159	-
HBL Money Market Fund		
1,055,987 (December 31, 2012: NIL) units	106,717	-
Faisal Money Market Fund		
1,001,864 (December 31, 2012: NIL) units	101,910	-
Pakistan Cash Management Fund		
NIL (December 31, 2012: 2,659,448) units	-	133,335
NAFA Government Securities Liquid Fund		
NIL (December 31, 2012: 6,682,486) units	-	67,182
	1,375,632	655,341

		December 31, 2013 Rs '000	December 31, 2012 Rs '000
	25.2.2 Movement in available for sale investments during the year / period:		
	Balance at beginning of the year / period	655,341	317,893
	Additions during the year / period	834,825	450,000
	Disposals during the year / period		
	Cost	(152,530)	(101,364)
	Gain on disposal of available for sale investments transferred from other comprehensive income to other income	(49,295)	(28,087)
		(201,825)	(129,451)
	Unrealized gain transferred to other comprehensive income	87,291	16,899
	Balance at end of the year / period	1,375,632	655,341
26. Cash and bank balances	Cash in hand	1,665	1,661
	Balances with banks:		
	Deposit accounts - note 26.1	3,618,546	3,897,824
	Current accounts		
	Local currency	326,239	334,747
	Foreign currency (USD 3,922 thousand (December 31, 2012:USD 8,420 thousand))	411,811	815,857
		738,050	1,150,604
		4,358,261	5,050,089

26.1 The balances in deposit accounts, carry mark-up ranging between 5% and 10.25% (December 31, 2012: 5% to 11.65%) per annum.

26.2 Deposit accounts include Rs 152,724 thousand (December 31, 2012: Rs 156,768 thousand) under lien of bank, against letters of guarantees and letters of credits issued on behalf of the Company.

			Note	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
27.	**Revenue**	Domestic	27.1	61,637,908	28,283,433
		International	27.2	19,700,681	8,855,756
				81,338,589	37,139,189
		Discount		(277,234)	(105,961)
				81,061,355	37,033,228

27.1 Revenue is exclusive of Federal Excise Duty of Rs 5,913,103 thousand (December 31, 2012: Rs 2,651,720 thousand).

27.2 International revenue represents revenue from foreign network operators, for calls that originate outside Pakistan, and has been shown net of interconnect costs relating to other operators and Access Promotion Charges, aggregating to Rs 8,738,931 thousand (December 31, 2012: Rs 4,563,663 thousand).

			Note	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
28.	**Cost of services**	Salaries, allowances and other benefits	28.1	12,248,767	6,336,896
		Call centre charges		626,904	292,408
		Interconnect costs		2,400,345	1,125,738
		Foreign operators costs and satellite charges		10,698,852	4,965,262
		Fuel and power		4,985,357	2,196,844
		Communication		17,535	5,590
		Stores, spares and loose tools consumed		4,392,251	1,429,902
		Provision for obsolete stores, spares and loose tools	18.1	478,397	163,628
		Rent, rates and taxes		1,320,963	575,896
		Repairs and maintenance		2,983,065	1,256,516
		Printing and stationery		344,766	144,589
		Travelling and conveyance		14,349	5,600
		Depreciation on property, plant and equipment	13.4	11,757,873	5,708,287
		Amortization of intangible assets	14	340,156	136,987
		Impairment on property, plant and equipment	13.5	160,000	86,786
		Annual license fee to Pakistan Telecommunication Authority (PTA)		304,372	121,399
				53,073,952	24,552,328

28.1 This includes Rs 3,764,188 thousand (December 31, 2012: Rs 1,686,293 thousand) in respect of employees' retirement benefits.

		Note	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
29. Administrative and general expenses	Salaries, allowances and other benefits	29.1	1,248,027	634,786
	Call centre charges		94,036	43,861
	Fuel and power		375,229	165,348
	Rent, rates and taxes		325,263	109,721
	Repairs and maintenance		17,453	7,351
	Printing and stationery		5,323	2,232
	Travelling and conveyance		114,788	44,802
	Technical services assistance fee	29.2	2,639,159	1,190,425
	Legal and professional charges		464,419	87,663
	Auditors' remuneration	29.3	8,165	7,235
	Depreciation on property, plant and equipment	13.4	182,415	90,307
	Research and development fund	29.4	296,975	151,221
	Provision against doubtful debts	19.3	1,992,362	916,287
	Postage and courier services		272,700	114,465
	Other expenses		1,080,230	619,017
			9,116,544	4,184,721

29.1 This includes Rs 384,562 thousand (December 31, 2012: Rs 172,278 thousand) in respect of employees' retirement benefits.

29.2 This represents the Company's share of the amount payable to Etisalat - UAE, a related party, under an agreement for technical services, at the rate of 3.5%, of the PTCL group's consolidated revenue.

	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
29.3 Auditors' remuneration		
Statutory audit, including half yearly review	6,000	4,500
Tax services	1,665	2,235
Out of pocket expenses	500	500
	8,165	7,235

29.4 This represents the Company's contribution to the National Information Communication Technology, Research and Development Fund (National ICT R&D Fund), at the rate of 0.5% (December 31, 2012: 0.5%) of its gross revenue less inter operator payments and related PTA / FAB mandated payments, in accordance with the terms and conditions of its license to provide telecommunication services.

			Note	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
30.	**Selling and marketing expenses**	Salaries, allowances and other benefits	30.1	1,224,876	623,010
		Call centre charges		62,690	29,241
		Sales and distribution charges		625,004	175,292
		Fuel and power		110,786	48,819
		Printing and stationery		3,554	1,491
		Travelling and conveyance		14,349	5,600
		Advertisement and publicity		798,971	398,577
		Depreciation on property, plant and equipment	13.4	60,805	30,102
				2,901,035	1,312,132

30.1 This includes Rs 375,514 thousand (December 31, 2012: Rs 168,224 thousand) in respect of employees' retirement benefits.

			Note	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
31.	**Other income**	Income from financial assets:			
		Return on bank deposits		1,706,575	584,708
		Mark up on long term loans	31.1	1,081,492	681,528
		Late payment surcharge from subscribers on overdue bills		199,860	115,234
		Recovery from written off defaulters		142,736	11,356
		Gain on disposal of available for sale investments transferred to income		49,295	28,087
		Late delivery charges		124,897	18,336
		Dividend income		-	15,000
		Exchange gain		173,296	-
				3,478,151	1,454,249
		Income from assets other than financial assets:			
		Gain on disposal of property, plant and equipment		5,548	-
		Amortization of deferred government grants	10	291,541	91,204
		Pre-deposit income		373,012	10,112
		Others		66,038	25,185
				736,139	126,501
				4,214,290	1,580,750

31.1 This includes a sum of Rs 1,073,486 thousand (December 31, 2012: Rs 674,203 thousand) accrued on the loans given to PTML, a related party.

		Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
32. Finance costs	Bank and other charges	207,666	85,016
	Unearned finance income	13,652	-
	Imputed interest on loans to employees	125,159	-
	Exchange loss	-	50,985
		346,477	136,001
33. Provision for income tax	Charge / (credit) for the year / period		
	Current		
	- for the year / period	5,321,128	187,196
	- for prior year / period	(841,545)	-
		4,479,583	187,196
	Deferred		
	- for the year / period	1,908,140	(633,944)
	- for prior year / period	841,545	-
	- due to change in tax rate	(87,764)	-
		2,661,921	(633,944)
		7,141,504	(446,748)

33.1 Reconciliation of effective tax rate

The numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows:

	Year ended December 31, 2013 Percentage	Six months period ended December 31, 2012 Percentage
Applicable tax rate	34.00	(35.00)
Tax effect of amounts chargeable to tax at lower rates	-	(0.33)
Effect of change in rate of tax	(0.44)	-
Tax effect of change in accounting policy	-	(0.30)
Tax effect of amounts not deductable for tax purposes	2.44	0.02
	2.00	(0.61)
Average effective tax rate	36.00	(35.61)

The applicable income tax rate was reduced from 35% to 34% during the year on account of the changes made to Income Tax Ordinance, 2001 in 2013.

		Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
33.2	Tax on items directly credited to other comprehensive income:		
	Current tax charge on defined benefit plans	-	-
	Deferred tax credit on defined benefit plans	(1,798,231)	(2,599,352)
		(1,798,231)	(2,599,352)

			Year ended December 31, 2013	Six months period ended December 31, 2012 (Restated)
34. Earnings / (loss) per share - basic and diluted	Profit / (loss) for the period / year	Rupees in thousand	12,696,133	(807,944)
	Weighted average number of ordinary shares	Numbers in thousand	5,100,000	5,100,000
	Earnings / (loss) per share	Rupees	2.49	(0.16)

Loss per share for the six month period ended December 31, 2012 has been restated from Rs 0.15 per share to Rs 0.16 per share due to prior period effect of change in accounting policy for employees' retirement benefit plans as summarized in note 9.7.

35. Non-funded finance facilities

The Company has non funded financing facilities available with banks, which include facilities to avail letters of credit and letters of guarantee. The aggregate facility of Rs 17,100,000 thousand (December 31, 2012: Rs 17,125,000 thousand) and Rs 9,800,000 thousand (December 31, 2012: Rs 5,800,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facility availed at the year end is Rs 5,360,149 thousand (December 31, 2012: Rs 5,489,083 thousand) and Rs 6,765,816 thousand (December 31, 2012: Rs 5,138,724 thousand) respectively. The letter of guarantee facility is secured by a hypothecation charge over certain assets of the Company, amounting to Rs 21,383,333 thousand (December 31, 2012: Rs 18,717,000 thousand).

		Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000 (Restated)
36. Cash generated from operations	Profit / (loss) before tax	19,837,637	(1,254,692)
	Adjustments for non-cash charges and other items:		
	Depreciation and amortization	12,341,249	5,965,683
	Impairment	160,000	86,786
	Provision for obsolete stores, spares and loose tools	478,397	163,628
	Provision against doubtful trade debts	1,992,362	916,287
	Employees' retirement benefits	4,551,783	2,026,372
	Voluntary separation scheme cost	-	9,467,268
	(Gain) / loss on disposal of property, plant and equipment	(5,548)	216,220
	Return on bank deposits	(1,706,575)	(584,708)
	Imputed interest on long term loans	125,159	-
	Unearned finance income	13,652	-
	Markup on long term loans	(1,081,492)	(681,528)
	Dividend income	-	(15,000)
	Gain on disposal of available for sale investments	(49,295)	(28,087)
	Unrealized gain on available for sale investments	87,291	16,899
	Amortization of government grants	(291,541)	(91,204)
		36,453,079	16,203,924
	Effect on cash flows due to working capital changes:		
	Increase in current assets:		
	Stores, spares and loose tools	(1,218,868)	(125,647)
	Trade debts	(5,186,410)	(7,532,728)
	Loans and advances	(104,341)	(310,131)
	Recoverable from tax authorities	-	(29,656)
	Prepayments and other receivables	(273,402)	(223,699)
		(6,783,021)	(8,221,861)
	Increase in current liabilities:		
	Trade and other payables	8,560,605	7,595,821
		38,230,663	15,577,884

		Note	December 31, 2013 Rs '000	December 31, 2012 Rs '000
37. Cash and cash equivalents	Short term investments	25	22,405,669	8,897,458
	Cash and bank balances	26	4,358,261	5,050,089
			26,763,930	13,947,547

38. Capacity

	Access Lines Installed (ALI)		Access Lines in Service (ALIS)	
	December 31, 2013 Number	December 31, 2012 Number	December 31, 2013 Number	December 31, 2012 Number
Number of lines	8,883,290	8,888,986	4,098,469	4,124,340

ALI represent switching lines. ALI include 247,233 (December 31, 2012: 274,913) and ALIS include 84,111 (December 31, 2012: 89,273) Primary Rate Interface (PRI) and Basic Rate Interface (BRI) respectively. ALI and ALIS also include 3,312,873 (December 31, 2012: 3,406,000) and 1,251,930 (December 31, 2012: 1,308,730) WLL connections, respectively.

39. Remuneration of Directors, Chief Executive Officer and executives

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

	Chairman		Chief Executive Officer		Executives			
					Key management personnel		Other executives	
	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
Managerial remuneration	-	-	142,124	62,748	162,963	68,593	595,708	271,688
Honorarium	300	150	-	-	-	-	664	1,490
Bonus	-	-	20,120	-	9,879	5,016	31,583	22,630
Retirement benefits	-	-	20,029	4,490	39,941	1,703	138,085	36,443
Housing	-	-	-	-	56,714	22,983	219,510	97,156
Utilities	-	-	-	-	22,502	5,108	48,804	25,950
	300	150	182,273	67,238	291,999	103,403	1,034,354	455,357
Number of persons	1	1	1	1	39	30	549	520

The Company also provides free medical and limited residential telephone facilities, to all its Executives, including the Chief Executive Officer. The Chairman is entitled to free transport and a limited residential telephone facility, whereas, the Directors of the Company are provided only with limited telephone facilities; certain executives are also provided with the Company maintained cars.

The aggregate amount charged in the financial statements for the year / period as fee paid to 9 non executive directors (December 31, 2012: 9 non executive directors), is Rs 39,648 thousand (December 31, 2012: Rs 11,407 thousand) for attending the Board of Directors, and its sub-committee meetings.

40. Rates of exchange

Assets in foreign currencies have been translated into Rupees at USD 1 = Rs 105.00 (December 31, 2012: USD 1 = Rs 96.70), while liabilities in foreign currencies have been translated into Rupees at USD 1 = Rs 105.20 (December 31, 2012: USD 1 = Rs 97.10).

41. Investment in PTCL Employees' GPF Trust

Details of the Company's employees' provident fund are given below:

	December 31, 2013 Rs '000	December 31, 2012 Rs '000
Total assets	3,488,872	3,167,487
Cost of investments made	3,218,344	3,015,544
Percentage of investments made	92.2	95.2
Fair value of investments	3,241,531	2,969,585

	December 31, 2013		December 31, 2012	
	Rs '000	Percentage	Rs '000	Percentage
Break up of investments - at cost				
Term finance certificates	144,450	4.5	381,880	12.7
Pakistan Investment Bonds	48,744	1.5	994,049	33.0
Term deposits	2,637,662	82.0	1,611,789	53.4
Interest bearing accounts	387,488	12.0	27,826	0.9
	3,218,344	100.0	3,015,544	100.0

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

42. Financial risk management

42.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board has prepared a 'Risk Management Policy' covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of this policy.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions, or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Arab Emirates Dirham (AED) and EURO (EUR). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Company's exposure to currency risk is as follows:

	December 31, 2013 Rs '000	December 31, 2012 Rs '000
USD		
Trade and other payables	(24,751,621)	(9,488,821)
Trade debts	5,725,362	5,445,556
Cash and bank balances	411,811	815,857
Net exposure	(18,614,448)	(3,227,408)
AED		
Trade and other payables	(55,759)	(50,887)
EUR		
Trade and other payables	(1,855)	(1,641)

The following significant exchange rates were applied during the year / period:

	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
Rupees per USD		
Average rate	101.62	95.42
Reporting date rate	105.20	97.10
Rupees per AED		
Average rate	27.67	25.98
Reporting date rate	28.64	26.44
Rupees per EUR		
Average rate	134.98	121.67
Reporting date rate	145.10	128.31

If the functional currency, at the reporting date, had fluctuated by 5% against the USD, AED and EUR with all other variables held constant, the impact on profit after taxation for the year / period would have been Rs 616,178 thousand (December 31, 2012: Rs 106,598 thousand) respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is exposed to equity securities price risk, because of the investments held by the Company in money market mutual funds, and classified on the statement of financial position as available for sale. To manage its price risk arising from investments in mutual funds, the Company diversifies its portfolio.

The other financial assets include available for sale investments of Rs 1,375,632 thousand (December 31, 2012: Rs 655,341 thousand) which were subject to price risk.

If redemption price on mutual funds, at the year / period end date, fluctuate by 5% higher / lower with all other variables held constant, total comprehensive income for the year / period would have been Rs 80,528 thousand (December 31, 2012: Rs 32,767 thousand) higher / lower, mainly as a result of higher / lower redemption price on units of mutual funds.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the date of the statement of financial position, the interest rate profile of the Company's interest bearing financial instruments is:

	December 31, 2013 Rs '000	December 31, 2012 Rs '000
Financial assets		
Fixed rate instruments:		
Staff loans	550,234	542,166
Short term investments - term deposits	21,030,037	8,242,117
Floating rate instruments:		
Long term loans - loan to subsidiary	8,500,000	11,000,000
Bank balances - deposit accounts	3,618,546	3,897,824
	33,698,817	23,682,107

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value. Therefore, a change in interest rates at the date of the statement of financial position would not affect the total comprehensive income of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long-term loans to subsidiary and deposit bank balances, at the year / period end date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year / period would have been Rs 183,151 thousand (December 31, 2012: Rs 96,836 thousand) higher / lower, mainly as a result of higher / lower markup income on floating rate loans / investments.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge an obligation. The maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2013 Rs '000	December 31, 2012 Rs '000
Long term investments	83,900	83,900
Long term loans and advances	6,784,020	11,986,019
Trade debts	18,596,301	15,402,253
Loans and advances	6,541,852	3,409,815
Accrued interest	667,024	559,390
Receivable from the Government of Pakistan	2,164,072	2,164,072
Other receivables	722,054	573,758
Short term investments	22,405,669	8,897,458
Bank balances	4,358,261	5,050,089
	62,323,153	48,126,754

The credit risk on liquid funds is limited, because the counter parties are banks with reasonably high credit ratings. In case of trade debts the Company believes that it is not exposed to major concentrations of credit risk, as its exposure is spread over a large number of counter parties and subscribers. Long term loans include a loan of Rs 8,500,000 thousand (December 31, 2012: Rs 11,000,000 thousand) to the subsidiary- PTML.

The credit quality of bank balances and short term investments, that are neither past due nor impaired, can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating	December 31,	December 31,
	Short term	Long term	Agency	2013 Rs '000	2012 Rs '000
National Bank of Pakistan	A-1+	AAA	JCR-VIS	4,696,406	4,539,292
Bank Alfalah Limited	A1+	AA	PACRA	5,397,722	199,981
MCB Bank Limited	A1+	AAA	PACRA	257,438	236,588
Soneri Bank Limited	A1+	AA-	PACRA	508,654	12,963
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	4,015	-
The Bank of Punjab	A1+	AA-	PACRA	11,027	3,082,986
NIB Bank Limited	A1+	AA-	PACRA	4,108,639	42,589
Habib Bank Limited	A-1+	AAA	JCR-VIS	579,097	1,552,532
Askari Bank Limited	A1+	AA	PACRA	5,994,098	2,774,339
Allied Bank Limited	A1+	AA+	PACRA	94,697	101,004
United Bank Limited	A-1+	AA+	JCR-VIS	1,230	175,568
KASB Bank Limited	A3	BBB	PACRA	-	4,526
Bank Al-Habib Limited	A1+	AA+	PACRA	145,507	110,849
Dubai Islamic Bank (Pakistan) Limited	A-1	A	JCR-VIS	195,240	218,541
Citibank, N.A	P-2	A3	Moody's	122,836	71,882
HSBC Bank Middle East Limited	P-1	A2	Moody's	467	-
JS Bank Limited	A1	A+	PACRA	1,000,000	-
Sindh Bank Limited	A-1+	AA-	JCR-VIS	1,998,779	-
SME Bank Limited	A3	BBB	PACRA	-	321
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	50,271	41,815
Meezan Bank Limited	A-1+	AA	JCR-VIS	220,510	124,769
Mutual Funds					
- Atlas Money Market Fund	-	AA(f)	PACRA	163,764	151,761
- IGI Money Market Fund	-	AA+(f)	PACRA	164,112	151,758
- JS Cash Fund	-	AA+(f)	JCR-VIS	162,958	151,305
- Askari Sovereign Cash Fund	-	AAA(f)	PACRA	107,481	-
- ABL Cash Fund	-	AA(f)	JCR-VIS	107,631	-
- NAFA Money Market Fund	-	AA(f)	PACRA	209,907	-
- MCB Cash Management Optimizer	-	AA(f)	PACRA	143,993	-
- KASB Cash Fund	-	AA(f)	PACRA	107,159	-
- HBL Money Market Fund	-	AA(f)	PACRA	106,717	-
- Faysal Money Market Fund	-	AA+(f)	JCR-VIS	101,910	-
- Pakistan Cash Management Fund	-	AAA(f)	PACRA	-	133,335
- NAFA Government Securities Liquid Fund	-	AAA(f)	PACRA	-	67,182
				26,762,265	13,945,886

Due to the Company's long standing business relationships with these counterparties, and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company follows an effective cash management and planning policy to ensure availability of funds, and to take appropriate measures for new requirements.

The following are the contractual maturities of financial liabilities as at December 31, 2013:

	Carrying amount Rs '000	Less than one year Rs '000	One to five years Rs '000	More than five years Rs '000
Long term security deposits	529,358	-	529,358	-
Employees' retirement benefits	33,050,773	-	-	33,050,773
Trade and other payables	38,583,250	38,583,250	-	-
	72,163,381	38,583,250	529,358	33,050,773

The following are the contractual maturities of financial liabilities as at December 31, 2012:

	Carrying amount Rs '000	Less than one year Rs '000	One to five years Rs '000	More than five years Rs '000
Long term security deposits	534,487	-	534,487	-
Employees' retirement benefits	32,422,497	-	-	32,422,497
Trade and other payables	27,621,334	27,621,334	-	-
	60,578,318	27,621,334	534,487	32,422,497

42.2 Fair value of financial assets and liabilities

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

42.3 Financial instruments by categories

	Available for sale		Loans and receivables		Total	
	December 31, 2013 Rs '000	December 31, 2012 Rs '000	December 31, 2013 Rs '000	December 31, 2012 Rs '000	December 31, 2013 Rs '000	December 31, 2012 Rs '000
Financial assets as per statement of financial position						
Long term other investments	83,900	83,900	-	-	83,900	83,900
Long term loans and advances	-	-	6,784,020	11,986,019	6,784,020	11,986,019
Trade debts	-	-	18,596,301	15,402,253	18,596,301	15,402,253
Loans and advances	-	-	6,541,852	3,409,815	6,541,852	3,409,815
Accrued interest	-	-	667,024	559,390	667,024	559,390
Receivable from the Government of Pakistan	-	-	2,164,072	2,164,072	2,164,072	2,164,072
Other receivables	-	-	722,054	573,758	722,054	573,758
Short term investments	1,375,632	655,341	21,030,037	8,242,117	22,405,669	8,897,458
Cash and bank balances	-	-	4,358,261	5,050,089	4,358,261	5,050,089
	1,459,532	739,241	60,863,621	47,387,513	62,323,153	48,126,754

	Liabilities at fair value through profit and loss		Other financial liabilities		Total	
	December 31, 2013 Rs '000	December 31, 2012 Rs '000	December 31, 2013 Rs '000	December 31, 2012 Rs '000	December 31, 2013 Rs '000	December 31, 2012 Rs '000
Financial liabilities as per statement of financial position						
Long term security deposits	-	-	529,358	534,487	529,358	534,487
Employees' retirement benefits	-	-	33,050,773	32,422,497	33,050,773	32,422,497
Trade and other payables	-	-	38,583,250	27,621,334	38,583,250	27,621,334
	-	-	72,163,381	60,578,318	72,163,381	60,578,318

42.4 Capital risk management

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

The Company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

For working capital and capital expenditure requirements, the Company primarily relies on internal cash generation and does not have any significant borrowings.

43. Transactions with related parties

The Government of Pakistan and Etisalat International Pakistan (EIP), UAE are the majority shareholders of the Company. Therefore, all related entities of the Government of Pakistan and EIP are related parties of the Company. Additionally, the Company's subsidiaries Pak Telecom Mobile Limited, U Microfinance Bank Limited, associate T.F. Pipes Limited, Directors, Chief Executive Officer, key management personnel and employee funds are also related parties of the Company. The remuneration of the Directors, Chief Executive Officer and Executives is given in note 39 to the financial statements. The amounts due from and due to these related parties are shown under respective receivables and payables. The Company had transactions with the following related parties during the year / period:

Shareholders
- Etisalat International Pakistan

Subsidiary
- Pak Telecom Mobile Limited
- U Microfinance Bank Limited

Associated undertakings
- Emirates Telecommunication Corporation
- Etisalat - Afghanistan
- Etihad Etisalat Company
- Etisalat International Zantel Limited

Thuraya Satellite Telecommunication Company
T.F. Pipes Limited
Telecom Foundation

Employees' retirement benefit plan
Pakistan Telecommunication Employees' Trust

Other related parties
Pakistan Telecommunication Authority - The Government of Pakistan
Universal Service Fund - The Government of Pakistan
The Government of Pakistan and its related entities

	Year ended December 31, 2013 Rs '000	Six months period ended December 31, 2012 Rs '000
Details of transactions with related parties		
Shareholders		
Technical services assistance fee	2,639,160	1,190,425
Subsidiaries		
Sale of goods and services	5,656,804	2,555,518
Purchase of goods and services	3,194,113	1,723,976
Mark up on long term loans	1,073,486	674,203
Associated undertakings		
Sale of goods and services	129,460	292,147
Purchase of goods and services	1,557,289	899,765
Employees' retirement benefit plan		
Contribution to the plan	8,478,000	3,479,630
Other related Parties		
Sale of goods and services	1,118,470	474,165
Charge under license obligations	1,539,417	639,545

44. Offsetting of financial assets and liabilities

Trade debts presented in the statement of financial position include aggregate receivable of Rs 7,991,017 thousand (December 31, 2012: Rs 6,432,247 thousand) set off against aggregate payable of Rs 5,383,315 thousand (December 31, 2012: Rs 2,703,059 thousand).

Trade and other payables presented in the statement of financial position include aggregate payable of Rs 10,143,887 thousand (December 31, 2012: Rs 4,514,773 thousand) set off against aggregate receivable of Rs 7,678,683 thousand (December 31, 2012: Rs 1,198,508 thousand).

		December 31, 2013 Number	December 31, 2012 Number
45. Number of employees	Total number of persons employed at end of the year / period	21,873	21,999
	Average number of employees during the year / period	21,908	24,928

46. Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure in addition to restatements as referred to in note 9.7:

Reclassification from	Reclassification to	Rs '000
Recoverable from tax authorities	Trade and other payables	670,540
Other income	Cost of services	41,801
Other income	Administrative and general expenses	1,578
Other income	Selling and marketing expenses	1,388

47. Non adjusting event after the date of statement of financial position

The Board of Directors in its meeting held on February 02, 2014 has recommended a final dividend of Re 1.00 per share for the year ended December 31, 2013, amounting to Rs 5,100,000 thousand for approval of the members in the forthcoming Annual General Meeting.

48. Date of authorization for issue

These financial statements were authorized for issue by the Board of Directors of the Company on February 02, 2014.

Chairman

President & CEO