FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014 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 conduct 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;

  (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, 2014 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.

Emphasis of Matter

We draw attention to note 12.10 to these financial statements, which describes the uncertainty related to the outcome of the lawsuit filed against the Company. Our opinion is not qualified in respect of this matter.

A.F. Ferguson & Co.
Chartered Accountants
Islamabad: February 10, 2015

Engagement Partner: S. Haider Abbas

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2014

	Note	2014 Rs '000	2013 Rs '000
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital	6	51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,196,770	2,958,336
General reserve		30,500,000	30,500,000
Unappropriated profit		8,117,782	16,324,138
		40,814,552	49,782,474
Unrealized gain on available for sale investments		329,039	89,785
		92,143,591	100,872,259
Liabilities			
Non-current liabilities			
Long term security deposits	7	549,256	529,358
Deferred income tax	8	2,676,026	3,749,739
Employees' retirement benefits	9	33,011,258	33,050,773
Deferred government grants	10	6,848,180	5,123,099
		43,084,720	42,452,969
Current liabilities			
Trade and other payables	11	44,345,349	38,583,250
Total equity and liabilities		179,573,660	181,908,478
Contingencies and commitments	12		

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

	Note	2014 Rs '000	2013 Rs '000
Assets			
Non-current assets			
Fixed assets			
Property, plant and equipment	13	94,452,061	87,219,249
Intangible assets	14	4,826,422	5,157,172
		99,278,483	92,376,421
Long term investments	15	7,791,296	7,791,296
Long term loans and advances	16	2,794,106	6,784,020
Investment in finance lease	17	84,398	38,781
		109,948,283	106,990,518
Current assets			
Stores, spares and loose tools	18	2,872,542	3,675,314
Trade debts	19	15,758,805	18,596,301
Loans and advances	20	4,136,133	6,541,852
Investment in finance lease	17	28,305	12,927
Accrued interest	21	344,801	667,024
Recoverable from tax authorities	22	16,366,457	15,586,424
Receivable from the Government of Pakistan	23	2,164,072	2,164,072
Prepayments and other receivables	24	4,994,327	910,116
Short term investments	25	18,441,389	22,405,669
Cash and bank balances	26	4,518,546	4,358,261
		69,625,377	74,917,960
Total assets		179,573,660	181,908,478

Chairman

President & CEO

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014 Rs '000	2013 Rs '000
Revenue	27	81,512,598	81,061,355
Cost of services	28	(55,682,723)	(53,073,952)
Gross profit		25,829,875	27,987,403
Administrative and general expenses	29	(9,857,639)	(9,116,544)
Selling and marketing expenses	30	(3,290,137)	(2,901,035)
Voluntary separation scheme cost	31	(8,174,536)	-
		(21,322,312)	(12,017,579)
Operating profit		4,507,563	15,969,824
Other income	32	4,706,389	4,214,290
Finance costs	33	(295,193)	(346,477)
Loss of property, plant and equipment due to fire	13.4	(907,230)	-
Profit before tax		8,011,529	19,837,637
Provision for income tax	34	(2,804,035)	(7,141,504)
Profit for the year		5,207,494	12,696,133
Earnings per share - basic and diluted (Rupees)	35	1.02	2.49

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, 2014

	2014 Rs '000	2013 Rs '000
Profit for the year	5,207,494	12,696,133
Other comprehensive loss for the year		
Items that will not be reclassified to profit and loss:		
Remeasurement loss on employees' retirement benefits	(6,023,357)	(5,288,914)
Tax effect of remeasurement loss on employees' retirement benefits	2,047,941	1,798,231
	(3,975,416)	(3,490,683)
Items that may be subsequently reclassified to profit and loss:		
Gain on available for sale investments arising during the year	274,981	87,291
Gain on disposal transferred to income for the year	(35,727)	(49,295)
Unrealised gain on available for sale investments - net of tax	239,254	37,996
Other comprehensive loss for the year- net of tax	(3,736,162)	(3,452,687)
Total comprehensive income for the year	1,471,332	9,243,446

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, 2014

	Note	2014 Rs '000	2013 Rs '000
Cash flows from operating activities			
Cash generated from operations	37	38,548,190	38,152,072
Payment to Pakistan Telecommunication Employees' Trust (PTET)		(12,551,507)	(8,478,000)
Employees' retirement benefits paid		(1,055,098)	(734,420)
Payment of voluntary separation scheme cost		(8,422,813)	(54,305)
Long term security deposits		19,898	(5,129)
Income tax paid		(2,157,850)	(2,681,395)
Net cash inflows from operating activities		14,380,820	26,198,823
Cash flows from investing activities			
Capital expenditure		(20,938,960)	(14,339,444)
Acquisition of intangible assets		(246,373)	(368,857)
Proceeds from disposal of property, plant and equipment		38,768	5,804
Short-term investments		(12,000,000)	-
Finance lease		(74,432)	(65,360)
Long term loans and advances		1,007,682	(450,856)
Receipts against loan to PTML		5,500,000	2,500,000
Return on long term loans and short term investments		4,064,490	2,767,724
Government grants received		2,106,683	1,662,822
Dividend income on long term investments		10,000	-
Net cash outflows from investing activities		(20,532,142)	(8,288,167)
Cash flows from financing activities			
Dividend paid		(9,652,673)	(5,094,273)
Net (decrease) / increase in cash and cash equivalents		(15,803,995)	12,816,383
Cash and cash equivalents at the beginning of the year		26,763,930	13,947,547
Cash and cash equivalents at the end of the year	38	10,959,935	26,763,930

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, 2014

	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		
	(Rupees in '000)						
Balance as at January 01, 2013	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)
	-	-	-	-	9,205,450	37,996	9,243,446
Transfer to insurance reserve	-	-	279,608	-	(279,608)	-	-
Interim dividend for the year ended December 31, 2013 - Re. 1.00 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	279,608	-	(5,379,608)	-	(5,100,000)
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
Total comprehensive income for the year							
Profit for the year	-	-	-	-	5,207,494	-	5,207,494
Other comprehensive (loss) / income	-	-	-	-	(3,975,416)	239,254	(3,736,162)
	-	-	-	-	1,232,078	239,254	1,471,332
Transfer to insurance reserve	-	-	267,576	-	(267,576)	-	-
Utilization of insurance reserve	-	-	(1,029,142)	-	1,029,142	-	-
Final dividend for the year ended December 31, 2013 - Re. 1.00 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
Interim dividend for the year ended December 31, 2014 - Re. 1.00 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	(761,566)	-	(9,438,434)	-	(10,200,000)
Balance as at December 31, 2014	37,740,000	13,260,000	2,196,770	30,500,000	8,117,782	329,039	92,143,591

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 (Re-organization) 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.

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 and interpretations to published accounting standards were effective during the year and have been adopted by the Company:

		Effective date (annual periods beginning on or after)
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

b) The following standard has been issued by the International Accounting Standards Board (IASB), which is yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of its applicability in Pakistan:

		Effective date (annual periods beginning on or after)
IFRS 1	First-Time Adoption of International Financial Reporting Standards	July 01, 2009

c) The following standards and amendments are effective, but are notified by SECP for the purpose of their applicability in Pakistan from annual periods beginning on or after January 01, 2015:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

		Effective date (annual periods beginning on or after)
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	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
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 (Amendments)	January 01, 2014

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

d) The following standards and amendments to published accounting standards were not effective during the year and have not been early adopted by the Company:

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations (Amendments)	July 01, 2014
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	January 01, 2016
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 01, 2016
IFRS 8	Operating Segments (Amendments)	July 01, 2014
IFRS 9	Financial Instruments	January 01, 2018
IFRS 10	Consolidated Financial Statements (Amendments)	January 01, 2016
IFRS 11	Joint Arrangements (Amendments)	January 01, 2016
IFRS 12	Disclosure of interests in Other Entities (Amendments)	January 01, 2016
IFRS 13	Fair Value Measurement (Amendments)	July 01, 2014
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2017
IAS 1	Presentation of Financial Statements (Amendments)	July 01, 2014 & January 01, 2016
IAS 16	Property, Plant and Equipment (Amendments)	July 01, 2014 & January 01, 2016
IAS 19	Employee Benefits (Amendments)	July 01, 2014 & January 01, 2016
IAS 24	Related Party Disclosures (Amendments)	July 01, 2014
IAS 27	Separate Financial Statements (Amendments)	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 01, 2016
IAS 34	Interim Financial Reporting (Amendments)	January 01, 2016
IAS 38	Intangible Assets (Amendments)	July 01, 2014 & January 01, 2016
IAS 40	Investment Property (Amendments)	July 01, 2014

The management anticipates that adoption of above standards and amendments in future periods will have no material impact on the Company's financial statements other than in presentation / disclosure. However, for the current year the impact of IFRS 15 on the Company's financial statements is yet to be determined.

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, 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) Other 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 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 exchange rates, are charged to income for the year.

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 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 to 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, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of that asset. All other borrowing costs are charged to income for the year.

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 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. 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.

(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.

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

(ii) Computer software

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

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

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.

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 end. Bad debts are written off as per Company policy.

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 expired. All financial assets and liabilities are initially recognized at fair value plus transaction costs other than financial assets and liabilities carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to income for the year. These are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gain or loss on derecognition of financial assets and financial liabilities is included in income for the year.

(a) Financial assets

Classification and subsequent measurement

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

(i) Fair value through profit 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. 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.

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.

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

Subsequent measurement

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

(i) Fair value through profit or loss

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

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

(ii) Other financial liabilities

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

(c) Offsetting of financial assets and liabilities

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

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

(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. In line with the Trust's earnings for a year, the board of trustees approves a profit rate for payment to the members. The approved profit rate for FY 2014 was 12% (December 31, 2013: 12%) per annum. The Company contributes to the fund, the differential, if any, of the interest paid / credited for the year 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. Accumulated leaves can be encashed at the end of the employees' service, based on the latest drawn gross salary as per Company policy.

(v) Benevolent grants

The Company pays prescribed benevolent grants to eligible employees / retirees and their heirs.

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, 2014. 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. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized through other comprehensive income for the year except remeasurement gains and losses arising on compensated absences which are recognized in statement of profit and loss.

6. Share capital

6.1 Authorized share capital

2014 (Number of shares '000)	2013 (Number of shares '000)		2014 Rs '000	2013 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

2014 (Number of shares '000)	2013 (Number of shares '000)		2014 Rs '000	2013 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, 2014: 599,537 thousand (December 31, 2013: 599,535 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, 2013: Rs 3,623 thousand) from Pak Telecom Mobile Limited (PTML), a related party. The Company has adjusted / paid a sum of Rs 9,852 thousand (December 31, 2013: Rs 23,089 thousand) to its customers during the year against their balances.

	Note	2014 Rs '000	2013 Rs '000
8. Deferred income tax			
The liability for deferred taxation comprises of timing differences relating to:			
Accelerated tax depreciation / amortization		12,271,858	11,903,192
Provision for obsolete stores and receivables		(2,674,992)	(3,280,554)
Remeasurements of employees' retirement benefits		(6,920,840)	(4,872,899)
		2,676,026	3,749,739
The gross movement in the deferred tax liability during the year is as follows:			
Balance at beginning of the year		3,749,739	2,886,049
Tax charge recognized in profit and loss		974,228	2,661,921
Tax credit recognized in other comprehensive income		(2,047,941)	(1,798,231)
Balance at end of the year		2,676,026	3,749,739
9. Employees' retirement benefits			
Liabilities for pension obligations			
Funded	9.1	12,250,956	13,381,633
Unfunded	9.1	2,013,560	1,741,300
		14,264,516	15,122,933
Gratuity - unfunded	9.1	895,383	700,863
Accumulating compensated absences - unfunded	9.1	1,403,240	1,157,458
Post retirement medical facility - unfunded	9.1	13,258,545	12,635,982
Benevolent grants - unfunded	9.1	3,189,574	3,433,537
		33,011,258	33,050,773

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9.1 The latest actuarial valuations of the Company's defined benefit plans, were conducted at December 31, 2014 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			
	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000
a) The amounts recognized in the statement of financial position:														
Present value of defined benefit obligations	96,252,022	86,244,688	2,013,560	1,741,300	895,383	700,863	1,403,240	1,157,458	13,258,545	12,635,982	3,189,574	3,433,537	117,012,324	105,913,828
Fair value of plan assets - note 9.2	(84,001,066)	(72,863,055)	-	-	-	-	-	-	-	-	-	-	(84,001,066)	(72,863,055)
Liability at end of the year	12,250,956	13,381,633	2,013,560	1,741,300	895,383	700,863	1,403,240	1,157,458	13,258,545	12,635,982	3,189,574	3,433,537	33,011,258	33,050,773
b) Changes in the present value of defined benefit obligations:														
Balance at beginning of the year	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
Current service cost	515,920	417,022	120,832	88,328	134,252	104,777	69,003	65,636	138,551	136,487	42,754	43,024	1,021,312	855,274
Actuarial (gain) / loss	-	-	-	-	-	-	323,799	130,034	-	-	-	-	323,799	130,034
(Gains) / losses on settlement	3,449,657	-	268,967	-	117,034	-	112,750	-	187,486	-	(72,662)	-	4,063,232	-
Interest expense	9,971,176	8,505,246	208,452	134,474	79,326	65,738	132,260	100,359	1,488,143	1,308,521	400,651	371,172	12,280,008	10,485,510
Balance at end of the year	13,936,753	8,922,268	598,251	222,802	330,612	170,515	637,812	296,029	1,814,180	1,445,008	370,743	414,196	17,688,351	11,470,818
Remeasurements:														
(Gain) / loss from changes in														
Demographic assumptions	5,216,396	-	81,803	-	-	-	-	-	1,018,905	-	(271,387)	-	6,045,717	-
Financial assumptions	310,866	677,049	66,455	334,654	-	-	-	-	7,677	-	138	-	385,136	1,011,703
Experience (gains) / losses	703,659	5,217,874	(72,412)	(32,296)	98,475	(30,880)	-	-	(1,223,245)	(233,694)	(153,899)	(185,170)	(647,422)	4,735,834
	6,230,921	5,894,923	75,846	302,358	98,475	(30,880)	-	-	(196,663)	(233,694)	(425,148)	(185,170)	5,783,431	5,747,537
VSS Settlement	(3,857,232)	-	(393,441)	-	(154,947)	-	(281,450)	-	(525,369)	-	-	-	(5,212,439)	-
Benefits paid	(6,303,108)	(5,892,921)	(8,396)	(6,349)	(79,620)	(36,392)	(110,580)	(50,922)	(469,585)	(470,978)	(189,558)	(169,779)	(7,160,847)	(6,627,341)
Balance at end of the year	96,252,022	86,244,688	2,013,560	1,741,300	895,383	700,863	1,403,240	1,157,458	13,258,545	12,635,982	3,189,574	3,433,537	117,012,324	105,913,828

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	Pension				Gratuity		Compensated absences		Post-retirement medical facility		Benevolent grants		Total	
	Funded		Unfunded		Unfunded		Unfunded		Unfunded		Unfunded			
	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000
c) Charge for the year:														
Profit and Loss:														
Current service cost	515,920	417,022	120,832	88,328	134,252	104,777	69,003	65,636	138,551	136,487	42,754	43,024	1,021,312	855,274
Net Interest expense	984,406	1,586,211	208,452	134,474	79,326	65,738	132,260	100,359	1,488,143	1,308,521	400,651	371,172	3,293,238	3,566,475
Actuarial (gain) / loss	-	-	-	-	-	-	323,799	130,034	-	-	-	-	323,799	130,034
(Gains) / losses recognized on settlement	3,449,657	-	268,967	-	117,034	-	112,750	-	187,486	-	(72,662)	-	4,063,232	-
Contribution from employees	-	-	-	-	-	-	-	-	-	-	(26,590)	(26,703)	(26,590)	(26,703)
Contribution from deputationists	(1,397)	(815)	-	-	-	-	-	-	-	-	-	-	(1,397)	(815)
	4,948,586	2,002,418	598,251	222,802	330,612	170,515	637,812	296,029	1,814,180	1,445,008	344,153	387,493	8,673,594	4,524,265
Other comprehensive income														
Remeasurements:														
Return on plan assets, excluding amounts included in interest income	239,926	(458,623)	-	-	-	-	-	-	-	-	-	-	239,926	(458,623)
(Gain) / loss from changes in														
Demographic assumptions	5,216,396	-	81,803	-	-	-	-	-	1,018,905	-	(271,387)	-	6,045,717	-
Financial assumptions	310,866	677,049	66,455	334,654	-	-	-	-	7,677	-	138	-	385,136	1,011,703
Experience (gains) / losses	703,659	5,217,874	(72,412)	(32,296)	98,475	(30,880)	-	-	(1,223,245)	(233,694)	(153,899)	(185,170)	(647,422)	4,735,834
	6,470,847	5,436,300	75,846	302,358	98,475	(30,880)	-	-	(196,663)	(233,694)	(425,148)	(185,170)	6,023,357	5,288,914
	11,419,433	7,438,718	674,097	525,160	429,087	139,635	637,812	296,029	1,617,517	1,211,314	(80,995)	202,323	14,696,951	9,813,179
d) Significant actuarial assumptions at the date of the statement of financial position:														
Discount rate	12.25%	12%	12.50%	12%	11.50%	12%	11.50%	12%	12.50%	12%	11.50%	12%		
Future Salary / medical cost increase	7 to 11.25%	7 to 11%	7 to 11.50%	7 to 11%	10.50%	11%	10.50%	11%	11.50%	11%	-	-		
Future pension increase	8.75%	8.50%	9%	8.50%	-	-	-	-	-	-	-	-		
Rate of increase in benevolent grants	-	-	-	-	-	-	-	-	-	-	3.5%	4%		
Average duration of the obligation	10 years	10 years	18 years	19 years	7 years	7 years	6 to 9 years	9 to 10 years	15 years	15 years	9 years	11 years		
Expected mortality rate	SLIC 2001-2005	EFU 61-66	SLIC 2001-2005	EFU 61-66	SLIC 2001-2005	EFU 61-66	SLIC 2001-2005	EFU 61-66	SLIC 2001-2005	EFU 61-66	SLIC 2001-2005	EFU 61-66		
Expected withdrawal rate	Based on experience		Based on experience		Based on experience		Based on experience		Based on experience		Based on experience			

	Defined benefit pension plan - Funded 2014 Rs '000	2013 Rs '000
9.2 Changes in the fair value of plan assets		
Balance at beginning of the year	72,863,055	62,900,317
Interest income	8,986,770	6,919,036
Return on plan assets, excluding amounts included in interest income	(239,926)	458,623
Contributions made by the Company during the year	12,551,507	8,478,000
Benefits paid	(10,160,340)	(5,892,921)
Balance at end of the year	84,001,066	72,863,055

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

	2014		2013	
	Rs '000	Percentage	Rs '000	Percentage
Debt instruments - unquoted				
- Special Savings Accounts	56,762,727	67.57	45,117,459	61.92
- Special Savings Certificates	9,347,455	11.13	8,327,666	11.43
- Defense Savings Certificates	1,370,924	1.63	1,223,264	1.68
- Pakistan Investment Bonds	-	-	405,611	0.56
	67,481,106	80.33	55,074,000	75.59
Cash and cash equivalents				
- Term deposits	10,932,345	13.01	9,779,208	13.42
- Bank balances	1,713,019	2.04	1,132,526	1.55
	12,645,364	15.05	10,911,734	14.97
Investment property				
- Telecom tower	6,294,287	7.49	6,002,067	8.24
- Telehouse	1,710,000	2.04	1,167,155	1.60
	8,004,287	9.53	7,169,222	9.84
Fixed assets	4,773	0.01	4,858	0.01
Other assets	124,452	0.15	145,945	0.20
	88,259,982	105.07	73,305,759	100.61
Liabilities				
- Amount due to PTCL	(4,082,578)	(4.86)	(116,724)	(0.16)
- Accrued & other liabilities	(176,338)	(0.21)	(325,980)	(0.45)
	(4,258,916)	(5.07)	(442,704)	(0.61)
	84,001,066	100.00	72,863,055	100.00

9.4 During the next financial year, the minimum expected contributions to be paid to the funded pension plan by the Company is Rs 1,581,040 thousand (December 31, 2013: Rs 2,121,716 thousand).

9.5 Sensitivity analysis

The calculations of the defined benefits obligation is sensitive to the significant actuarial assumptions set out in note 9.1 (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	516,852	(478,893)
Pension - unfunded	157,176	(141,930)
Gratuity - unfunded	67,546	(59,892)
Accumulating compensated absences - unfunded	116,607	(104,137)
Post-retirement medical facility - unfunded	2,186,013	(1,803,951)
Benevolent grants - unfunded	10,997	(14,993)
Discount rate		
Pension - funded	(8,663,718)	10,326,471
Pension - unfunded	(322,582)	414,454
Gratuity - unfunded	(56,639)	65,052
Accumulating compensated absences - unfunded	(100,618)	114,633
Post-retirement medical facility - unfunded	(1,775,335)	2,237,200
Benevolent grants - unfunded	(184,285)	213,625
Future pension		
Pension - funded	9,649,747	(8,177,837)
Pension - unfunded	164,076	(137,121)
Benevolent grants		
Benevolent grants - unfunded	296,492	(257,198)

Expected Mortality Rates

	Increase by 1 year Rs '000	Decrease by 1 year Rs '000
Pension - funded	(2,210,019)	2,196,708
Pension - unfunded	(25,943)	25,246
Gratuity - unfunded	(120)	-
Accumulating compensated absences - unfunded	(2,466)	2,173
Post-retirement medical facility - unfunded	(368,490)	369,899
Benevolent grants - unfunded	(14,108)	14,343

The above sensitivity analysis 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 longevity risk for pension plan and salary risk for all the plans.

	Note	2014 Rs '000	2013 Rs '000
10. Deferred government grants			
Balance at beginning of the year		5,123,099	3,991,818
Recognised during the year		2,106,683	1,422,822
Amortization for the year	32	(381,602)	(291,541)
Balance at end of the year		6,848,180	5,123,099

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	2014 Rs '000	2013 Rs '000
11. Trade and other payables			
Trade creditors	11.1	9,908,502	10,479,024
Accrued liabilities		20,858,655	17,562,926
Receipts against third party works		1,203,860	783,551
Income tax collected from subscribers / deducted at source		280,092	293,427
Sales tax payable		-	72,373
Advances from customers		2,429,086	2,881,859
Technical services assistance fee	29.2	633,814	652,061
Retention money / payable to contractors and suppliers for fixed assets	11.1	8,115,696	5,638,890
Unclaimed dividend		701,489	154,162
Other liabilities		214,155	64,977
		44,345,349	38,583,250

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

	2014 Rs '000	2013 Rs '000
Trade creditors		
Pak Telecom Mobile Limited (PTML)	1,084,404	704,671
U Microfinance Bank Limited	7,548	9,517
Etisalat - UAE	130,128	296,954
Etisalat - Afghanistan	48,291	111,015
Etihad Etisalat Company	19,120	-
Etisalat - Srilanka	4,711	-
Thuraya Satellite Telecommunication Company	16,040	16,315
Telecom Foundation	72,753	95,283
TF Pipes Limited	3,187	2,551
The Government of Pakistan and its related entities	5,044,143	8,371,083
Retention money / payable to contractors and suppliers for fixed assets		
TF Pipes Limited	52	4,103

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 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.

12.2 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.

12.3 The Company has filed appeal before the Customs Appellate Tribunal against the decisions of the Collector Customs imposing additional duties and taxes amounting to Rs 1,803,409 thousand. The Company also obtained stay order from the Honorable Sindh High Court against the said decision. Further, the Collector of Customs imposed additional duties and taxes amounting to Rs 683,334 thousand against which the Company is in process of filing the appeal.

12.4 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. The ATIR in its judgment endorsed the departmental view regarding satellite charges 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.

12.5 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.

12.6 For the tax year 2008, taxation officer amended the assessment under section 122 (5A) and disallowed certain expenses with tax impact of Rs 2,126,648 thousand. Besides the rectification application, the Company has also filed an appeal before CIR-Appeals which is pending for disposal. The Company has also obtained stay order from the Honorable Islamabad High Court.

12.7 For the tax year 2009, the Taxation Officer disallowed certain expenses with tax impact of Rs 3,278,866 thousand, after the order of CIR-Appeals. The Company has filed appeal before ATIR and also filed reference applications before the Honorable Islamabad High Court.

12.8 For the tax year 2010, taxation officer disallowed certain expenses with tax impact of Rs 5,207,696 thousand. Besides the rectification application filed, the Company also filed an appeal before CIR-Appeals which is pending for disposal.

12.9 For the tax year 2011, taxation officer disallowed certain expenses with tax impact of Rs 3,860,358 thousand, after taking into account the order of CIR-Appeals as well as rectification orders. The Company has filed an appeal before ATIR, pending adjudication.

12.10 With reference to ongoing litigation at various courts in Pakistan regarding pension increases and pertinent medical allowance cases, the Honorable Supreme Court of Pakistan suspended the operation of the related order passed by the divisional bench of Honorable Islamabad High Court. On completion of proceedings, the decision is reserved by the Honorable Supreme Court of Pakistan. Since the subject matter is complex and uncertain in nature, the financial implications cannot presently be ascertained with finality.

12.11 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 Sind High Court suspended the adverse decision of CCP and the case is pending for adjudication.

12.12 A total of 1,635 cases (December 31, 2013: 1,518 cases) have been filed against the Company primarily involving subscribers, regulators, retirees and employees. Because of the large number of cases and their uncertain nature, it is not possible to quantify their financial impact at present.

12.13 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 favour of the Company.

	Note	2014 Rs '000	2013 Rs '000
12.14 Bank guarantees and bid bonds issued in favor of:			
Universal Service Fund (USF) against government grants		5,680,656	5,852,905
Others		1,042,809	912,911
		6,723,465	6,765,816
12.15 Commitments			
Contracts for capital expenditure		7,281,071	10,184,640
13. Property, plant and equipment			
Operating fixed assets	13.1	85,072,228	78,951,084
Capital work in progress	13.6	9,379,833	8,268,165
		94,452,061	87,219,249

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 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												
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	-	(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	-	-	-	-	-	(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 January 01, 2014												
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
Year ended December 31, 2014												
Opening 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
Additions	-	-	153,888	3,107	3,935,385	15,327,396	-	9,781	205,965	13,985	111,786	19,761,293
Disposals - note 13.3												
Cost	-	-	-	-	(143,088)	(170,257)	-	-	-	-	(9,430)	(322,775)
Accumulated depreciation	-	-	-	-	98,388	156,840	-	-	-	-	9,430	264,658
	-	-	-	-	(44,700)	(13,417)	-	-	-	-	-	(58,117)
Loss due to fire - note 13.4												
Cost	-	-	(7,229)	-	(23)	(1,803,411)	-	(17,910)	-	(216)	-	(1,828,789)
Accumulated depreciation	-	-	292	-	3	978,463	-	8,760	-	40	-	987,558
	-	-	(6,937)	-	(20)	(824,948)	-	(9,150)	-	(176)	-	(841,231)
Depreciation charge for the year - note 13.5	-	(1,277)	(283,403)	(25,225)	(3,358,271)	(7,866,921)	(753,745)	(62,349)	(235,250)	(20,752)	(133,608)	(12,740,801)
Net book amount	1,637,720	60,003	7,000,024	517,351	20,814,540	48,368,235	5,474,942	337,954	422,004	90,847	348,608	85,072,228
As at December 31, 2014												
Cost	1,637,720	90,026	11,450,147	1,011,778	116,717,956	171,152,540	11,305,616	1,037,231	1,337,429	521,668	1,880,170	318,142,281
Accumulated depreciation and impairment	-	(30,023)	(4,450,123)	(494,427)	(95,903,416)	(122,784,305)	(5,830,674)	(699,277)	(915,425)	(430,821)	(1,531,562)	(233,070,053)
Net book amount	1,637,720	60,003	7,000,024	517,351	20,814,540	48,368,235	5,474,942	337,954	422,004	90,847	348,608	85,072,228
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	Accumulated depreciation	Net book amount	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rs'000	Rs'000	Rs'000	Rs'000		
Lines and wires	(143,088)	98,388	(44,700)	21,191	Auction	Various buyers
Apparatus, plant and equipment	(170,257)	156,840	(13,417)	12,481	Auction	Various buyers
Aggregate of others having net book amounts not exceeding Rs 50,000	(9,430)	9,430	-	5,096	Auction	Various buyers
	(322,775)	264,658	(58,117)	38,768		

	Note	2014 Rs '000	2013 Rs '000
13.4 Loss of property, plant and equipment due to fire			
Operating fixed assets	13.1	841,231	-
Capital work in progress	13.7	65,999	-
		907,230	-

This represents loss of assets due to fire at Edgerton Road Exchange, Lahore on September 28, 2014 against which Insurance reserve has been utilized.

13.5 The depreciation charge for the year has been allocated as follows:

	Note	2014 Rs '000	2013 Rs '000
Cost of services	28	12,485,985	11,757,873
Administrative and general expenses	29	191,112	182,415
Selling and marketing expenses	30	63,704	60,805
		12,740,801	12,001,093
13.6 Capital work in progress			
Buildings		609,123	523,146
Lines and wires		7,245,715	6,381,077
Apparatus, plant and equipment		582,538	638,317
Advances to suppliers		825,086	599,851
Others		117,371	125,774
	13.7	9,379,833	8,268,165

	Note	2014 Rs '000	2013 Rs '000
13.7 Movement during the year			
Balance at beginning of the year		8,268,165	10,778,593
Additions during the year		21,126,736	17,486,470
Loss due to fire	13.4	(65,999)	-
Transfers during the year		(19,949,069)	(19,996,898)
Balance at end of the year		9,379,833	8,268,165

Capital work in progress includes an amount of Rs 1,520,028 thousand (December 31, 2013: Rs 1,064,340 thousand), in respect of direct overheads relating to development of assets.

	Note	Licenses and spectrum Rs '000	Computer Software Rs '000	Total Rs '000
14. Intangible assets				
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		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		(273,375)	(66,781)	(340,156)
Net book amount		4,506,492	650,680	5,157,172
As at January 01, 2014				
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
Year ended December 31, 2014				
Opening net book amount		4,506,492	650,680	5,157,172
Additions		-	246,373	246,373
Amortization charge for the year	28	(424,888)	(152,235)	(577,123)
Net book amount		4,081,604	744,818	4,826,422
As at December 31, 2014				
Cost		6,531,307	1,197,749	7,729,056
Accumulated amortization		(2,449,703)	(452,931)	(2,902,634)
Net book amount	14.1	4,081,604	744,818	4,826,422

	Note	2014 Rs '000	2013 Rs '000
14.1 Breakup of net book amounts as at year end is as follows :			
Licenses and spectrum			
Telecom	14.2	59,840	69,814
WLL spectrum	14.2	3,942,173	4,348,443
WLL and LDI License	14.3	73,757	79,220
IPTV	14.4	5,834	9,015
		4,081,604	4,506,492
Computer software	14.5		
Bill printing software		-	273
Billing and automation of broadband		75,418	86,240
HP OSS		14,840	21,689
BnCC software		235,093	6,814
Caller details record collector system		5,639	7,468
BnCC Oracle system		150,616	198,179
Customer Relationship Management (CRM)		91,369	120,223
SAP - Enterprise Resource Planning (ERP) system		171,843	209,794
		744,818	650,680
		4,826,422	5,157,172

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 fulfillment 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 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 period of 10 years.

	Note	2014 Rs '000	2013 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 650,000,000 (December 31, 2013: 650,000,000) ordinary shares of Rs 10 each Shares held 100% (December 31, 2013: 100%)		6,500,000	6,500,000
U Microfinance Bank Limited - Islamabad 118,571,429 (December 31, 2013: 118,571,429) ordinary shares of Rs 10 each Shares held 100% (December 31, 2013: 100%)		1,183,857	1,183,857
		7,683,857	7,683,857
Associate			
TF Pipes Limited - Islamabad 1,658,520 (December 31, 2013: 1,658,520) ordinary shares of Rs 10 each Shares held 40% (December 31, 2013: 40%)		23,539	23,539
		7,707,396	7,707,396

All subsidiaries and associated companies are incorporated in Pakistan

	2014 Rs '000	2013 Rs '000
15.2 Other investments		
Available for sale investments - unquoted		
Thuraya Satellite Telecommunication Company - Dubai, UAE 3,670,000 (December 31, 2013: 3,670,000) ordinary shares of 1 Dirham each	63,900	63,900
Alcatel - Lucent Pakistan Limited - Islamabad 2,000,000 (December 31, 2013: 2,000,000) ordinary shares of Rs 10 each	20,000	20,000
	83,900	83,900

	Note	2014 Rs '000	2013 Rs '000
16. Long term loans and advances - considered good			
Loans to PTML - unsecured	16.1	3,000,000	8,500,000
Loans to employees - secured		505,699	550,234
Imputed interest		(120,514)	(125,159)
	16.2	385,185	425,075
Advances to suppliers against turnkey contracts	16.3	2,488,884	3,460,862
Others		35,133	26,302
		5,909,202	12,412,239
Current portion shown under current assets			
Loans to PTML - unsecured	20	(3,000,000)	(5,500,000)
Loans to employees - secured	20	(115,096)	(128,219)
		2,794,106	6,784,020

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
Balance at year end (Rs '000)	-	1,000,000	500,000	1,500,000
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 8,500,000 thousand (December 31, 2013: Rs 11,000,000 thousand).

16.2 These loans and advances are for house building and purchase of vehicles, motor cycles and bicycles. Loans to executive employees of the Company carry interest at the rate of 12% per annum (December 31, 2013: 12% 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 759 thousand (December 31, 2013: Rs 1,014 thousand), due from employees against purchase of vehicles from the Company, recoverable in monthly installments spread over a period of 1 to 2 years.

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

	As at January 01, 2014 Rs '000	Disbursements Rs '000	Repayments Rs '000	Write offs Rs '000	As at December 31, 2014 Rs '000
Executives	2,422	2,235	(822)	-	3,835
Other employees	547,812	193,629	(157,521)	(82,056)	501,864
	550,234	195,864	(158,343)	(82,056)	505,699

	As at January 01, 2013 Rs '000	Disbursements Rs '000	Repayments Rs '000	Write offs 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

	2014 Rs '000	2013 Rs '000
Maximum amount of loan to executives and other employees outstanding at any time during the year		
Executives	3,840	4,123
Other employees	663,955	684,186

16.3 These represent various non interest bearing advances issued to the Company's vendors under turnkey contracts. This includes an advance of Rs 13,669 thousand (December 31, 2013: Rs 18,029 thousand) given to Telecom Foundation, a related party.

	2014 Rs '000	2013 Rs '000
17. Investment in finance lease		
Gross investment in finance lease	139,792	65,360
Unearned finance income	(27,089)	(13,652)
Net investment in finance lease	112,703	51,708
Current portion shown under current assets	(28,305)	(12,927)
	84,398	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	39,228	100,564	139,792
Unearned finance income	(10,923)	(16,166)	(27,089)
Net investment in finance lease	28,305	84,398	112,703

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

	Note	2014 Rs '000	2013 Rs '000
18. Stores, spares and loose tools			
Stores, spares and loose tools		3,607,672	4,932,945
Provision for obsolescence	18.1	(735,130)	(1,257,631)
		2,872,542	3,675,314
18.1 Provision for obsolescence			
Balance at beginning of the year		1,257,631	786,334
Provision during the year	28	126,892	478,397
		1,384,523	1,264,731
Write off against provision		(649,393)	(7,100)
Balance at end of the year		735,130	1,257,631
19. Trade debts - unsecured			
Domestic			
Considered good	19.1	12,175,669	12,684,285
Considered doubtful		6,741,057	7,955,955
		18,916,726	20,640,240
International			
Considered good	19.2	3,583,136	5,912,016
Considered doubtful		65,270	108,936
		3,648,406	6,020,952
		22,565,132	26,661,192
Provision for doubtful debts	19.3	(6,806,327)	(8,064,891)
		15,758,805	18,596,301

19.1 These include amounts due from the following related parties:

Pak Telecom Mobile Limited		636,307	1,287,800
U Microfinance Bank Limited		691	-
The Government of Pakistan and its related entities		1,404,470	1,649,032
		2,041,468	2,936,832

19.2 These include amounts due from the following related parties:

Etisalat - UAE		9,849	2,518
Etisalat - Afghanistan		18,549	57,160
Etisalat - Egypt		11	-
The Government of Pakistan and its related entities		88,887	119,116
		117,296	178,794

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	Note	2014 Rs '000	2013 Rs '000
19.3 Provision for doubtful debts			
Balance at beginning of the year		8,064,891	8,671,247
Provision for the year	29	2,122,743	1,992,362
		10,187,634	10,663,609
Write off against provision		(3,381,307)	(2,598,718)
Balance at end of the year		6,806,327	8,064,891
20. Loans and advances - considered good			
Current portion of long term loans to PTML	16	3,000,000	5,500,000
Current portion of long term loans to employees	16	115,096	128,219
Advances to suppliers and contractors	20.1	1,021,037	913,633
		4,136,133	6,541,852

20.1 These include Rs 4,274 thousand (December 31, 2013: Rs 18,718 thousand) to TF Pipes Limited , a related party.

	Note	2014 Rs '000	2013 Rs '000
21. Accrued interest			
Return on bank deposits		218,287	431,734
Mark up on long term loans	21.1	67,224	167,456
Interest receivable on loans to employees - secured		59,290	67,834
		344,801	667,024

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

	Note	2014 Rs '000	2013 Rs '000
22. Recoverable from tax authorities			
Income tax	22.1	13,101,156	12,773,113
Sales tax		451,990	-
Federal Excise Duty		3,279,487	3,279,487
Provision for doubtful amount		(466,176)	(466,176)
		2,813,311	2,813,311
		16,366,457	15,586,424
22.1 Movement in income tax recoverable			
Balance at beginning of the year		12,773,113	14,571,301
Current tax charge for the year		(1,829,807)	(4,479,583)
Income tax paid during the year		2,157,850	2,681,395
Balance at end of the year		13,101,156	12,773,113

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.

	Note	2014 Rs '000	2013 Rs '000
24. Prepayments and other receivables			
Prepayments			
- Pakistan Telecommunication Authority, a related party		16,777	11,415
- Prepaid rent and others		168,961	176,647
		185,738	188,062
Other receivables - considered good			
Due from related parties:			
- PTML- against SAP system		11,257	332,017
- Etisalat, UAE - against secondment of employees		74,265	75,876
- Pakistan Telecommunication Employees Trust		4,082,578	118,209
- PTCL Employees' GPF Trust		525,377	107,349
Others		115,112	88,603
		4,808,589	722,054
		4,994,327	910,116
Considered doubtful		326,166	326,166
Provision for doubtful receivables		(326,166)	(326,166)
		-	-
		4,994,327	910,116
25. Short term investments			
Term deposits - maturity upto 6 months	25.1	12,000,000	-
Term deposits - maturity upto 3 months	25.1	-	21,030,037
Available for sale investments - units of mutual funds	25.2	6,441,389	1,375,632
		18,441,389	22,405,669

	Maturity Upto	2014 Rs '000	2013 Rs '000
25.1 Term deposits			
National Bank of Pakistan	June 24, 2015	7,000,000	-
Allied Bank Limited	June 16, 2015	5,000,000	-
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, 2014	-	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
		12,000,000	21,030,037
25.2 Available for sale investments			
25.2.1 Units of mutual funds			
Units of open-end mutual funds:			
Atlas Money Market Fund 1,273,507 (December 31, 2013: 325,735) units		667,980	163,764
IGI Money Market Fund 2,681,795 (December 31, 2013: 1,632,293) units		282,414	164,112
JS Cash Fund 1,217,493 (December 31, 2013: 1,593,257) units		130,028	162,958
Askari Sovereign Cash Fund 1,113,498 (December 31, 2013: 1,066,287) units		116,688	107,481
ABL Cash Fund 81,732,466 (December 31, 2013: 10,754,789) units		855,256	107,631
NAFA Money Market Fund 112,045,716 (December 31, 2013: 20,966,003) units		1,171,606	209,907
MCB Cash Management Optimizer 9,228,481 (December 31, 2013: 1,439,193) units		962,697	143,993
HBL Money Market Fund 4,982,929 (December 31, 2013: 1,055,987) units		521,577	106,717
Faysal Money Market Fund 3,592,948 (December 31, 2013: 1,001,864) units		378,158	101,910
Pakistan Cash Management Fund 4,805,062 (December 31, 2013: NIL) units		250,636	-
PIML Daily Reserve Fund 3,313,161 (December 31, 2013: NIL) units		347,319	-
PICIC Cash Fund 4,494,073 (December 31, 2013: NIL) units		470,682	-
First Habib Cash Fund 2,741,355 (December 31, 2013: NIL) units		286,348	-
KASB Cash Fund NIL (December 31, 2013: 1,047,760) units		-	107,159
		6,441,389	1,375,632

	Note	2014 Rs '000	2013 Rs '000
25.2.2 Movement in available for sale investments during the year:			
Balance at beginning of the year		1,375,632	655,341
Additions during the year		5,360,000	834,825
Disposals during the year			
Cost		(533,497)	(152,530)
Gain on disposal of available for sale investments transferred from other comprehensive income to other income		(35,727)	(49,295)
		(569,224)	(201,825)
Unrealized gain transferred to other comprehensive income		274,981	87,291
Balance at end of the year		6,441,389	1,375,632

26. Cash and bank balances

	Note	2014 Rs '000	2013 Rs '000
Cash in hand		1,687	1,665
Balances with banks:			
Deposit accounts local currency	26.1	3,564,682	3,618,546
Current accounts			
Local currency		504,130	326,239
Foreign currency (USD 4,462 thousand (December 31, 2013:USD 3,922 thousand))		448,047	411,811
		952,177	738,050
		4,518,546	4,358,261

26.1 The balances in deposit accounts, carry mark-up ranging between 5% and 10.45% (December 31, 2013: 5% and 10.25%) per annum.

26.2 Deposit accounts include Rs 170,115 thousand (December 31, 2013: Rs 152,724 thousand) under lien of bank, against letters of guarantees and letters of credits issued on behalf of the Company.

27. Revenue

	Note	2014 Rs '000	2013 Rs '000
Domestic	27.1	67,364,142	61,637,908
International	27.2	14,438,894	19,700,681
		81,803,036	81,338,589
Discount		(290,438)	(277,234)
		81,512,598	81,061,355

27.1 Domestic revenue is exclusive of Federal Excise Duty of Rs 6,510,268 thousand (December 31, 2013: Rs 5,913,103 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 5,532,300 thousand (December 31, 2013: Rs 8,738,931 thousand).

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28. Cost of services

	Note	2014 Rs '000	2013 Rs '000
Salaries, allowances and other benefits	28.1	13,062,108	12,248,767
Call centre charges		739,963	626,904
Interconnect costs		2,316,708	2,400,345
Foreign operators costs and satellite charges		9,377,140	10,698,852
Fuel and power		5,879,156	4,985,357
Communication		13,185	17,535
Stores, spares and loose tools consumed		4,210,702	4,392,251
Provision for obsolete stores, spares and loose tools	18.1	126,892	478,397
Rent, rates and taxes		2,013,316	1,320,963
Repairs and maintenance		4,113,525	2,983,065
Printing and stationery		414,380	344,766
Travelling and conveyance		14,382	14,349
Depreciation on property, plant and equipment	13.5	12,485,985	11,757,873
Amortization of intangible assets	14	577,123	340,156
Impairment on property, plant and equipment		-	160,000
Annual license fee to Pakistan Telecommunication Authority (PTA)		338,158	304,372
		55,682,723	53,073,952

28.1 This includes Rs 3,835,821 thousand (December 31, 2013: Rs 3,764,188 thousand) in respect of employees' retirement benefits.

29. Administrative and general expenses

	Note	2014 Rs '000	2013 Rs '000
Salaries, allowances and other benefits	29.1	1,685,996	1,248,027
Call centre charges		110,994	94,036
Fuel and power		442,502	375,229
Rent, rates and taxes		187,745	325,263
Repairs and maintenance		24,067	17,453
Printing and stationery		6,398	5,323
Travelling and conveyance		115,055	114,788
Technical services assistance fee	29.2	2,667,095	2,639,159
Legal and professional charges		567,801	464,419
Auditors' remuneration	29.3	10,852	8,165
Depreciation on property, plant and equipment	13.5	191,112	182,415
Research and development fund	29.4	332,075	296,975
Provision against doubtful debts	19.3	2,122,743	1,992,362
Postage and courier services		278,201	272,700
Donations		24,385	-
Other expenses		1,090,618	1,080,230
		9,857,639	9,116,544

29.1 This includes Rs 391,881 thousand (December 31, 2013: Rs 384,562 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.

	2014 Rs '000	2013 Rs '000
29.3 Auditors' remuneration		
Statutory audit, including half yearly review	7,000	6,000
Tax services	3,352	1,665
Out of pocket expenses	500	500
	10,852	8,165

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, 2013: 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	2014 Rs '000	2013 Rs '000
30. Selling and marketing expenses			
Salaries, allowances and other benefits	30.1	1,306,211	1,224,876
Call centre charges		73,996	62,690
Sales and distribution charges		882,479	625,004
Fuel and power		130,648	110,786
Printing and stationery		4,272	3,554
Travelling and conveyance		14,382	14,349
Advertisement and publicity		814,445	798,971
Depreciation on property, plant and equipment	13.5	63,704	60,805
		3,290,137	2,901,035

30.1 This includes Rs 382,660 thousand (December 31, 2013: Rs 375,514 thousand) in respect of employees' retirement benefits.

31. Voluntary Separation Scheme Cost

During the year, the Company offered a voluntary separation scheme (VSS) to certain categories of its employees. The benefits offered over and above the accumulated post retirement benefit obligations as at December 31, 2014 have been treated as VSS cost. Out of 3,100 employees who opted for the Scheme, 2,462 belong to pension scheme both funded and unfunded pension scheme and 638 to Gratuity Scheme. The amount of actuarial gain / loss on settlement for employees who have opted for VSS have also been adjusted / charged against the VSS cost. The break-up of the VSS cost is as follows:

	Note	2014 Rs '000	2013 Rs '000
Actuarial loss recognized on settlement		4,063,232	-
Other VSS cost			
Transition pay		2,400,853	-
Early bird bonus		568,500	-
Allowance benefits		506,883	-
Programme bonus		375,450	-
Health Fund		60,224	
Minimum package Adjustment		66,928	-
Loan write off	31.1	102,011	-
Others		30,455	-
		4,111,304	-
		8,174,536	-

31.1 This includes Rs 10,950 thousand (December 31, 2013: nil) written off against receivables in respect of leased motorcycles.

	Note	2014 Rs '000	2013 Rs '000
32. Other Income			
Income from financial assets:			
Return on bank deposits		2,827,232	1,706,575
Mark up on long term loans	32.1	640,054	1,081,492
Late payment surcharge from subscribers on overdue bills		282,307	199,860
Recovery from written off defaulters		86,181	142,736
Gain on disposal of available for sale investments		35,727	49,295
Late delivery charges		1,751	124,897
Dividend income		10,000	-
Exchange gain		-	173,296
		3,883,252	3,478,151
(Loss) / gain on disposal of property, plant and equipment		(19,349)	5,548
Amortization of deferred government grants	10	381,602	291,541
Pre-deposit income		221,063	373,012
Others		239,821	66,038
		4,706,389	4,214,290

32.1 This includes a sum of Rs 629,889 thousand (December 31, 2013: Rs 1,073,486 thousand) accrued on the loans given to PTML, a related party.

	2014 Rs '000	2013 Rs '000
33. Finance costs		
Bank and other charges	208,710	207,666
Imputed Interest on finance lease	13,437	13,652
Imputed interest on loans to employees	(4,646)	125,159
Exchange loss	77,692	-
	295,193	346,477
34. Provision for income tax		
Charge / (credit) for the year		
Current		
- for the year	2,030,833	5,321,128
- for prior year	(201,026)	(841,545)
	1,829,807	4,479,583
Deferred		
- for the year	773,202	1,908,140
- for prior year	201,026	841,545
- due to change in tax rate	-	(87,764)
	974,228	2,661,921
	2,804,035	7,141,504

34.1 Reconciliation of effective tax rate

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

	2014 %	2013 %
Applicable tax rate	33.00	34.00
Tax effect of amounts not deductible for tax purposes	1.82	2.44
Tax effect of amounts chargeable to tax at lower rate	(0.16)	-
Others	0.34	(0.44)
	2.00	2.00
Average effective tax rate	35.00	36.00

The applicable income tax rate was reduced from 34% to 33% during the year on account of the changes made to the Income Tax Ordinance, 2001 in 2014.

34.2 Tax on items directly credited to other comprehensive income amounting to Rs. 2,047,941 thousand (December 31, 2013: Rs 1,798,231 thousand) represents deferred tax credit in respect of remeasurement loss on defined benefit plans.

35. Earnings per share - basic and diluted

		2014	2013
Profit for the year	Rupees in thousand	5,207,494	12,696,133
Weighted average number of ordinary shares	Numbers in thousand	5,100,000	5,100,000
Earnings per share	Rupees	1.02	2.49

36. 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 Rs13,700,000 thousand (December 31, 2013: Rs 17,100,000 thousand) and Rs 9,800,000 thousand (December 31, 2013: Rs 9,800,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facility availed at the year end is Rs 9,295,542 thousand (December 31, 2013 Rs 5,360,149) and Rs 6,723,465 thousand (December 31, 2013: Rs 6,765,816 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, 2013: Rs 21,383,333 thousand).

	Note	2014 Rs '000	2013 Rs '000
37. Cash generated from operations			
Profit before tax		8,011,529	19,837,637
Adjustments for non-cash charges and other items:			
Depreciation and amortization		13,317,924	12,341,249
Impairment		-	160,000
Provision for obsolete stores, spares and loose tools		126,892	478,397
Provision against doubtful trade debts		2,122,743	1,992,362
Employees' retirement benefits		4,610,362	4,551,783
Voluntary separation scheme		8,174,536	-
Loss / (gain) on disposal of property, plant and equipment		19,349	(5,548)
Loss of property, plant and equipment due to fire		907,230	-
Return on bank deposits		(2,827,232)	(1,706,575)
Imputed interest on long term loans		(4,646)	125,159
Imputed interest on finance lease		13,437	13,652
Markup on long term loans		(640,054)	(1,081,492)
Dividend income		(10,000)	-
Gain on disposal of available for sale investments		(35,727)	(49,295)
Amortization of government grants		(381,602)	(291,541)
		33,404,741	36,365,788
Effect of cash flows due to working capital changes			
Decrease / (increase) in current assets:			
Stores, spares and loose tools		675,880	(1,218,868)
Trade debts		714,753	(5,186,410)
Loans and advances		(107,404)	(104,341)
Recoverable from tax authorities		(451,990)	-
Prepayments and other receivables		(1,633)	(264,702)
		829,606	(6,774,321)
Increase in current liabilities:			
Trade and other payables		4,313,843	8,560,605
		38,548,190	38,152,072
38. Cash and cash equivalents			
Short term investments		6,441,389	22,405,669
Cash and bank balances	26	4,518,546	4,358,261
		10,959,935	26,763,930

39. Capacity

	Access Lines Installed (ALI)		Access Lines In Service (ALIS)	
	2014 Number	2013 Number	2014 Number	2013 Number
Number of lines	9,765,372	8,883,290	4,404,057	4,098,469

ALI represent switching lines. ALI include 249,946 (December 31, 2013: 247,233) and ALIS include 80,632 (December 31, 2013: 84,111) Primary Rate Interface (PRI) and Basic Rate Interface (BRI) respectively. ALI and ALIS also include 3,923,010 (December 31, 2013: 3,312,873) and 1,428,456 (December 31, 2013: 1,251,930) WLL connections, respectively.

40. 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	
	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000
Managerial remuneration	-	-	160,292	142,124	196,989	162,963	666,667	595,708
Honorarium	300	300	-	-	11,321	-	13,263	664
Bonus	-	-	23,664	20,120	14,103	9,879	45,111	31,583
Retirement benefits	-	-	23,025	20,029	68,986	39,941	209,275	138,085
Housing	-	-	-	-	71,611	56,714	252,923	219,510
Utilities	-	-	-	-	28,011	22,502	56,218	48,804
	300	300	206,981	182,273	391,021	291,999	1,243,457	1,034,354
Number of persons	1	1	1	1	46	39	615	549

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 as fee paid to 9 non executive directors (December 31, 2013: 9 non executive directors), is Rs 40,560 thousand (December 31, 2013: Rs 39,648 thousand) for attending the Board of Directors, and its sub-committee meetings.

41. Rates of exchange

Assets in US dollars have been translated into Rupees at USD 1 = Rs 100.40 (December 31, 2013: USD 1 = Rs 105.00), while liabilities in US dollars have been translated into Rupees at USD 1 = Rs 100.60 (December 31, 2013: USD 105.20).

42. Investment in PTCL Employees' GPF Trust

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

	2014 Rs '000	2013 Rs '000
Total assets	3,886,375	3,488,872
Cost of investments made	3,468,287	3,218,344
Percentage of investments made	89.2	92.2
Fair value of investments	3,591,511	3,241,531

	2014		2013	
	Rs '000	Percentage	Rs '000	Percentage
Break up of investments - at cost				
Term finance certificates	-	-	144,450	4.5
Mutual Funds	400,000	11.5	-	-
Pakistan Investment Bonds	2,047,865	59.0	48,744	1.5
Term deposits	1,012,587	29.3	2,637,662	82.0
Interest bearing accounts	7,835	0.2	387,488	12.0
	3,468,287	100.0	3,218,344	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.

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43. Financial risk management

43.1 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:

	2014 Rs '000	2013 Rs '000
USD		
Trade and other payables	(5,969,576)	(5,788,408)
Trade debts	3,053,587	5,725,362
Cash and bank balances	448,047	411,811
Net exposure	(2,467,942)	348,765
AED		
Trade and other payables	(52,715)	(55,121)
EUR		
Trade and other payables	(1,540)	(1,826)

The following significant exchange rates were applied during the year:

	2014	2013
Rupees per USD		
Average rate	101.16	101.62
Reporting date rate		
Assets	100.40	105.00
Liabilities	100.60	105.20
Rupees per AED		
Average rate	27.54	27.67
Reporting date rate	27.39	28.64
Rupees per EUR		
Average rate	134.50	134.98
Reporting date rate	122.37	145.10

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 would have been Rs 84,494 thousand (December 31, 2013: Rs 9,630 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 6,441,389 thousand (December 31, 2013: Rs 1,375,632 thousand) which were subject to price risk.

If redemption price on mutual funds, at the year end date, fluctuate by 5% higher / lower with all other variables held constant, total comprehensive income for the year would have been Rs 322,069 thousand (December 31, 2013: Rs 68,782 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:

	2014 Rs '000	2013 Rs '000
Financial assets		
Fixed rate instruments:		
Staff loans	505,699	550,234
Short term investments - term deposits	12,000,000	21,030,037
Bank balances - deposit accounts	3,564,682	3,618,546
Floating rate instruments:		
Long term loans - loan to subsidiary	3,000,000	8,500,000
	19,070,381	33,698,817

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 at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs 31,784 thousand (December 31, 2013: Rs 66,020 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:

	2014 Rs '000	2013 Rs '000
Long term investments	83,900	83,900
Long term loans and advances	2,794,106	6,784,020
Trade debts	15,758,805	18,596,301
Loans and advances	4,136,133	6,541,852
Accrued interest	344,801	667,024
Other receivables	4,808,589	722,054
Short term investments	18,441,389	22,405,669
Bank balances	4,516,859	4,356,596
	50,884,582	60,157,416

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 3,000,000 thousand (December 31, 2013: Rs 8,500,000 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		
	Short term	Long term	Agency	2014 Rs '000	2013 Rs '000
National Bank of Pakistan	A-1+	AAA	JCR-VIS	8,729,185	4,696,406
Bank Alfalah Limited	A1+	AA	PACRA	137,692	5,397,722
MCB Bank Limited	A1+	AAA	PACRA	309,524	257,438
Soneri Bank Limited	A1+	AA-	PACRA	6,742	508,654
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,482	4,015
The Bank of Punjab	A1+	AA-	PACRA	40	11,027
NIB Bank Limited	A1+	AA-	PACRA	15,875	4,108,639
Habib Bank Limited	A-1+	AAA	JCR-VIS	614,797	579,097
Askari Bank Limited	A1+	AA	PACRA	18,095	5,994,098
Allied Bank Limited	A1+	AA+	PACRA	5,171,139	94,697
United Bank Limited	A-1+	AA+	JCR-VIS	661,679	1,230
KASB Bank Limited	C	B	PACRA	1,408	-
Bank Al-Habib Limited	A1+	AA+	PACRA	181,432	145,507
Summit Bank Limited	A-3	A-	JCR-VIS	16,682	-
Dubai Islamic Bank (Pakistan) Limited	A-1	A+	JCR-VIS	192,020	195,240
Citibank, N.A	P-1	A2	Moody's	-	122,836
HSBC Bank Middle East Limited	P-1	A2	Moody's	1,365	467
JS Bank Limited	A1	A+	PACRA	-	1,000,000
Sindh Bank Limited	A-1+	AA-	JCR-VIS	457	1,998,779
SME Bank Limited	A3	BBB-	PACRA	178	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	30,525	50,271
Meezan Bank Limited	A-1+	AA	JCR-VIS	426,542	220,510

	Rating Short term	Rating Long term	Rating Agency	2014 Rs '000	2013 Rs '000
Mutual Funds					
- Atlas Money Market Fund	-	AA+(f)	PACRA	667,980	163,764
- IGI Money Market Fund	-	AA+(f)	PACRA	282,414	164,112
- JS Cash Fund	-	AA+(f)	JCR-VIS	130,028	162,958
- Askari Sovereign Cash Fund	-	AAA(f)	PACRA	116,688	107,481
- ABL Cash Fund	-	AA(f)	JCR-VIS	855,256	107,631
- NAFA Money Market Fund	-	AA(f)	PACRA	1,171,606	209,907
- MCB Cash Management Optimizer	-	AA(f)	PACRA	962,697	143,993
- KASB Cash Fund	-	AA(f)	PACRA	-	107,159
- HBL Money Market Fund	-	AA(f)	PACRA	521,577	106,717
- Faysal Money Market Fund	-	AA+(f)	JCR-VIS	378,158	101,910
- Pakistan Cash Management Fund	-	AAA(f)	PACRA	250,636	-
- PIML Daily Reserve Fund	-	AA+(f)	PACRA	347,319	-
- PICIC Cash Fund	-	AA(f)	PACRA	470,682	-
- First Habib Cash Fund	-	AA(f)	PACRA	286,348	-
				22,958,248	26,762,265

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, 2014:

	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	549,256	-	549,256	-
Employees' retirement benefits	33,011,258	-	-	33,011,258
Trade and other payables	44,345,349	44,345,349	-	-
	77,905,863	44,345,349	549,256	33,011,258

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

43.2 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.

	Available for sale		Loans and receivables		Total	
	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000	2014 Rs '000	2013 Rs '000
43.3 Financial instruments by categories						
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	-	-	2,794,106	6,784,020	2,794,106	6,784,020
Trade debts	-	-	15,758,805	18,596,301	15,758,805	18,596,301
Loans and advances	-	-	4,136,133	6,541,852	4,136,133	6,541,852
Accrued interest	-	-	344,801	667,024	344,801	667,024
Receivable from the Government of Pakistan	-	-	2,164,072	2,164,072	2,164,072	2,164,072
Other receivables	-	-	4,808,589	722,054	4,808,589	722,054
Short term investments	6,441,389	1,375,632	12,000,000	21,030,037	18,441,389	22,405,669
Cash and bank balances	-	-	4,518,546	4,358,261	4,518,546	4,358,261
	6,525,289	1,459,532	46,525,052	60,863,621	53,050,341	62,323,153

	Liabilities at fair value through profit and loss		Other financial liabilities		Total	
	2014	2013	2014	2013	2014	2013
Financial liabilities as per statement of financial position						
Long term security deposits	-	-	549,256	529,358	549,256	529,358
Employees' retirement benefits	-	-	33,011,258	33,050,773	33,011,258	33,050,773
Trade and other payables	-	-	44,345,349	38,583,250	44,345,349	38,583,250
	-	-	77,905,863	72,163,381	77,905,863	72,163,381

43.4 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.

44. 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 employees' funds are also related parties of the Company. The remuneration of the Directors, Chief Executive Officer and Executives is given in note 40 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:

Shareholders
- Etisalat International Pakistan

Subsidiary
- Pak Telecom Mobile Limited
- U Microfinance Bank Limited

Associated undertakings
- Emirates Telecommunication Corporation
- Etisalat - Afghanistan
- Etisalat - Srilanka
- Etisalat - Egypt
- Etihad Etisalat Company
- Etisalat International Zantel Limited
- Thuraya Satellite Telecommunication Company
- TF 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

	2014 Rs '000	2013 Rs '000
Details of transactions with related parties		
Shareholders		
Technical services assistance fee	2,667,095	2,639,160
Subsidiaries		
Sale of goods and services	5,513,721	5,656,804
Purchase of goods and services	3,587,684	3,210,332
Mark up on long term loans	629,889	1,073,486
Associated undertakings		
Sale of goods and services	26,091	129,460
Purchase of goods and services	1,680,698	1,557,289
Employees' retirement benefit plan		
Contribution to the plan	12,551,507	8,478,000
Other related Parties		
Sale of goods and services	1,482,836	1,118,470
Charge under license obligations	1,769,302	1,539,417

45. Offsetting of financial assets and liabilities

Trade debts presented in the statement of financial position include aggregate receivable of Rs 7,888,708 thousand (December 31, 2013: Rs 7,991,017 thousand) set off against aggregate payable of Rs 5,480,621 thousand (December 31, 2013: Rs 5,383,315 thousand).

Trade and other payables presented in the statement of financial position include aggregate payable of Rs 8,298,999 thousand (December 31, 2013: Rs 10,143,887 thousand) set off against aggregate receivable of Rs 6,633,920 thousand (December 31, 2013: Rs 7,678,683 thousand).

46. Number of employees

	2014	2013
	(Number)	
Total number of persons employed at end of the year	18,332	21,873
Average number of employees during the year	21,293	21,908

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

The Board of Directors in its meeting held on February 10, 2015 has recommended a final dividend of Rs 1.5 per share for the year ended December 31, 2014, amounting to Rs 7,650,000 thousand, for approval of the members in the forth coming 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 10, 2015.

Chairman

President & CEO

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014