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## 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 un-audited financial information of the Company for the nine months period ended 30<sup>th</sup> September 2017.

During the first nine months of 2017, PTCL's revenue was Rs. 52.8 billion with growth in revenue from DSL, wholesale services, Charji LTE and international over same period last year (SPLY). However, the decline in voice and EVO revenue decreased the overall revenue by 3% over SPLY. As a result of 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 revenue and lower non-operating income.

PTCL Group earned Rs. 87.9 billion revenue during the period. Excluding the one-off expenditures, the operating expenses were increased by 1% over SPLY. The Group's profit after tax increased by 37% over SPLY mainly due to successful settlement of certain legal issues during the period.

For the financial year 2017, PTCL has already paid an interim cash 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. Moreover, to meet the ever-increasing demand of quality content, your Company is providing local and international entertainment content to its high data package broadband customers through its partnership with iflix.

To cater to the customers' need of high-speed wireless internet services, PTCL successfully launched its flagship Charji LTE wireless broadband service in new areas of Azad Jammu & Kashmir, Quetta, Sialkot, Multan, Faisalabad and Gujranwala during the period. The introduction of Charji LTE in these areas is in addition to such service already being available in Karachi, Lahore, Rawalpindi and Islamabad. The current EVO 3.1 and 9.3 Mbps subscribers in these cities were also offered to upgrade to Charji LTE at attractive terms. The Charji LTE can provide high-speed wireless broadband internet service up to 75 Mbps as compared to present speed of 3.1 / 9.3Mbps for 3G EVDO based solution. Besides, to migrate the 3G EVO wireless broadband service to Charji LTE, your Company upgraded 350 existing sites in various regions.

For the enterprise segment, PTCL's partnership with IBM was conducive in concluding various agreements for the cloud-based services resulting in increased wholesale revenue.

During the period, a new submarine cable viz. AAE-1 (Asia Africa Europe-1), of which PTCL is a consortium member, was made operational with connectivity from Hong Kong to France. The AAE-1, which is in addition to the three existing submarine cables, considerably augments 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, introduction of products and services based upon latest technologies at



affordable prices, 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.

On behalf of the Board

**Rizwan Bashir Khan**  
Chairman

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

Islamabad: October 11, 2017

## مالیاتی جائزہ برائے نو ماہی 30 ستمبر 2017

پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) کے ڈائریکٹرز 30 ستمبر 2017 کو ختم ہونے والی نو ماہی کی غیر آڈٹ شدہ مالیاتی معلومات اپنے شیئر ہولڈرز (حصص یافتگان) کے سامنے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### مالیاتی کارکردگی

2017 کے پہلے نو مہینوں کے دوران پی ٹی سی ایل کی آمدنی گزشتہ برس اسی مدت کے مقابلے میں ڈی ایس ایل (DSL) ہول سیل سروسز، چارجی ایل ٹی ای اور بین الاقوامی آمدنی میں اضافے کے ساتھ 52.8 ارب روپے رہی۔ تاہم (Voice) وائس اور EVO کی آمدنی میں گزشتہ برس کی اسی مدت کے مقابلے میں تخفیف کی بدولت مجموعی آمدنی میں 3 فیصد کمی ہوئی۔ گزشتہ 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 آمدن اور دیگر آمدن میں کمی ہے۔

پی ٹی سی ایل گروپ کو اس نو ماہی کے دوران 87.9 بلین روپے کی آمدن ہوئی۔ غیر معمولی انفرادی نوعیت کے اخراجات کے علاوہ آپریٹنگ اخراجات میں گزشتہ برس اسی مدت کے مقابلے میں 1 فیصد اضافہ ہوا۔ پی ٹی سی ایل گروپ کے بعد از ٹیکس منافع پذیری 2017 میں گزشتہ سال اسی مدت کے مقابلے میں 37 فیصد اضافہ ہوا، جس کی بنیادی وجہ مختلف نوعیت کے قانونی معاملات کا کامیاب تصفیہ ہے۔

### ڈیویڈنڈ:

رواں مالی سال 2017 میں پی ٹی سی ایل عبوری کیش ڈیویڈنڈ کی مد میں 10 فیصد (ایک روپیہ فی شیئر) پہلے ہی ادا کر چکا ہے۔

ہم اپنے شیئر ہولڈرز، کسٹمرز، 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 رٹو

صدر چیف ایگزیکٹو آفیسر

اسلام آباد: 11 اکتوبر 2017



رضوان بشیر خان

چیئر مین پی ٹی سی ایل بورڈ



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



# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2017 (UN-AUDITED)

	Note	September 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital and reserves			
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		3,095,347	1,894,739
		33,399,412	32,013,099
		84,399,412	83,013,099
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term security deposits		553,483	553,049
Deferred income tax		4,801,372	4,737,260
Employees retirement benefits		21,273,579	24,068,008
Deferred government grants		8,459,519	8,594,920
		35,087,953	37,953,237
<b>Current liabilities</b>			
Trade and other payables		60,309,223	59,142,912
<b>Total equity and liabilities</b>		<b>179,796,588</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	September 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	94,203,311	94,779,483
Intangible assets	6	1,998,857	2,332,789
		96,202,168	97,112,272
Long term investments		7,977,300	7,977,300
Long term loans and advances	7	2,906,110	2,152,757
Investment in finance lease		25,622	38,513
		107,111,200	107,280,842
<b>Current assets</b>			
Stores, spares and loose tools		3,865,024	2,742,794
Trade debts		16,695,814	14,227,974
Loans and advances		1,463,131	676,556
Investment in finance lease		38,118	53,030
Accrued interest		463,816	231,902
Recoverable from tax authorities		15,438,144	14,550,698
Receivable from the Government of Pakistan		2,164,072	2,164,072
Prepayments and other receivables		8,386,634	8,279,236
Short term investments	8	19,000,000	24,000,000
Cash and bank balances	9	5,170,635	5,902,144
		72,685,388	72,828,406
<b>Total assets</b>		<b>179,796,588</b>	<b>180,109,248</b>

**President & CEO**



## CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

	Note	Three months ended		Nine months ended	
		September 30, 2017 Rs '000	September 30, 2016 Rs '000	September 30, 2017 Rs '000	September 30, 2016 Rs '000
Revenue		17,325,874	18,086,378	52,799,180	54,311,938
Cost of services		(12,566,844)	(12,807,957)	(37,710,964)	(38,254,415)
Gross profit		4,759,030	5,278,421	15,088,216	16,057,523
Administrative and general expenses		(2,044,005)	(2,352,704)	(6,662,632)	(6,429,224)
Selling and marketing expenses		(740,183)	(727,753)	(2,107,159)	(2,339,543)
		(2,784,188)	(3,080,457)	(8,769,791)	(8,768,767)
Operating profit		1,974,842	2,197,964	6,318,425	7,288,756
Other income	11	688,509	931,319	3,365,883	4,376,913
Finance costs		(22,352)	(50,963)	(145,613)	(154,097)
Profit before tax		2,640,999	3,078,320	9,538,695	11,511,572
Provision for income tax					
- Current		(699,076)	(1,411,294)	(2,988,270)	(5,239,760)
- Deferred		(146,043)	364,665	(64,112)	1,325,825
		(845,119)	(1,046,629)	(3,052,382)	(3,913,935)
Profit for the period		1,795,880	2,031,691	6,486,313	7,597,637
Earnings per share - basic and diluted (Rupees)		0.35	0.40	1.27	1.49

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 NINE MONTHS ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

	Three months ended		Nine months ended	
	September 30, 2017 Rs '000	September 30, 2016 Rs '000	September 30, 2017 Rs '000	September 30, 2016 Rs '000
Profit for the period	1,795,880	2,031,691	6,486,313	7,597,637
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>1,795,880</b>	<b>2,031,691</b>	<b>6,486,313</b>	<b>7,597,637</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 NINE MONTHS ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

		Nine months ended	
		September 30, 2017 Rs '000	September 30, 2016 Rs '000
	Note		
Cash flows from operating activities			
Cash generated from operations	12	22,942,205	26,105,679
Payment to Pakistan Telecommunication Employees Trust (PTET)		(5,253,506)	(4,472,112)
Employees retirement benefits paid		(636,384)	(759,858)
Payment of voluntary separation scheme		(4,704,441)	(13,220)
Long term security deposits		434	(39)
Purchase of tax loss from PTML		(2,244,885)	-
Income tax paid		(1,630,831)	(179,957)
Net cash Inflow from operating activities		8,472,592	20,680,493
Cash flows from investing activities			
Capital expenditure		(9,618,465)	(8,034,087)
Acquisition of intangible assets		(87,880)	(109,222)
Proceeds from disposal of property, plant and equipment		8,627	36,173
Short term investments - net		5,500,000	(3,388,608)
Finance lease		33,309	34,815
Long term loans and advances		(778,489)	325,312
Dividend income		-	12,500
Return on long term loans and short term investments		1,054,665	1,202,104
Government grants received		263,626	275,522
Net cash outflow from investing activities		(3,624,607)	(9,645,491)
Cash flows from financing activities			
Dividend paid		(5,079,494)	(10,282,415)
Net (decrease) / Increase in cash and cash equivalents		(231,509)	752,587
Cash and cash equivalents at the beginning of the period		5,902,144	5,237,559
Cash and cash equivalents at the end of the period	13	5,670,635	5,990,146

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 NINE MONTHS ENDED SEPTEMBER 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)							
Balance as at January 01, 2016	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	-	-	-	-	7,597,637		7,597,637
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)
Interim dividend for the year ended December 31, 2016 - Re. 1.00 per share	-	-	-	-	(5,100,000)		(5,100,000)
			205,210	(3,002,928)	(7,402,282)		(10,200,000)
Balance as at September 30, 2016	37,740,000	13,260,000	2,621,288	27,497,072	2,497,637		83,615,997
Total comprehensive income for the period							
Profit for the period	-	-	-	-	(763,103)		(763,103)
Other comprehensive income	-	-	-	-	160,205		160,205
	-	-	-	-	(602,898)		(602,898)
Balance as at December 31, 2016	37,740,000	13,260,000	2,621,288	27,497,072	1,894,739		83,013,099
Total comprehensive income for the period							
Profit for the period	-	-	-	-	6,486,313		6,486,313
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)
Balance as at September 30, 2017	37,740,000	13,260,000	2,806,993	27,497,072	3,095,347		84,399,412

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 NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 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	September 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	89,060,044	85,046,586
Capital work-in-progress		5,143,267	9,732,897
		<b>94,203,311</b>	<b>94,779,483</b>

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

	Note	September 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>5.1 Operating fixed assets</b>			
Opening net book amount		85,046,586	88,231,816
Additions during the period / year at cost	5.2	14,208,095	10,929,584
		99,254,681	99,161,400
Disposals during the period / year - at net book amount		(2,726)	(61,466)
Depreciation charge for the period / year		(10,154,095)	(13,253,473)
Impairment charge for the period / year		(37,816)	(799,875)
		(10,194,637)	(14,114,814)
Closing net book amount		89,060,044	85,046,586
<b>5.2 Detail of additions during the period / year:</b>			
Buildings on freehold land		191,149	436,918
Buildings on leasehold land		21,350	2,540
Lines and wires		2,883,512	4,491,015
Apparatus, plant and equipment		5,788,949	4,594,481
Office equipment		245,413	452,993
Computer equipment		130,126	243,486
Furniture and fittings		11,386	30,743
Vehicles		290,794	306,915
Submarine cables		4,645,416	370,493
		14,208,095	10,929,584
<b>6. INTANGIBLE ASSETS</b>			
Opening net book amount		2,332,789	2,539,060
Additions during the period / year		87,880	251,892
		2,420,669	2,790,952
Amortization charge for the period / year		(421,812)	(458,163)
Closing net book amount		1,998,857	2,332,789
<b>7. LONG TERM LOANS AND ADVANCES</b>			
Loans to employees -secured		413,343	368,589
Advances to suppliers against turnkey contracts		2,533,172	1,858,636
Others		61,205	21,626
		3,007,720	2,248,851
Current portion shown under current assets			
Loans to employees -secured		(101,610)	(96,094)
		2,906,110	2,152,757

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

	Note	September 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	18,500,000	24,000,000
- maturity upto 3 months		500,000	-
		19,000,000	24,000,000

8.1 Term deposits carry interest rate ranging between 6.40% to 7.50% (December 31, 2016: 6.30% to 7.05%) per annum.

	Note	September 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>9. CASH AND BANK BALANCES</b>			
Cash in hand		364	51
Balances with banks:	9.1		
Deposit accounts local currency		3,882,849	5,236,722
Current accounts			
Local currency		1,213,406	596,044
Foreign currency		74,016	69,327
		1,287,422	665,371
		5,170,635	5,902,144

9.1 Bank balance includes Rs 291,789 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:

- For the tax years 2009, 2010 and 2011, taxation officer disallowed certain expenses and tax credits. The impugned orders were challenged at the relevant appellate forums which allowed partial relief thereof. After taking into account the orders of CIR (Appeals), ATIR as well as rectification orders tax impact of the disallowances is reduced to Rs 6,880,422 thousand. On the remaining outstanding items of tax years 2009 and 2011 appeals are pending adjudication in ATIR and reference is pending adjudication in Islamabad High Court. Reference applications shall be filed with the Islamabad High Court for the tax years 2010 and 2011 against the decisions of ATIR.
- For the Tax Years 2012 and 2015, Taxation Officer disallowed certain expenses with tax impact of Rs 12,427,311 thousand. The Company has filed appeals before CIR-Appeals which are pending for disposal. The Company has also obtained stay orders from the Appellate forums.



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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

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.

- (c) 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.

	September 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
(d) Bank guarantee and bid bonds issued in favor of Universal Services Fund (USF) against government grants and others	6,637,611	6,257,091

## 10.2 Commitments

Commitments, in respect of contracts for capital expenditure amount to Rs 3,851,569 thousand (December 31, 2016: Rs 4,594,721 thousand).

	Note	Nine months ended	
		September 30, 2017 (Un-Audited) Rs '000	September 30, 2016 (Un-Audited) Rs '000
<b>11. OTHER INCOME</b>			
Return on bank deposits	11.1	1,286,579	1,691,953
Late payment surcharge from subscribers on overdue bills		226,052	221,452
Recovery from written off defaulters		43,669	1,257,839
Gain on disposal of property, plant & equipment		5,901	21,425
Late delivery charges		13,704	270,144
Dividend income		-	12,500
Amortization of government grants		399,027	460,120
Pre-deposit income		228,094	351,324
Liabilities no longer payable written back		1,065,508	-
Others		97,349	90,156
		<b>3,365,883</b>	<b>4,376,913</b>

- 11.1 Return on bank deposit include Rs 156 thousand (September 30, 2016: Rs 359 thousand) earned from Shariah arrangements.

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

	Nine months ended	
	September 30, 2017 (Un-Audited) Rs '000	September 30, 2016 (Un-Audited) Rs '000
<b>12. CASH GENERATED FROM OPERATIONS</b>		
Profit before tax	9,538,695	11,511,572
Adjustments for non-cash charges and other items:		
Depreciation and amortization charge	10,575,907	10,275,761
Impairment	37,816	599,875
Provision for obsolete stores, spares and loose tools	-	50,924
Provision for doubtful trade debts	1,402,000	1,487,847
Employees retirement benefits	3,095,461	3,555,437
Gain on disposal of property, plant and equipment	(5,901)	(21,425)
Return on bank deposits	(1,286,579)	(1,691,953)
Imputed interest on long term loans	19,620	12,586
Imputed Interest on finance lease	(5,506)	(10,355)
Dividend income	-	(12,500)
Amortization of government grants	(399,027)	(460,120)
	22,972,486	25,297,649
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(1,122,230)	(710,305)
Trade debts	(3,869,840)	(2,857,243)
Loans and advances	(781,059)	310,877
Prepayments and other receivables	(107,398)	(1,372,260)
	(5,880,527)	(4,628,931)
Increase in current liabilities:		
Trade and other payables	5,850,246	5,436,961
	22,942,205	26,105,679
<b>13. CASH AND CASH EQUIVALENTS</b>		
Short term investment with maturity up to three months	500,000	-
Cash and bank balances	5,170,635	5,990,146
	5,670,635	5,990,146

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

		Nine months ended	
		September 30, 2017 (Un-Audited) Rs '000	September 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	1,781,794	1,794,401
ii. Subsidiaries	Sale of goods and services	3,830,769	3,800,487
	Purchase of goods and services	2,565,961	2,946,084
	Purchase of tax loss from PTML - note 14.2	2,244,885	-
	Return on bank deposit	11,103	25,739
	Others	-	11,213
iii. Associated undertakings	Sale of goods and services	816,963	1,505,998
	Purchase of goods and services	644,556	791,955
iv. Employees contribution plan	PTCL Employees GPF Trust - net	188,050	12,457
v. Employees retirement benefit plan	Contribution to the plan - PTET	5,253,506	4,472,112
	Payment on behalf of fund - Gratuity	39,038	138,882
vi. Other related parties	Sale of goods and services	1,239,038	1,209,619
	Charge under license obligations	1,232,748	1,257,446
vii. Directors, Chief Executive and Executives	Fee and remuneration including benefits and perquisites	1,910,790	1,557,822
		September 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			
- Subsidiaries		1,605,383	596,954
- Associated undertakings		631,922	306,202
- The Government of Pakistan and its related entities		1,702,456	1,522,389
Other receivables			
- Subsidiaries		7,463,126	6,126,482
- Associated undertakings		71,305	71,305
- PTCL Employees GPF Trust		68,011	258,844
- Pakistan Telecommunication Employees Trust (PTET)		3,443	1,308,137
Pakistan Telecommunication Company Limited Employees Gratuity Fund		32,892	106,878
Bank deposit with subsidiary		571,562	530,034
<b>Payables to related parties</b>			
Trade creditors			
- Subsidiaries		1,270,688	628,319
- Associated undertakings		260,473	201,808
- The Government of Pakistan and its related entities		1,060,226	1,273,213
Security deposits from subsidiary		3,623	3,623
Retention money payable to associated undertakings		7,255	1,167
Technical services assistance fee payable to Etisalat		11,327,083	8,251,719
Pakistan Telecommunication Employees Trust (PTET)		925,033	5,253,506

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

FOR THE NINE MONTHS ENDED SEPTEMBER 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 billion having a tax impact of Rs 2.245 billion 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 September 30, 2017</b>				
Trade debts	9,014,578	(5,886,275)	22,191,138	25,319,441
Trade creditors	(6,884,985)	5,886,275	(9,157,661)	(10,156,371)
<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 nine months ended September 30, 2017 was authorized for issue by the Board of Directors of the Company on October 11, 2017.



**Chairman**



**President & CEO**



## **CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2017 (UN-AUDITED)**

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2017 (UN-AUDITED)

	Note	September 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		7,182,632	7,047,199
		37,486,697	37,165,559
Statutory and other reserves		20,096	20,096
Unrealized gain on available for sale investments		8	1,063
		88,506,801	88,186,718
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term loans from banks		25,584,167	26,136,667
Subordinated debt		600,000	-
Customers deposits		3,178,330	2,400,425
Liability against assets subject to finance lease		-	1,888
License fee payable		10,119,986	11,228,196
Long term security deposits		1,469,623	1,493,177
Deferred income tax		10,823,415	9,562,487
Employees retirement benefits		21,327,807	24,121,967
Deferred government grants		14,389,431	11,570,655
Long term vendor liability		31,617,113	28,987,270
		119,109,872	115,502,732
<b>Current liabilities</b>			
Trade and other payables		67,149,421	71,463,996
Customer deposits		7,460,979	5,179,565
Interest accrued		496,251	580,142
Current portion of:			
Long term loans from banks		2,389,167	838,333
Liability against assets subject to finance lease		12,646	34,401
License fee payable		-	4,504,874
Long term vendor liability		5,779,389	9,679,951
Unearned income		3,913,818	4,113,549
		87,201,671	96,394,811
<b>Total equity and liabilities</b>		294,818,344	300,084,261

Contingencies and commitments

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



**Chairman**



	Note	September 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	165,538,996	170,800,044
Intangible assets	6	34,753,334	37,111,800
		200,292,330	207,911,844
Long term investments		101,224	101,224
Long term loans and advances		2,940,397	2,200,034
Investment in finance lease		25,622	38,513
		203,359,573	210,251,615
<b>Current assets</b>			
Stores, spares and loose tools		3,865,024	2,742,794
Stock in trade		155,610	174,351
Trade debts		16,249,841	15,008,567
Loans and advances		10,515,919	6,282,398
Investment in finance lease		38,118	53,030
Accrued interest		1,439,231	727,644
Recoverable from tax authorities		20,321,237	19,257,011
Receivable from the Government of Pakistan		2,164,072	2,164,072
Deposits, prepayments and other receivables		3,991,524	6,267,181
Short term investments		25,186,329	28,380,131
Cash and bank balances		7,531,866	8,775,467
		91,458,771	89,832,646
<b>Total assets</b>		<b>294,818,344</b>	<b>300,084,261</b>

**President & CEO**

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

	Three months ended		Nine months ended	
	September 30, 2017 Rs '000	September 30, 2016 Rs '000	September 30, 2017 Rs '000	September 30, 2016 Rs '000
Revenue	29,355,058	29,826,228	87,867,523	88,785,495
Cost of services	(22,101,069)	(21,995,775)	(65,854,877)	(64,824,234)
Gross profit	7,253,989	7,830,453	22,012,646	23,961,261
Administrative and general expenses	(4,333,421)	(4,459,573)	(13,241,840)	(12,735,261)
Selling and marketing expenses	(1,499,812)	(1,532,020)	(4,541,065)	(5,258,492)
	(5,833,233)	(5,991,593)	(17,782,905)	(17,993,753)
Operating profit	1,420,756	1,838,860	4,229,741	5,967,508
Other income	1,796,511	1,061,994	6,795,907	4,721,950
Finance costs	(979,038)	(944,764)	(2,712,798)	(2,747,525)
Profit before tax	2,238,229	1,956,090	8,312,850	7,941,933
Provision for income tax				
- Current	(1,009,406)	(1,786,533)	(3,875,217)	(6,386,894)
- Deferred	249,847	706,817	983,505	2,414,846
	(759,559)	(1,079,716)	(2,891,712)	(3,972,048)
Profit for the period	1,478,670	876,374	5,421,138	3,969,885
Earnings per share - basic and diluted (Rupees)	0.29	0.17	1.06	0.78

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 NINE MONTHS ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

	Three months ended		Nine months ended	
	September 30, 2017 Rs '000	September 30, 2016 Rs '000	September 30, 2017 Rs '000	September 30, 2016 Rs '000
Profit for the period	1,478,670	876,374	5,421,138	3,969,885
Other comprehensive income for the period				
Items that may be subsequently reclassified to profit and loss:				
Gain / (loss) on available for sale investment arising during the period	60	(4,196)	3,229	7,530
Tax effect of revaluation of available for sale investments	(18)	1,259	452	(2,259)
Unrealized gain / (loss) on available for sale investments - net of tax	42	(2,937)	3,681	5,271
Gain on disposal transferred to income for the period	-	-	(4,736)	-
	42	(2,937)	(1,055)	5,271
Total comprehensive income for the period	1,478,712	873,437	5,420,083	3,975,156

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 NINE MONTHS ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

		Nine months ended	
	Note	September 30, 2017 Rs '000	September 30, 2016 Rs '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	8	33,927,459	39,137,006
Payment made to Pakistan Telecommunication Employees Trust (PTET)		(5,253,506)	(4,472,112)
Employees retirement benefits paid		(693,569)	(857,547)
Payment of voluntary separation scheme cost		(4,704,441)	(13,220)
Finance cost paid		(2,796,689)	(2,832,398)
Long term security deposits		(23,554)	(29,316)
Income tax paid		(2,959,687)	(1,641,802)
<b>Net cash inflows from operating activities</b>		<b>17,496,013</b>	<b>29,290,611</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(17,382,334)	(19,316,061)
Acquisition of Intangible assets		(307,596)	(156,785)
Proceeds from disposal of property, plant and equipment		166,512	255,358
Short term investment-net		5,500,000	(3,881,627)
Long term loans and advances		(759,983)	322,629
Finance lease		33,309	34,815
Government grants received		4,944,033	700,522
Dividend income		-	12,500
Return on long term loans and short term investments		983,344	1,390,513
<b>Net cash outflows from investing activities</b>		<b>(6,822,715)</b>	<b>(20,638,136)</b>
<b>Cash flows from financing activities</b>			
Long term loan fom banks		998,334	5,787,500
Subordinated debt		600,000	-
Long term vendor liability		(1,270,719)	8,057,067
License fee payable		(5,613,084)	(8,773,172)
Customers deposits		777,905	1,387,519
Liability against assets subject to finance lease		(23,643)	(19,160)
Dividend paid		(5,079,494)	(10,282,415)
<b>Net cash outflows from financing activities</b>		<b>(9,610,701)</b>	<b>(3,842,661)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,062,597</b>	<b>4,809,814</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>13,218,195</b>	<b>10,724,722</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 NINE MONTHS ENDED SEPTEMBER 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	-	-	-	-	3,969,885	-	-	3,969,885	
Profit for the period	-	-	-	-	-	-	5,271	5,271	
Other comprehensive income	-	-	-	-	3,969,885	-	5,271	3,975,156	
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)	
Interim dividend for the year ended December 31, 2016 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	-	(5,100,000)	
<b>Balance as at September 30, 2016</b>	37,740,000	13,260,000	2,621,288	27,497,072	9,236,579	2,007	4,276	90,361,222	
Total comprehensive income for the period	-	-	-	-	(2,347,038)	-	-	(2,347,038)	
Loss for the period	-	-	-	-	175,747	-	(3,213)	172,534	
Other comprehensive income	-	-	-	-	(2,171,291)	-	(3,213)	(2,174,504)	
Transfer to statutory and other reserves	-	-	-	-	(18,089)	18,089	-	-	
<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	-	-	-	-	5,421,138	-	-	5,421,138	
Profit for the period	-	-	-	-	-	-	(1,055)	(1,055)	
Other Comprehensive income	-	-	-	-	5,421,138	-	(1,055)	5,420,083	
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 September 30, 2017</b>	37,740,000	13,260,000	2,806,993	27,497,072	7,182,632	20,096	8	88,506,801	

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 NINE MONTHS ENDED SEPTEMBER 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 NINE MONTHS ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

## 2. STATEMENT OF COMPLIANCE

This condensed consolidated interim financial information of the Group for the nine months period ended September 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	September 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	157,954,340	158,693,829
Capital work-in-progress		7,584,656	12,106,215
		165,538,996	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		21,903,893	26,899,985
		180,597,722	188,862,065
Disposals during the period / year - at net book value		(62,051)	(167,891)
Impairment for the period / year		(37,816)	(1,292,009)
Depreciation for the period / year		(22,543,515)	(28,708,336)
		(22,643,382)	(30,168,236)
Closing net book value		157,954,340	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		307,596	354,985
		37,419,396	40,681,428
Amortization for the period / year		(2,666,062)	(3,569,628)
Closing net book value		34,753,334	37,111,800

## NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 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 years 2009, 2010 and 2011, taxation officer disallowed certain expenses and tax credits. The impugned orders were challenged at the relevant appellate forums which allowed partial relief thereof. After taking into account the orders of CIR (Appeals), ATIR as well as rectification orders tax impact of the disallowances is reduced to Rs 6,880,422 thousand. On the remaining outstanding items of tax years 2009 and 2011 appeals are pending adjudication in ATIR and reference is pending adjudication in Islamabad High Court. Reference applications shall be filed with the Islamabad High Court for the tax years 2010 and 2011 against the decisions of ATIR.
- (b) For the Tax Years 2012 and 2015, Taxation Officer disallowed certain expenses with tax impact of Rs. 12,427,311 thousand. The Company has filed appeals before CIR-Appeals which are pending for disposal. The Company has also obtained stay orders from the Appellate forums.
- (c) 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 17th 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

- (d) 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 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

- (e) 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 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

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

filed CPLA before the Supreme Court of Pakistan against the order of the High Court. The hearing proceedings before the Supreme Court is awaited.

	September 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
(f) 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	877,450	872,041
(g) Bank guarantee and bid bonds of the group issued in favor of Universal Service Fund (USF) against government grants and others	12,317,410	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.

	September 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>7.2 Commitments - Group</b>		
Commitments for capital expenditure	7,337,491	11,866,645
Letters of credit for purchase of stock	45,763	16,747
Standby Letter of Guarantee	6,365	6,365
	<b>7,389,619</b>	<b>11,889,757</b>

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

	Nine months ended	
	September 30, 2017 (Un-Audited) Rs '000	September 30, 2016 (Un-Audited) Rs '000
<b>8. CASH GENERATED FROM OPERATIONS</b>		
Profit before tax	8,312,850	7,941,933
Adjustments for non-cash charges and other items:		
Depreciation and amortization	25,209,577	24,047,186
Impairment	37,816	599,875
Provision for doubtful trade debts	1,447,871	1,514,903
Provision for non performing advances	59,592	28,767
Provision for obsolete stores, spares and loose tools	-	50,924
Provision for slow moving stock and warranty against mobile phones	3,624	5,719
Employees retirement benefits	3,152,915	3,632,092
Imputed interest on long term loans	19,620	12,586
Imputed interest on finance lease	(5,506)	(10,355)
Gain on disposal of property, plant and equipment	(104,461)	(144,887)
Gain on disposal of available for sale investments	(4,736)	-
Return on bank deposits and government securities	(1,691,702)	(1,870,234)
Dividend income	-	(12,500)
Amortization of government grants	(703,820)	(554,741)
Finance costs	2,712,798	2,747,525
	38,446,438	37,988,793
Effect on cash flows due to working capital changes:		
<b>(Increase) / decrease in current assets:</b>		
Stores, spares and loose tools	(1,122,230)	(710,305)
Stock in trade	15,117	5,495
Trade debts	(2,689,145)	(2,612,154)
Sales tax	-	-
Loans and advances	(4,293,113)	(3,128,010)
Prepayments and other receivables	1,119,349	245,702
	(6,970,022)	(6,199,272)
<b>Increase / (decrease) in current liabilities:</b>		
Trade and other payables	369,360	3,846,122
Customers deposits	2,281,414	2,798,591
Unearned income	(199,731)	702,772
	2,451,043	7,347,485
	33,927,459	39,137,006
<b>9. CASH AND CASH EQUIVALENTS</b>		
Short term investments	5,686,329	1,152,925
Cash and bank balances	7,531,866	9,571,798
	13,218,195	10,724,723



# NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 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>Nine months ended September 30, 2017</b>				
Segment revenue		49,209,275	43,714,159	92,923,434
Inter segment revenue	10.1.1	(3,830,769)	(1,225,142)	(5,055,911)
Revenue from external customers		45,378,506	42,489,017	87,867,523
Segment results		6,033,680	(612,542)	5,421,138
<b>Nine months ended September 30, 2016</b>				
Segment revenue		48,910,993	45,055,154	93,966,147
Inter segment revenue	10.1.1	(3,800,487)	(1,380,165)	(5,180,652)
Revenue from external customers		45,110,506	43,674,989	88,785,495
Segment results		6,845,151	(2,875,266)	3,969,885

#### 10.1.1 Inter segment revenues are eliminated on consolidation.

	Wire line Rs '000	Wireless Rs '000	Total Rs '000
<b>As at September 30, 2017</b>			
Segment assets	142,820,676	151,997,668	294,818,344
Segment liabilities	91,250,068	115,061,475	206,311,543
<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 NINE MONTHS ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

			Nine months ended		
			September 30, 2017 (Un-Audited) Rs '000	September 30, 2016 (Un-Audited) Rs '000	
11. TRANSACTIONS WITH RELATED PARTIES					
Relationship with the Group		Nature of transaction			
i.	Shareholders	Technical services assistance fee		3,075,363	3,107,492
ii.	Associated undertakings	Sale of goods and services		899,235	1,587,758
		Purchase of goods and services		785,202	926,692
		Prepaid rent		372,324	347,967
iii.	Employees benefits plans	PTCL	Pakistan Telecommunication Employees Trust (PTET)	5,253,506	4,472,112
		PTCL	Gratuity Fund	39,038	138,882
		PTML	Gratuity Fund	52,231	55,261
		U Bank	Gratuity Fund	6,750	3,750
iv.	Employees contribution plans	PTCL	PTCL Employees GPF Trust - net	188,050	12,457
		PTML	Provident Fund	75,500	73,999
		U Bank	Provident Fund	8,330	5,644
v.	Other related parties	PTCL	Sale of goods and services	1,239,038	1,209,619
		PTCL	Charges under license obligation	1,232,748	1,257,446
		PTML	Expenses reimbursed to Pakistan MNP Database (Guarantee) Limited	14,511	12,500
vi.	Directors, Chief Executive and Executives	Fees and remuneration including benefits and perquisites		2,635,927	2,042,796
			September 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000	
Period-end balances					
Receivables from related parties					
Trade debts					
- Associated undertakings			738,695	350,716	
- The Government of Pakistan and its related entities			1,702,465	1,522,389	
Deposits, prepayments and other receivables					
- Associated undertakings			71,305	71,305	
- PTCL Employees GPF Trust			68,011	258,844	
- Pakistan Telecommunication Employees Trust (PTET)			3,443	1,308,137	
- Prepaid rent			209,898	78,466	
- Pakistan Telecommunication Authority			-	45,692	
- Pakistan MNP Database (Guarantee) Limited			16,350	-	
Pakistan Telecommunication Company Limited					
Employees Gratuity Fund			32,892	106,878	

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

	September 30, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>PTML</b>		
- Long term loans to executive and key management personnel	65,687	84,624
<b>Payables to related parties</b>		
Trade creditors		
- Associated undertakings	477,699	314,342
- The Government of Pakistan and its related entities	1,060,226	3,812,018
Retention money payable to associated undertaking	7,255	1,231
Technical services fee payable to Etisalat	11,327,083	8,251,719
Pakistan Telecommunication Employees Trust (PTET)	925,033	5,253,506
<b>PTML</b>		
- Gratuity Fund	52,231	53,209
- Provident Fund	18,541	17,751
- Remuneration payable to chief executive and key management personnels	4,494	3,402
<b>U Bank</b>		
- Gratuity Fund	4,772	360
- Provident Fund	1,997	750

## 12. FAIR VALUE ESTIMATION

The financial liability of forward exchange contracts at fair value through profit or loss is Rs. 30,919 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	392,979

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

This condensed consolidated interim financial information for the nine months period ended September 30, 2017 was authorised for issue by the Board of Directors of the Holding Company on October 11, 2017.



**Chairman**



**President & CEO**



## NOTES