



## CONTENTS

---

02	Board of Directors
03	Corporate Information
04	Directors' Report
05	مالیاتی جائزہ برائے ششماہی 30 جون 2017
<hr/>	
<b>Condensed Interim Financial Information</b>	
07	Auditors' Report to The Members on Review of Condensed Interim Financial Information
08-09	Condensed Interim Statement of Financial Position
10	Condensed Interim Statement of Profit and Loss
11	Condensed Interim Statement of Comprehensive Income
12	Condensed Interim Statement of Cash Flows
13	Condensed Interim Statement of Changes in Equity
14-20	Notes to and Forming Part of the Condensed Interim Financial Information
<hr/>	
<b>Condensed Consolidated Interim Financial Information</b>	
22-23	Condensed Consolidated Interim Statement of Financial Position
24	Condensed Consolidated Interim Statement of Profit and Loss
25	Condensed Consolidated Interim Statement of Comprehensive Income
26	Condensed Consolidated Interim Statement of Cash Flows
27	Condensed Consolidated Interim Statement of Changes in Equity
28-35	Notes to and Forming Part of the Condensed Consolidated Interim Financial Information



## BOARD OF DIRECTORS

### **Chairman PTCL Board**

Rizwan Bashir Khan

### **Members PTCL Board**

Abdulrahim A. Al Nooryani

Sardar Ahmad Nawaz Sukhera

Hatem Dowidar

Serkan Okandan

Shahid Mahmood

Khalifa Al Shamsi

Hesham Al Qassim

Mudassar Hussain



# CORPORATE INFORMATION

## Management

**Dr. Daniel Ritz**

President & Chief Executive Officer

**Mohammad Nadeem Khan**

Chief Financial Officer

**Syed Mazhar Hussain**

Chief Human Resource Officer

**Saad Muzaffar Waraich**

Chief Technology and Information Officer

**Sikandar Naqi**

Chief Business Development Officer

**Adnan Shahid**

Chief Commercial Officer

**Adil Rashid**

Chief Digital Services Officer

**Jahanzeb Taj**

Chief Business Operations Officer

**Muhammad Shehzad Yousuf**

Chief Internal Auditor

**Moqem ul Haque**

Chief Strategy Officer

## Company Secretary

**Saima Akbar Khattak**

## Legal Advisor

**Zahida Awan**

Executive Vice President (Legal)

## Bankers

### Conventional

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al Habib Limited

The Bank of Punjab

Citibank N.A. - Pakistan

Faysal Bank Limited

Habib Metropolitan Bank Limited

Habib Bank limited

Industrial and Commercial Bank of China Limited

JS Bank Limited

Khushhali Bank Limited

MCB Bank Limited

National Bank of Pakistan

NIB Bank Limited

Soneri Bank Limited

Standard Chartered Bank (Pakistan) Limited

Telenor Microfinance Bank Limited

*(Formerly Tameer Microfinance Bank Limited)*

The Bank of Khyber

U Microfinance Bank Limited

United Bank Limited

### Islamic

Meezan Bank

## Registered Office

**PTCL Headquarters,**

Sector G-8/4,

Islamabad-44000, Pakistan.

Fax: +92-51-2263733

E-mail: company.secretary@ptcl.net.pk

Web: www.ptcl.com.pk

## Auditors

**Deloitte Yousuf Adil**

Chartered Accountants

## Share Registrar

**FAMCO Associates (Pvt.) Limited**

8-F, Next to Hotel Faran, Nursery,

Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi.

Tel: +92-21-34380101-2

Fax: +92-21-34380106

E-mail: info.shares@famco.com.pk

## DIRECTORS' REPORT

The Directors of Pakistan Telecommunication Company Limited (PTCL) are pleased to present to the shareholders the financial information of the Company for the half year ended 30th June 2017. The financial information has been reviewed by the statutory auditors.

During the first half of 2017, PTCL's revenue for the 2nd quarter recorded a sequential growth of 3% over the 1st quarter of 2017. Revenue from DSL, wholesale services and international increased over same period last year (SPLY). Based upon cost economization measures, the operating expenses were reduced by 2% over SPLY in a like to like manner, excluding the one-off expenditures. PTCL's profit after tax during the period, excluding the impact of one-off items, reduced by 7% over same period last year mainly due to decrease in voice and EVO revenue and lower non-operating income.

PTCL Group earned Rs. 58.5 billion revenue during first half of 2017. Excluding the one-off expenditures, the operating expenses were increased by 1% over SPLY. The Group's profit after tax increased by 27% over SPLY mainly due to successful settlement of certain legal issues during the period.

For the financial year 2017, the Directors declared an interim dividend of Re. 1.00 per share.

With the objective to provide high-quality ICT services, especially the Broadband services with unparalleled speeds and volumes, your Company continued with the ambitious transformation of its network and in this regard several more exchanges have been fully transformed with the latest technologies enabling provision of high-end data services up to 100 Mbps speed. To ensure seamless provision of service to our esteemed customer base, all the allied network elements in core and transmission networks have also been upgraded. Further, the local cache solutions have been augmented through additional CDNs (Content Delivery Network) for speedier content delivery as well as international bandwidth conservation.

PTCL also successfully launched its flagship Charji LTE wireless broadband service in Azad Jammu & Kashmir, using the WLL frequency spectrum duly awarded for the purpose, to cater to the customers' need of high-speed internet services. Besides, to migrate the 3G EVO wireless broadband service to Charji LTE, your Company is upgrading 240 existing sites in three regions which would help to provide Charji LTE service up to 75Mbps as compared to present speed of 9.3Mbps for 3G EVDO based solution.

During the period, a new submarine cable viz. AAE-1 (Asia Africa Europe-1), of which PTCL is a consortium member, was commissioned with connectivity from Hong Kong to France. The AAE-1, which is in addition to the three existing submarine cables, will considerably augment PTCL's capacity to satisfactorily meet the ever-increasing bandwidth demand in Pakistan.

For the last 70 years, Your Company has served generations of customers by providing up-to-date telecom services. Equipped with such rich experience, PTCL Group remains committed to be the partner of choice for the current and future generations of Pakistan by providing high-quality Voice and Data services to all segments of our esteemed customer base thus retaining our competitive edge in the telecom industry. For this purpose, all business constituents are being constantly improved encompassing network transformation in synergized manner, enhancement in customer service processes through increased digitization and modernization of shops and other customer touch points and PTCL's brand management in all the available media forums.

We express our gratitude to the shareholders, customers, business partners, employees and other stakeholders for their trust in the Company and remain committed to improve shareholders' value.



**Rizwan Bashir Khan**  
Chairman

On behalf of the Board,



**Dr. Daniel Ritz**  
President & Chief Executive Officer

Islamabad: July 19, 2017

## مالیاتی جائزہ برائے ششماہی 30 جون 2017

پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) کے ڈائریکٹرز 30 جون 2017 کو ختم ہونے والی ششماہی کی مالیاتی معلومات اپنے شیئر ہولڈرز (حصص یافتگان) کے سامنے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔ External آڈیٹرز نے مالی معلومات کا جائزہ لیا ہے۔

### مالیاتی کارکردگی

2017 کی دوسری سہ ماہی کے دوران پی ٹی سی ایل کی آمدن میں رواں برس 2017 کی پہلی سہ ماہی کے مقابلے میں 3 فیصد اضافہ ہوا۔ گذشتہ برس کی تقابلی ششماہی کے مقابلے میں DSL، ہول سیل سروسز اور بین الاقوامی آمدن میں اضافہ ہوا۔ گذشتہ برس کی اس مدت کے مقابلے میں لاگت میں کمی کے لیے کئے گئے مؤثر اقدامات کی وجہ سے پی ٹی سی ایل کے آپریٹنگ اخراجات میں علاوہ غیر معمولی انفرادی نوعیت کے اخراجات 2 فیصد کمی رونما ہوئی۔ غیر معمولی انفرادی نوعیت کے اخراجات کی شمولیت کے بغیر پی ٹی سی ایل کے خالص منافع پذیری میں 7 فیصد کمی ہوئی جس کی بنیادی وجہ DSL اور وائس آمدن اور دیگر آمدن میں کمی ہے۔

پی ٹی سی ایل گروپ کو اس ششماہی کے دوران 58.5 بلین روپے کی آمدن ہوئی۔ غیر معمولی انفرادی نوعیت کے اخراجات کے علاوہ آپریٹنگ اخراجات میں 1 فیصد کمی ہوئی۔ پی ٹی سی ایل گروپ کے بعد از ٹیکس منافع پذیری 2017 کی ششماہی میں گذشتہ سال اسی مدت کے مقابلے میں 27 فیصد اضافہ ہوا، جس کی بنیادی وجہ مختلف نوعیت کے قانونی معاملات کا کامیاب تصفیہ ہے۔

### ڈیویڈنڈ:

رواں مالی سال 2017 کیلئے ڈائریکٹرز نے عبوری کیش ڈیویڈنڈ کی مد میں 10 فیصد (ایک روپیہ فی شیئر) کی منظوری دی ہے۔

ہم اپنے شیئر ہولڈرز، سٹورز، بزنس پارٹنرز، ملازمین اور سٹیک ہولڈرز کے لگاتار تعاون پر ان کا شکریہ ادا کرتے ہیں اور شیئر ہولڈرز کی قدر میں اضافہ کے لیے پرعزم ہیں۔

منجانب بورڈ آف ڈائریکٹرز



ڈاکٹر ڈیمنیل رٹز

صدر و چیف ایگزیکٹو آفیسر

اسلام آباد: 19 جولائی 2017



رضوان بشیر خان

چیئر مین پی ٹی سی ایل بورڈ



**CONDENSED INTERIM  
FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2017 (UN-AUDITED)**

# AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



## INTRODUCTION

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Telecommunication Company Limited (the Company) as at June 30, 2017, and the related condensed interim statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity and notes to the financial information for the six months then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the three months ended June 30, 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months ended June 30, 2017.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended June 30, 2017, is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of matter paragraph

We draw attention to note 10.1(d) to the condensed interim financial information, which describes the outcome of the review petitions filed by the Company, Pakistan Telecommunication Employees Trust and the Federal Government before the Supreme Court of Pakistan vide order dated May 17, 2017. Our conclusion is not qualified in respect of this matter.

*Deloitte Yousuf Adil*

Deloitte Yousuf Adil  
Chartered Accountants

Engagement Partner: Rana M. Usman Khan

Islamabad:  
Dated: July 19, 2017

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2017 (UN-AUDITED)

	Note	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>Equity and liabilities</b>			
<b>Equity</b>			
<b>Share capital and reserves</b>			
Share capital		51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,806,993	2,621,288
General reserve		27,497,072	27,497,072
Unappropriated profit		1,299,467	1,894,739
		31,603,532	32,013,099
		82,603,532	83,013,099
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term security deposits		553,036	553,049
Deferred income tax		4,655,329	4,737,260
Employees retirement benefits		20,452,451	24,068,008
Deferred government grants		8,327,974	8,594,920
		33,988,790	37,953,237
<b>Current liabilities</b>			
Trade and other payables		56,506,629	59,142,912
<b>Total equity and liabilities</b>		<b>173,098,951</b>	<b>180,109,248</b>
Contingencies and commitments	10		

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



**Chairman**





	Note	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Property, plant and equipment	5	94,944,155	94,779,483
Intangible assets	6	2,089,800	2,332,789
		97,033,955	97,112,272
Long term investments		7,977,300	7,977,300
Long term loans and advances	7	2,878,513	2,152,757
Investment in finance lease		30,017	38,513
		107,919,785	107,280,842
<b>Current assets</b>			
Stores, spares and loose tools		2,951,784	2,742,794
Trade debts		15,136,255	14,227,974
Loans and advances		1,145,008	676,556
Investment in finance lease		44,936	53,030
Accrued interest		212,471	231,902
Recoverable from tax authorities		15,788,920	14,550,698
Receivable from the Government of Pakistan		2,164,072	2,164,072
Prepayments and other receivables		7,761,458	8,279,236
Short term investments	8	17,000,000	24,000,000
Cash and bank balances	9	2,974,262	5,902,144
		65,179,166	72,828,406
<b>Total assets</b>		<b>173,098,951</b>	<b>180,109,248</b>

**President & CEO**

## CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

	Note	Three months ended		Six months ended	
		June 30, 2017 Rs '000	June 30, 2016 Rs '000	June 30, 2017 Rs '000	June 30, 2016 Rs '000
Revenue		17,964,429	18,228,218	35,473,306	36,225,560
Cost of services		(13,002,365)	(12,895,147)	(25,144,120)	(25,446,458)
Gross profit		4,962,064	5,333,071	10,329,186	10,779,102
Administrative and general expenses		(2,327,277)	(1,902,224)	(4,618,627)	(4,076,520)
Selling and marketing expenses		(724,001)	(911,695)	(1,366,976)	(1,611,790)
		(3,051,278)	(2,813,919)	(5,985,603)	(5,688,310)
Operating profit		1,910,786	2,519,152	4,343,583	5,090,792
Other income	11	1,866,706	1,158,760	2,677,374	3,445,594
Finance costs		(82,228)	(60,677)	(123,261)	(103,134)
Profit before tax		3,695,264	3,617,235	6,897,696	8,433,252
Provision for income tax					
- Current		(885,025)	(1,642,964)	(2,289,194)	(3,828,466)
- Deferred		(265,436)	461,264	81,931	961,160
		(1,150,461)	(1,181,700)	(2,207,263)	(2,867,306)
<b>Profit for the period</b>		<b>2,544,803</b>	<b>2,435,535</b>	<b>4,690,433</b>	<b>5,565,946</b>
Earnings per share - basic and diluted (Rupees)		0.50	0.48	0.92	1.09

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



Chairman



President & CEO

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)



	Three months ended		Six months ended	
	June 30, 2017 Rs '000	June 30, 2016 Rs '000	June 30, 2017 Rs '000	June 30, 2016 Rs '000
Profit for the period	2,544,803	2,435,535	4,690,433	5,565,946
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>2,544,803</b>	<b>2,435,535</b>	<b>4,690,433</b>	<b>5,565,946</b>

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.

**Chairman**

**President & CEO**



## CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

	Note	Six months ended	
		June 30, 2017 Rs '000	June 30, 2016 Rs '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	15,261,540	17,430,960
Payment to Pakistan Telecommunication Employees' Trust (PTET)		(5,253,506)	(4,472,112)
Employees retirement benefits paid		(440,685)	(542,835)
Payment of voluntary separation scheme		(4,687,078)	(10,525)
Long term security deposits		(13)	(198)
Purchase of tax loss from PTML		(2,244,885)	-
Income tax paid		(1,282,531)	(1,498,552)
<b>Net cash inflow from operating activities</b>		<b>1,352,842</b>	<b>10,906,738</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(6,908,412)	(5,703,265)
Acquisition of intangible assets		(50,880)	(36)
Proceeds from disposal of property, plant and equipment		2,774	32,325
Short term investments - net		7,000,000	(3,388,608)
Finance lease		25,017	20,272
Long term loans and advances		(756,690)	188,594
Dividend income		-	12,500
Return on long term loans and short term investments		909,996	1,092,873
Government grants received		-	275,521
<b>Net cash inflow/(outflow) from investing activities</b>		<b>221,805</b>	<b>(7,469,824)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(4,502,529)	(5,261,925)
<b>Net decrease in cash and cash equivalents</b>		<b>(2,927,882)</b>	<b>(1,825,011)</b>
Cash and cash equivalents at the beginning of the period		5,902,144	5,237,559
<b>Cash and cash equivalents at the end of the period</b>	13	<b>2,974,262</b>	<b>3,412,548</b>

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.

**Chairman**

**President & CEO**

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

	Issued, subscribed and paid-up capital		Revenue reserves			Total
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit	
	(Rupees in '000)					
<b>Balance as at January 01, 2016</b>	37,740,000	13,260,000	2,416,078	30,500,000	2,302,282	86,218,360
Total comprehensive income for the period						
Profit for the period					5,565,946	5,565,946
Transfer from general reserve				(3,002,928)	3,002,928	-
Transfer to insurance reserve			205,210		(205,210)	-
Final dividend for the year ended December 31, 2015 - Re. 1.00 per share					(5,100,000)	(5,100,000)
<b>Balance as at June 30, 2016</b>	37,740,000	13,260,000	2,621,288	27,497,072	(2,302,282)	86,684,306
Total comprehensive income for the period						
Profit for the period					1,268,588	1,268,588
Other comprehensive income					160,205	160,205
Interim dividend for the year ended December 31, 2016 - Re. 1.00 per share					1,428,793	1,428,793
<b>Balance as at December 31, 2016</b>	37,740,000	13,260,000	2,621,288	27,497,072	(5,100,000)	83,013,099
Total comprehensive income for the period						
Profit for the period					4,690,433	4,690,433
Transfer to insurance reserve			185,705		(185,705)	-
Interim dividend for the year ending December 31, 2017 - Re. 1.00 per share					(5,100,000)	(5,100,000)
<b>Balance as at June 30, 2017</b>	37,740,000	13,260,000	2,806,993	27,497,072	(5,285,705)	82,603,532

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



Chairman



President & CEO

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

## 1. THE COMPANY AND ITS OPERATIONS

Pakistan Telecommunication Company Limited ("PTCL", "the Company") was incorporated in Pakistan on December 31, 1995 and commenced business on January 01, 1996. The Company, which is listed on the Pakistan Stock Exchange Limited (PSX) (formerly 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

This condensed interim financial information of the Company for the six months ended June 30, 2017 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information 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.

Estimates and judgments made by the management in the preparation of this condensed interim financial information are the same as those used in the preparation of audited financial statements of the Company for the year ended December 31, 2016.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted in the preparation of this condensed interim financial information are consistent with those followed in the preparation of the Company's audited financial statements for the year ended December 31, 2016.

The carrying values of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair values.

	Note	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	89,492,328	85,046,586
Capital work-in-progress		5,451,827	9,732,897
		94,944,155	94,779,483

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)



	Note	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>5.1 Operating fixed assets</b>			
Opening net book value		85,046,586	88,231,816
Additions during the period / year at cost	5.2	11,189,482	10,929,584
		96,236,068	99,161,400
Disposals during the period / year - at net book value		(2,125)	(61,466)
Depreciation charge for the period / year		(6,741,615)	(13,253,473)
Impairment charge for the period / year		-	(799,875)
		(6,743,740)	(14,114,814)
Closing net book value		89,492,328	85,046,586
<b>5.2 Detail of additions during the period / year:</b>			
Buildings on freehold land		167,012	436,918
Buildings on leasehold land		4,547	2,540
Lines and wires		1,989,232	4,491,015
Apparatus, plant and equipment		4,018,822	4,594,481
Office equipment		139,111	452,993
Computer equipment		78,204	243,486
Furniture and fittings		7,337	30,743
Vehicles		139,801	306,915
Submarine cables		4,645,416	370,493
		11,189,482	10,929,584
<b>6. INTANGIBLE ASSETS</b>			
Opening net book value		2,332,789	2,539,060
Additions during the period / year		50,880	251,892
		2,383,669	2,790,952
Amortization charge for the period / year		(293,869)	(458,163)
Closing net book value		2,089,800	2,332,789
<b>7. LONG TERM LOANS AND ADVANCES</b>			
Loans to employees -secured	7.1	429,834	368,589
Advances to suppliers against turnkey contracts		2,515,111	1,858,636
Others		28,968	21,626
		2,973,913	2,248,851
Current portion shown under current assets			
Loans to employees -secured		(95,400)	(96,094)
		2,878,513	2,152,757

7.1 Loans to employees carry interest at the rate of 11.50% ( December 31, 2016: 11.50% ) per annum.

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

	Note	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>8. SHORT TERM INVESTMENTS</b>			
Term deposits			
- maturity upto 6 months	8.1	17,000,000	24,000,000
		17,000,000	24,000,000

8.1 Term deposits carry interest rate ranging between 6.40% to 7.00% (December 31, 2016: 6.30% to 7.05%) per annum.

	Note	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>9. CASH AND BANK BALANCES</b>			
Cash in hand		171	51
Balances with banks:	9.1		
Deposit accounts local currency		2,213,919	5,236,722
Current accounts			
Local currency		414,020	596,044
Foreign currency		346,152	69,327
		760,172	665,371
		2,974,262	5,902,144

9.1 Bank balance includes Rs.6,118 thousand (December 31, 2016: Rs. 38,484 thousand) carrying profit at the rate of 2.4% to 4% (December 31, 2016: 2.4% to 4%) per annum from Shariah arrangements.

### 10. CONTINGENCIES AND COMMITMENTS

#### 10.1 Contingencies

There has been no material change in contingencies as disclosed in the last audited financial statements of the Company for the year ended December 31, 2016, except the followings:

- (a) For the tax year 2009, out of the total disallowed expenses with tax impact of Rs 1,113,058 thousand, the Company has filed reference applications before the Honorable Islamabad High Court for the disallowed expenses with tax impact of Rs. 1,004,828 thousand decided by ATIR in favour of tax authorities. For the balance amount of Rs. 108,230 thousand, the Company's appeal is pending before ATIR.
- (b) For the Tax Year 2012, Taxation Officer disallowed certain expenses with tax impact of Rs. 6,847,095 thousand. The Company has filed appeal before CIR-Appeals which is pending for disposal. The Company has also obtained stay order from CIR-Appeals against recovery proceeding.
- (c) For the Tax Year 2015, Taxation Officer disallowed certain expenses with tax impact of Rs. 5,822,809 thousand which was reduced to Rs. 5,580,216 thousand due to effect of the rectification application. The Company has filed appeal before CIR-Appeals against the disallowed expenses which is pending for adjudication. The Company has also obtained stay order from the Islamabad High Court.



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)



No provision on account of above contingencies has been made in this financial information 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.

- (d) The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by the Company, the Pakistan Telecommunication Employees Trust (PTET) and the Federal Government (collectively, the Review Petitioners) vide the order dated 17<sup>th</sup> May 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2), CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. Under the circumstances, management of the Company is of the view that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the referred decision of the Apex Court which could be disclosed in this financial information.

	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
(e) Bank guarantee and bid bonds issued in favor of Universal Service Fund (USF) against government grants and others.	8,238,956	6,257,091

## 10.2 Commitments

Commitments, in respect of contracts for capital expenditure amount to Rs 4,695,685 thousand (December 31, 2016: Rs 4,594,721 thousand).

	Note	Six months ended	
		June 30, 2017 (Un-Audited) Rs '000	June 30, 2016 (Un-Audited) Rs '000
<b>11. OTHER INCOME</b>			
Return on bank deposits	11.1	890,565	1,162,611
Late payment surcharge from subscribers on overdue bills		149,475	150,134
Recovery from written off defaulters		27,902	1,238,259
Gain on disposal of property, plant & equipment		649	17,577
Late delivery charges		13,253	270,150
Dividend income		-	12,500
Amortization of government grants		266,946	309,926
Pre-deposit income		200,479	218,158
Liabilities no longer payable written back		1,065,508	-
Others		62,597	66,279
		<b>2,677,374</b>	<b>3,445,594</b>

- 11.1 Return on bank deposit include 129 thousand (June 30, 2016: Rs 274 thousand) earned from Shariah arrangements.

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

	Six months ended	
	June 30, 2017 (Un-Audited) Rs '000	June 30, 2016 (Un-Audited) Rs '000
<b>12. CASH GENERATED FROM OPERATIONS</b>		
Profit before tax	6,897,696	8,433,252
Adjustments for non-cash charges and other items:		
Depreciation and amortization charge	7,035,484	6,898,803
Impairment	-	399,875
Provision for obsolete stores, spares and loose tools	-	47,112
Provision for doubtful trade debts	942,000	892,847
Employees retirement benefits	2,078,634	2,370,290
Gain on disposal of property, plant and equipment	(649)	(17,577)
Return on bank deposits	(890,565)	(1,162,611)
Imputed interest on long term loans	31,628	(12,585)
Imputed Interest on finance lease	(8,427)	(7,127)
Dividend income	-	(12,500)
Amortization of government grants	(266,946)	(309,926)
	15,818,855	17,519,853
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(208,990)	(959,910)
Trade debts	(1,850,281)	(1,381,832)
Loans and advances	(469,146)	414,767
Prepayments and other receivables	517,778	(901,344)
	(2,010,639)	(2,828,319)
Increase in current liabilities:		
Trade and other payables	1,453,324	2,739,426
	15,261,540	17,430,960
<b>13. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	2,974,262	3,412,548
	2,974,262	3,412,548

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

		Six months ended	
		June 30, 2017 (Un-Audited) Rs '000	June 30, 2016 (Un-Audited) Rs '000
<b>14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES</b>			
Relationship with the Company	Nature of transaction		
i. Shareholders	Technical services assistance fee - note 14.1	1,193,206	1,195,423
ii. Subsidiaries	Sale of goods and services	2,578,829	2,517,368
	Purchase of goods and services	1,711,208	1,997,669
	Purchase of tax loss from PTML - note 14.2	2,244,885	-
	Return on bank deposit	11,103	-
iii. Associated undertakings	Sale of goods and services	599,017	1,076,861
	Purchase of goods and services	506,383	483,285
iv. Employees contribution plan	PTCL Employees GPF Trust - net	207,677	9,521
v. Employees retirement benefit plan	Contribution to the plan - PTET	5,253,506	4,472,112
	Payment on behalf of fund - Gratuity	26,382	103,030
vi. Other related parties	Sale of goods and services	803,275	817,661
	Charge under license obligations	831,141	832,187
vii. Directors, Chief Executive and Executives	Fee and remuneration including benefits and perquisites	1,358,637	1,086,243
		<b>June 30, 2017 (Un-Audited) Rs '000</b>	<b>December 31, 2016 (Audited) Rs '000</b>
<b>Period-end balances</b>			
<b>Receivables from related parties</b>			
Trade debts			
- Subsidiaries		1,299,161	596,954
- Associated undertakings		573,601	306,202
- The Government of Pakistan and its related entities		1,708,971	1,522,389
Other receivables			
- Subsidiaries		7,005,536	6,126,482
- Associated undertakings		71,305	71,305
- PTCL Employees GPF Trust		51,167	258,844
- Pakistan Telecommunication Employees Trust (PTET)		1,438	1,308,137
Pakistan Telecommunication Company Limited Employees Gratuity Fund		56,977	106,878
Bank deposit with subsidiary		550,338	530,034
<b>Payables to related parties</b>			
Trade creditors			
- Subsidiaries		813,939	628,319
- Associated undertakings		213,319	201,808
- The Government of Pakistan and its related entities		768,004	1,273,213
Security deposits from subsidiary		3,623	3,623
Retention money payable to associated undertakings		9,016	1,167
Technical services assistance fee payable to Etisalat		10,299,655	8,251,719
Pakistan Telecommunication Employees Trust (PTET)		619,377	5,253,506

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

- 14.1 This represents the Company's share of fee payable to Emirates Telecommunication Corporation (Etisalat) under an agreement for technical services at the rate of 3.5% of Pakistan Telecommunication Group's consolidated revenue.
- 14.2 The Company has purchased the tax loss for the financial year 2015, amounting to Rs.7,015,266 thousand having a tax impact of Rs.2,244,885 thousand from its subsidiary - PTML, allowed under the Group relief clause 59B of the Income Tax Ordinance, 2001.

### 15. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

	Gross amounts subject to setoff Rs '000	Offset Rs '000	Amount not in scope of offsetting Rs '000	Net as per statement of financial position Rs '000
<b>As at June 30, 2017</b>				
Trade debts	7,425,595	(4,705,136)	20,579,422	23,299,881
Trade creditors	(5,807,220)	4,705,136	(7,775,505)	(8,877,589)
<b>As at December 31, 2016</b>				
Trade debts	9,834,579	(7,632,437)	20,023,484	22,225,626
Trade creditors	(8,725,718)	7,632,437	(8,634,526)	(9,727,807)

### 16. DATE OF AUTHORIZATION FOR ISSUE OF CONDENSED INTERIM FINANCIAL INFORMATION

This condensed interim financial information for the six months ended June 30, 2017 was authorized for issue by the Board of Directors of the Company on July 19, 2017.



**Chairman**



**President & CEO**



**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION**

**FOR THE SIX MONTHS ENDED  
JUNE 30, 2017 (UN-AUDITED)**



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2017 (UN-AUDITED)

Note	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>Equity and liabilities</b>		
<b>Equity</b>		
<b>Share capital and reserves</b>		
Share capital	51,000,000	51,000,000
Revenue reserves		
Insurance reserve	2,806,993	2,621,288
General reserve	27,497,072	27,497,072
Unappropriated profit	5,703,962	7,047,199
	36,008,027	37,165,559
Statutory and other reserves	20,096	20,096
Unrealized (loss)/gain on available for sale investments	(34)	1,063
	87,028,089	88,186,718
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Long term loans from banks	26,835,833	26,136,667
Subordinated debt	600,000	-
Customers deposits	3,178,330	2,400,425
Liability against assets subject to finance lease	188	1,888
License fee payable	11,449,944	11,228,196
Long term security deposits	1,462,994	1,493,177
Deferred income tax	11,073,244	9,562,487
Employees retirement benefits	20,487,764	24,121,967
Deferred government grants	14,382,122	11,570,655
Long term vendor liability	31,766,568	28,987,270
	121,236,987	115,502,732
<b>Current liabilities</b>		
Trade and other payables	64,851,114	71,463,996
Customer deposits	6,169,411	5,179,565
Interest accrued	587,429	580,142
Current portion of:		
Long term loans from banks	1,514,167	838,333
Liability against assets subject to finance lease	20,821	34,401
License fee payable	1,513,159	4,504,874
Long term vendor liability	10,128,176	9,679,951
Unearned income	4,166,644	4,113,549
	88,950,921	96,394,811
<b>Total equity and liabilities</b>	<b>297,215,997</b>	<b>300,084,261</b>

Contingencies and commitments

7

The annexed notes 1 to 14 are an integral part of this condensed consolidated interim financial information.

**Chairman**



	Note	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Property, plant and equipment	5	170,467,419	170,800,044
Intangible assets	6	35,456,038	37,111,800
		205,923,457	207,911,844
Long term investments		101,224	101,224
Long term loans and advances		2,917,927	2,200,034
Investment in finance lease		30,017	38,513
		208,972,625	210,251,615
<b>Current assets</b>			
Stores, spares and loose tools		2,951,784	2,742,794
Stock in trade		163,411	174,351
Trade debts		15,509,808	15,008,567
Loans and advances		9,608,821	6,282,398
Investment in finance lease		44,936	53,030
Accrued interest		940,969	727,644
Recoverable from tax authorities		21,192,399	19,257,011
Receivable from the Government of Pakistan		2,164,072	2,164,072
Deposits, prepayments and other receivables		3,402,864	6,267,181
Short term investments		25,645,057	28,380,131
Cash and bank balances		6,619,251	8,775,467
		88,243,372	89,832,646
<b>Total assets</b>		<b>297,215,997</b>	<b>300,084,261</b>

**President & CEO**

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

	Three months ended		Six months ended	
	June 30, 2017 Rs '000	June 30, 2016 Rs '000	June 30, 2017 Rs '000	June 30, 2016 Rs '000
Revenue	29,677,277	29,614,971	58,512,465	58,959,267
Cost of services	(22,424,291)	(21,758,779)	(43,753,808)	(42,828,459)
Gross profit	7,252,986	7,856,192	14,758,657	16,130,808
Administrative and general expenses	(4,483,695)	(4,018,943)	(8,908,419)	(8,275,688)
Selling and marketing expenses	(1,638,359)	(1,677,076)	(3,041,253)	(3,726,472)
	(6,122,054)	(5,696,019)	(11,949,672)	(12,002,160)
Operating profit	1,130,932	2,160,173	2,808,985	4,128,648
Other income	3,946,909	1,308,010	4,999,396	3,659,956
Finance costs	(869,119)	(913,995)	(1,733,760)	(1,802,761)
Profit before tax	4,208,722	2,554,188	6,074,621	5,985,843
Provision for income tax				
- Current	(1,182,938)	(2,017,532)	(2,865,811)	(4,600,361)
- Deferred	(271,751)	788,255	733,658	1,708,029
	(1,454,689)	(1,229,277)	(2,132,153)	(2,892,332)
<b>Profit for the period</b>	<b>2,754,033</b>	<b>1,324,911</b>	<b>3,942,468</b>	<b>3,093,511</b>
Earnings per share - basic and diluted (Rupees)	0.54	0.26	0.77	0.61

The annexed notes 1 to 14 are an integral part of this condensed consolidated interim financial information.



Chairman



President & CEO



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

	Three months ended		Six months ended	
	June 30, 2017 Rs '000	June 30, 2016 Rs '000	June 30, 2017 Rs '000	June 30, 2016 Rs '000
Profit for the period	2,754,033	1,324,911	3,942,468	3,093,511
Other comprehensive income for the period				
Items that may be subsequently reclassified to profit and loss:				
Gain on available for sale investment arising during the period	785	3,082	3,169	11,726
Tax effect of revaluation of available for sale investments	1,185	(925)	470	(3,518)
Unrealized gain on available for sale investments - net of tax	1,970	2,157	3,639	8,208
Gain on disposal transferred to income for the period	(4,736)	-	(4,736)	-
	(2,766)	2,157	(1,097)	8,208
<b>Total comprehensive income for the period</b>	<b>2,751,267</b>	<b>1,327,068</b>	<b>3,941,371</b>	<b>3,101,719</b>

The annexed notes 1 to 14 are an integral part of this condensed consolidated interim financial information.



**Chairman**



**President & CEO**

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

	Note	Six months ended	
		June 30, 2017 Rs '000	June 30, 2016 Rs '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	8	20,682,854	24,896,956
Payment made to Pakistan Telecommunication Employees Trust (PTET)		(5,253,506)	(4,472,112)
Employees retirement benefits paid		(497,633)	(632,584)
Payment of voluntary separation scheme cost		(4,687,078)	(10,525)
Finance cost paid		(1,726,473)	(1,861,690)
Long term security deposits		(30,183)	(41,427)
Income tax paid		(2,238,440)	(2,621,968)
<b>Net cash inflows from operating activities</b>		<b>6,249,542</b>	<b>15,256,650</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(14,688,367)	(14,145,503)
Acquisition of intangible assets		(133,838)	(43,568)
Proceeds from disposal of property, plant and equipment		127,777	215,032
Short term investment-net		7,000,000	(4,140,882)
Long term loans and advances		(749,521)	171,394
Finance lease		25,017	20,272
Government grants received		4,680,408	700,522
Dividend received		-	12,500
Return on long term loans and short term investments		905,041	1,102,617
<b>Net cash outflows from investing activities</b>		<b>(2,833,483)</b>	<b>(16,107,616)</b>
<b>Cash flows from financing activities</b>			
Long term loan fom banks		1,375,000	5,500,000
Subordinated debt		600,000	-
Long term vendor liability		3,227,523	7,384,014
License fee payable		(2,769,967)	(8,947,618)
Customers deposits		777,905	979,354
Liability against assets subject to finance lease		(15,280)	(14,420)
Dividend paid		(4,502,529)	(5,261,925)
<b>Net cash outflows from financing activities</b>		<b>(1,307,348)</b>	<b>(360,595)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,108,710</b>	<b>(1,211,561)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>12,155,598</b>	<b>5,914,908</b>
<b>Cash and cash equivalents at the end of the period</b>	9	<b>14,264,308</b>	<b>4,703,347</b>

The annexed notes 1 to 14 are an integral part of this condensed consolidated interim financial information.



**Chairman**



**President & CEO**

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

	Issued, subscribed and paid-up capital		Revenue reserves			Statutory and other reserves	Unrealized gain on available for sale investments	Total
	Class 'A'	Class 'B'	Insurance reserve	General reserve	Unappropriated profit			
	(Rupees in '000)							
<b>Balance as at January 01, 2016</b>	37,740,000	13,260,000	2,416,078	30,500,000	12,668,976	2,007	(995)	96,586,066
Total comprehensive income for the period	-	-	-	-	3,093,511	-	-	3,093,511
Profit for the period	-	-	-	-	-	-	8,208	8,208
Other comprehensive income	-	-	-	-	3,093,511	-	8,208	3,101,719
Transfer to insurance reserve	-	-	205,210	(205,210)	-	-	-	-
Transfer from general reserve	-	-	-	(3,002,928)	3,002,928	-	-	-
Final dividend for the year ended December 31, 2015 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	-	(5,100,000)
	-	-	205,210	(3,002,928)	(2,302,282)	-	-	(5,100,000)
<b>Balance as at June 30, 2016</b>	37,740,000	13,260,000	2,621,288	27,497,072	13,460,205	2,007	7,213	94,587,785
Total comprehensive income for the period	-	-	-	-	(1,470,664)	-	-	(1,470,664)
Loss for the period	-	-	-	-	175,747	-	(6,150)	169,597
Other comprehensive income	-	-	-	-	(1,294,917)	-	(6,150)	(1,301,067)
Transfer to statutory and other reserves	-	-	-	-	(18,089)	18,089	-	-
Interim dividend for the year ended December 31, 2016 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	-	(5,100,000)
	-	-	-	-	(5,118,089)	18,089	-	(5,100,000)
<b>Balance as at December 31, 2016</b>	37,740,000	13,260,000	2,621,288	27,497,072	7,047,199	20,096	1,063	88,186,718
Total comprehensive income for the period	-	-	-	-	3,942,468	-	-	3,942,468
Profit for the period	-	-	-	-	-	-	(1,097)	(1,097)
Other comprehensive income	-	-	-	-	3,942,468	-	(1,097)	3,941,371
Transfer to insurance reserve	-	-	185,705	(185,705)	-	-	-	-
Interim dividend for the year ending December 31, 2017 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	-	(5,100,000)
	-	-	185,705	-	(5,285,705)	-	-	(5,100,000)
<b>Balance as at June 30, 2017</b>	37,740,000	13,260,000	2,806,993	27,497,072	5,703,962	20,096	(34)	87,028,089

The annexed notes 1 to 14 are an integral part of this condensed consolidated interim financial information.



Chairman



President & CEO



# NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

## 1. LEGAL STATUS AND NATURE OF BUSINESS

### 1.1 Constitution and ownership

The condensed consolidated interim financial information of the Pakistan Telecommunication Company Limited and its subsidiaries ("the Group") comprise of the financial information of:

#### **Pakistan Telecommunication Company Limited (PTCL)**

Pakistan Telecommunication Company Limited (the Holding Company) was incorporated in Pakistan on December 31, 1995 and commenced business on January 01, 1996. The Holding Company, which is listed on the Pakistan Stock Exchange Limited (PSX) (formerly Karachi, Lahore and Islamabad Stock Exchanges), was established to undertake the telecommunication business formerly carried on by Pakistan Telecommunication Corporation (PTC). PTC's business was transferred to the Holding Company on January 01, 1996 under the Pakistan Telecommunication (Re-organization) Act, 1996, on which date, the Holding 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 Holding Company is situated at PTCL Headquarters, G-8/4, Islamabad.

#### **Pak Telecom Mobile Limited (PTML)**

PTML was incorporated in Pakistan on July 18, 1998, as a public limited company to provide cellular mobile telephony services in Pakistan. PTML commenced its commercial operations on January 29, 2001, under the brand name of Ufone. It is a wholly owned subsidiary of PTCL. The registered office of PTML is situated at Ufone Tower, Jinnah Avenue, Blue Area, Islamabad.

#### **U Microfinance Bank Limited (U Bank)**

The Holding Company acquired 100% ownership of U Bank on August 30, 2012 to offer services of digital commerce and branchless banking. U Bank was incorporated on October 29, 2003 as a public limited company. The registered office of U Bank is situated at Jinnah Super Market F-7 Markaz, Islamabad.

#### **DVCOM DATA (Private) Limited (DVCOM Data)**

The Holding Company acquired 100% ownership of DVCOM Data effective from April 01, 2015. The company has a Wireless Local Loop (WLL) License of 1900 MHz spectrum in nine telecom regions of Pakistan. The registered office of the company is located at PTCL Head Quarters South, Hatim Alvi Road, Clifton Karachi.

#### **Smart Sky (Private) Limited (Smart Sky)**

Smart Sky was incorporated in Pakistan on October 12, 2015 as a private limited company to provide Direct-to-Home (DTH) television services throughout the country under the license from Pakistan Electronic Media Regulatory Authority (PEMRA). Auction for DTH license was held on 23 November 2016, in which Company had actively participated. PEMRA has announced three winning companies of DTH Licenses. Later on, the honorable Lahore High Court has declared whole process of DTH auction as null and void and advised PEMRA to restart the whole process. Smart Sky is a wholly owned subsidiary of PTCL. The registered office of the Company is located at PTCL Headquarters, G-8/4, Islamabad.

### 1.2 Activities of the Group

The Group principally provides telecommunication and broadband internet services in Pakistan. PTCL owns and operates telecommunication facilities and provides domestic and international telephone services throughout Pakistan. PTCL has also been licensed to provide such services to territories in Azad Jammu and Kashmir and Gilgit-Baltistan. PTML provides cellular mobile telephony services throughout Pakistan and Azad Jammu and Kashmir. Principal business of UBank, incorporated under Microfinance Institutions Ordinance, 2001, is to provide nationwide microfinance and branchless banking services.

# NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)



## 2. STATEMENT OF COMPLIANCE

This condensed consolidated interim financial information of the Group for the six months period ended June 30, 2017 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed consolidated interim financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and judgements made by the management in the preparation of this condensed consolidated interim financial information are the same as those used in the preparation of annual audited consolidated financial statements of the Group for the year ended December 31, 2016.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted in the preparation of this condensed consolidated interim financial information are consistent with those followed in the preparation of the consolidated annual audited financial statements for the year ended December 31, 2016.

	Note	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	162,296,749	158,693,829
Capital work-in-progress		8,170,670	12,106,215
		170,467,419	170,800,044
<b>5.1 Operating fixed assets</b>			
Opening net book value		158,693,829	161,962,080
Additions during the period / year at cost		18,623,911	26,899,985
		177,317,740	188,862,065
Disposals during the period / year - at net book value		(46,991)	(167,891)
Impairment for the period / year		-	(1,292,009)
Depreciation for the period / year		(14,974,000)	(28,708,336)
		(15,020,991)	(30,168,236)
Closing net book value		162,296,749	158,693,829
<b>6. INTANGIBLE ASSETS</b>			
Opening net book value		37,111,800	40,326,443
Additions during the period / year at cost		133,838	354,985
		37,245,638	40,681,428
Amortization for the period / year		(1,789,600)	(3,569,628)
Closing net book value		35,456,038	37,111,800

## NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

### 7. CONTINGENCIES AND COMMITMENTS

#### 7.1 Contingencies

There has been no material change in contingencies as disclosed in the last audited financial statements of the Group for the year ended December 31, 2016, except the followings:

##### PTCL

- (a) For the tax year 2009, out of the total disallowed expenses with tax impact of Rs 1,113,058 thousand, PTCL has filed reference applications before the Honorable Islamabad High Court for the disallowed expenses with tax impact of Rs. 1,004,828 thousand decided by ATIR in favour of tax authorities. For the balance amount of Rs. 108,230 thousand, the PTCL's appeal is pending before ATIR.
- (b) For the Tax Year 2012, Taxation Officer disallowed certain expenses with tax impact of Rs. 6,847,095 thousand. PTCL also filed appeal before CIR-Appeals which is pending for disposal. PTCL has also obtained stay order from CIR-Appeals against recovery proceeding.
- (c) For the Tax Year 2015, Taxation Officer disallowed certain expenses with tax impact of Rs. 5,822,809 thousand which was reduced to Rs. 5,580,216 thousand due to effect of the rectification application. PTCL has filed appeal before CIR-Appeals against the disallowed expenses which is pending for adjudication. PTCL has also obtained stay order from Islamabad High Court.
- (d) The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by PTCL, the Pakistan Telecommunication Employees Trust (PTET) and the Federal Government (collectively, the Review Petitioners) vide the order dated 17<sup>th</sup> May 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2), CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. Under the circumstances, management of PTCL is of the view that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the referred decision of the Apex Court which could be disclosed in this financial information.

##### DVCOM Data

- (e) Contesting the determination passed by Pakistan Telecommunication Authority (PTA) on March 20, 2015 imposing, inter-alia, late payment charges of Rupees 1,697,082 thousand on DVCOM Data pertaining to the period before acquisition of DVCOM Data by the Holding Company, a statutory appeal viz. FAO No. 22/2015 was filed before the Honorable Islamabad High Court on March 30, 2015. On dismissal of the said appeal by Islamabad High Court, DVCOM Data filed the leave to appeal before the Honorable Supreme Court of Pakistan against the judgement passed by the Islamabad High Court and the same was refused. However, DVCOM Data also filed a writ petition before the Islamabad High Court in which the vires of the rules/regulation pertaining to the imposition of the late payment charges were challenged and the Islamabad High Court suspended the recovery notice issued by PTA. The said petition is pending for further adjudication. Based on the advice from legal advisor, the management is of the view that outcome of the petition is expected to be favourable and considering the commercial arrangements relating to acquisition of DVCOM Data by the Holding Company which stipulates that in case of eventual adverse decision, the related financial liability would be on account of Seller of DVCOM Data, no provision for the said late payment charges has been recognized in this financial information.

##### PTML

- (f) The taxation authorities had raised demand amounting to Rs 1,830,000 thousand which represented the amount of advance income tax paid by PTML under section 148 at import stage on the premise that such tax paid fall under final tax regime. The references were filed before the Islamabad

# NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)



High Court against the unfavourable order of the Appellate Tribunal Inland Revenue (ATIR). The Islamabad High Court remanded back the case to ATIR for re-hearing. Now the department has filed CPLA before the Supreme Court of Pakistan against the order of the High Court. The hearing proceedings before the Supreme Court is awaited.

	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
(g) Letter of guarantee issued in favor of PTA for USD 8,321 thousand (December 31, 2016: USD 8,321 thousand) in relation to the performance of PTML's obligation stipulated under the license agreements for 2G and 3G services	873,705	872,041
(h) Bank guarantee and bid bonds issued by group in favor of Universal Service Fund (USF) against government grants and others.	12,811,156	10,829,291

No provision on account of above contingencies has been made in this financial information as the management and the tax / legal advisors of the Group are of the view, that these matters will eventually be settled in favour of the Group.

	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>7.2 Commitments - Group</b>		
Commitments for capital expenditure	6,956,279	11,866,645
Letters of credit for purchase of stock	37,277	16,747
Standby Letter of Guarantee	6,365	6,365
	<b>6,999,921</b>	<b>11,889,757</b>

**NOTES TO AND FORMING PART OF THE  
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)**

	Six months ended	
	June 30, 2017 (Un-Audited) Rs '000	June 30, 2016 (Un-Audited) Rs '000
<b>8. CASH GENERATED FROM OPERATIONS</b>		
Profit before tax	6,074,621	5,985,843
Adjustments for non-cash charges and other items:		
Depreciation and amortization	16,763,600	15,987,979
Impairment	-	399,875
Provision for doubtful trade debts	980,206	907,192
Provision for non performing advances	40,944	21,717
Provision for obsolete stores, spares and loose tools	-	47,112
Provision for slow moving stock and warranty against mobile phones	3,624	5,719
Employees retirement benefits	2,116,936	2,427,311
Imputed interest on long term loans	31,628	(12,585)
Imputed interest on finance lease	(8,427)	(7,127)
Gain on disposal of property, plant and equipment	(80,785)	(131,236)
Gain on disposal of available for sale investments	(4,736)	-
Return on bank deposits and Government Securities	(1,115,197)	(1,258,166)
Dividend income	-	(12,500)
Amortization of government grants	(447,504)	(352,022)
Finance costs	1,733,760	1,802,761
	26,088,670	25,811,873
Effect on cash flows due to working capital changes:		
<b>( Increase) / decrease in current assets:</b>		
Stores, spares and loose tools	(208,990)	(959,909)
Stock in trade	7,316	24,384
Trade debts	(1,481,447)	(645,919)
Sales tax	-	475,018
Loans and advances	(3,367,367)	(1,995,361)
Prepayments and other receivables	1,125,006	(1,275,484)
	(3,925,482)	(4,377,271)
<b>Increase / (decrease) in current liabilities:</b>		
Trade and other payables	(2,523,275)	1,459,308
Customers deposits	989,846	1,514,184
Unearned income	53,095	488,862
	(1,480,334)	3,462,354
	20,682,854	24,896,956
<b>9. CASH AND CASH EQUIVALENTS</b>		
Short term investments	7,645,057	1,121,045
Cash and bank balances	6,619,251	3,878,223
Short term Running Finance	-	(295,921)
	14,264,308	4,703,347



# NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)

## 10. SEGMENT INFORMATION

For Management purposes, the Group is organised into two operating segments i.e. fixed line communications (Wire line) and wireless communications (Wireless). The reportable operating segments derive their revenue primarily from voice, data and other services.

10.1 Segment information for the reportable segments is as follows:

	Note	Wire line Rs '000	Wireless Rs '000	Total Rs '000
<b>Six months ended June 30, 2017</b>				
Segment revenue		33,006,716	28,900,891	61,907,607
Inter segment revenue	10.1.1	(2,578,829)	(816,313)	(3,395,142)
Revenue from external customers		30,427,887	28,084,578	58,512,465
Segment results		4,365,222	(422,754)	3,942,468
<b>Six months ended June 30, 2016</b>				
Segment revenue		32,541,760	29,873,999	62,415,759
Inter segment revenue	10.1.1	(2,510,889)	(945,603)	(3,456,492)
Revenue from external customers		30,030,871	28,928,396	58,959,267
Segment results		5,002,002	(1,908,491)	3,093,511

10.1.1 Inter segment revenues are eliminated on consolidation.

	Wire line Rs '000	Wireless Rs '000	Total Rs '000
<b>As at June 30, 2017</b>			
Segment assets	137,340,729	159,875,268	297,215,997
Segment liabilities	86,885,028	123,302,881	210,187,909
<b>As at December 31, 2016 (Audited)</b>			
Segment assets	143,972,324	156,111,937	300,084,261
Segment liabilities	92,166,096	119,731,447	211,897,543

**NOTES TO AND FORMING PART OF THE  
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)**

			Six months ended	
			June 30, 2017 (Un-Audited) Rs '000	June 30, 2016 (Un-Audited) Rs '000
<b>11. TRANSACTIONS WITH RELATED PARTIES</b>				
Relationship with the Group	Nature of transaction			
i.	Shareholders	Technical services assistance fee	2,047,936	2,063,574
ii.	Associated undertakings	Sale of goods and services	653,777	1,131,613
		Purchase of goods and services	596,674	572,813
		Prepaid rent	246,385	191,033
iii.	Employees benefits plans	PTCL Pakistan Telecommunication Employees Trust (PTET)	5,253,506	4,472,112
		PTCL Gratuity Fund	26,382	103,030
		PTML Gratuity Fund	34,820	36,585
		U Bank Gratuity Fund	4,500	2,250
iv.	Employees contribution plans	PTCL PTCL Employees GPF Trust - net	207,677	9,521
		PTML Provident Fund	50,222	50,205
		U Bank Provident Fund	5,330	3,447
v.	Other related parties	PTCL Sale of goods and services	803,275	817,661
		PTCL Charges under license obligation	831,141	832,187
		PTML Expenses reimbursed to Pakistan MNP Database (Guarantee) Limited	9,061	8,650
vi.	Directors, Chief Executive and Executives	Fees and remuneration including benefits and perquisites	1,868,099	1,440,368
			June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>Period-end balances</b>				
<b>Receivables from related parties</b>				
Trade debts				
		- Associated undertakings	653,970	350,716
		- The Government of Pakistan and its related entities	1,708,971	1,522,389
Deposits, Prepayments and other receivables				
		- Associated undertakings	71,305	71,305
		- PTCL Employees GPF Trust	51,167	258,844
		- Pakistan Telecommunication Employees Trust (PTET)	1,438	1,308,137
		Pakistan Telecommunication Company Limited Employees Gratuity Fund	56,977	106,878
<b>PTML</b>				
		- Long term loans to executive and key management personnel	73,253	84,624

# NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UN-AUDITED)



	June 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>Payables to related parties</b>		
Trade creditors		
- Associated Undertakings	393,631	314,342
- The Government of Pakistan and its related entities	768,004	3,812,018
Retention money payable to associated undertaking	9,016	1,231
Technical services fee payable to Etisalat	10,299,655	8,251,719
Pakistan Telecommunication Employees Trust (PTET)	619,377	5,253,506
<b>PTML</b>		
- Gratuity Fund	34,820	53,209
- Provident Fund	19,423	17,751
- Remuneration payable to chief executive and key management personnels	4,494	3,402
<b>U Bank</b>		
- Gratuity Fund	1,586	360
- Provident Fund	493	750

## 12. FAIR VALUE ESTIMATION

The financial liability of forward exchange contracts at fair value through profit or loss is Rs. 122,318 thousands (December 31, 2016: Rs. 77,657 thousands).

The carrying value of financial assets and liabilities approximates their fair value.

## 13. CORRESPONDING FIGURES

Following corresponding figures have been reclassified for appropriate presentation of operating results.

### STATEMENT OF PROFIT AND LOSS

From	To	Rs '000
Selling and marketing expenses	Cost of Services	309,680

## 14. DATE OF AUTHORISATION FOR ISSUE OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information for the six months period ended June 30, 2017 was authorised for issue by the Board of Directors of the Holding Company on July 19, 2017.

**Chairman**

**President & CEO**

