CONSOLIDATED STATEMENTS
for the six months period ended December 31, 2012

Auditor's Report to The Members on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Pakistan Telecommunication Company Limited (the Holding Company) and its subsidiary companies, Pak Telecom Mobile Limited and U Microfinance Bank Limited (Formerly Rozgar Microfinance Bank Limited) as at December 31, 2012 and the related consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity together with the notes forming part thereof, for the six months period then ended. We have also expressed separate opinions on the financial statements of Pakistan Telecommunication Company Limited and the financial statements of subsidiary company, Pak Telecom Mobile Limited. The financial statements of subsidiary company, U Microfinance Bank Limited (Formerly Rozgar Microfinance Bank Limited), have been audited by another firm of Chartered Accountants whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of the said auditor. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Pakistan Telecommunication Company Limited and its subsidiary companies as at December 31, 2012 and the results of their operations for the six months period then ended.

The consolidated financial statements of the Group for the year ended June 30, 2012 were audited by the joint auditors A. F. Ferguson & Co., Chartered Accountants and Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants whose report dated September 11, 2012 expressed an unqualified opinion thereon.

A. F. Ferguson & Co.
Chartered Accountants
Islamabad
Dated: February 13, 2013

Engagement Partner:
M. Imtiaz Aslam

Consolidated Statement of Financial Position

as at December 31, 2012

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Equity			
Share capital and reserves			
Share capital	6	51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,678,728	2,678,728
General reserve		30,500,000	30,500,000
Unappropriated profit		35,998,222	34,814,916
		69,176,950	67,993,644
Unrealized gain on available-for-sale investments		51,789	62,977
		120,228,739	119,056,621
Liabilities			
Non-current liabilities			
Long term loans from banks	7	18,750,000	20,000,000
Liability against assets subject to finance lease	8	70,348	75,265
License fee payable	9	126,246	118,932
Long term security deposits	10	1,479,740	1,662,397
Deferred taxation	11	19,394,403	18,697,440
Employees' retirement benefits	12	20,234,383	18,473,380
Deferred government grants	13	3,991,818	4,083,022
Long term vendor liability	14	3,032,264	2,227,858
		67,079,202	65,338,294
Current liabilities			
Trade and other payables	15	37,848,782	31,384,208
Interest accrued		205,846	248,146
Short term running finance	16	-	1,688,703
Current portions of:			
Long term loans from banks	7	1,750,000	500,000
Liability against assets subject to finance lease	8	31,977	31,983
License fee payable	9	47,212	44,476
Long term vendor liability	14	12,546,663	5,665,900
Unearned income		2,458,492	2,628,247
		54,888,972	42,191,663
Total equity and liabilities		242,196,913	226,586,578
Contingencies and commitments	17		

The annexed notes 1 to 50 are an integral part of these consolidated financial statements.

Chairman

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
ASSETS			
Non-current assets			
Fixed assets			
Property, plant and equipment	18	152,183,985	149,893,160
Intangible assets	19	3,936,746	3,547,121
		156,120,731	153,440,281
Long term investments	20	108,219	110,870
Long term loans and advances	21	3,557,317	4,133,080
		159,786,267	157,684,231
Current assets			
Stores, spares and loose tools	22	2,935,121	2,972,824
Stock in trade	23	293,871	436,067
Trade debts	24	15,873,745	10,164,030
Loans and advances	25	1,076,809	2,538,023
Deposits	26	83,446	65,191
Accrued interest	27	353,739	175,661
Recoverable from tax authorities	28	19,440,755	18,811,420
Receivable from the Government of Pakistan	29	2,164,072	2,164,072
Prepayments and other receivables	30	2,532,246	1,849,623
Short term investments	31	30,616,399	25,853,301
Cash and bank balances	32	7,040,443	3,872,135
		82,410,646	68,902,347
Total assets		242,196,913	226,586,578

President & CEO

Consolidated Statement of Comprehensive Income

for the six months period ended December 31, 2012

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
Revenue	33	62,580,649	110,793,288
Cost of services	34	(38,278,570)	(72,204,405)
Gross profit		24,302,079	38,588,883
Administrative and general expenses	35	(8,132,004)	(14,834,673)
Selling and marketing expenses	36	(4,433,243)	(8,163,769)
Voluntary separation scheme cost	37	(9,467,268)	-
Other operating income	38	2,059,065	4,619,417
Loss on disposal of property, plant and equipment		(182,070)	-
		(20,155,520)	(18,379,025)
Operating profit		4,146,559	20,209,858
Finance costs	39	(1,927,964)	(3,305,222)
		2,218,595	16,904,636
Share of profit / (loss) from an associate		(2,155)	3,751
Profit before tax		2,216,440	16,908,387
Provision for income tax			
Group		(1,032,638)	(5,469,689)
Associate		(496)	(434)
	40	(1,033,134)	(5,470,123)
Profit for the period / year		1,183,306	11,438,264
Other comprehensive income for the period / year			
Available-for-sale investments - net of tax			
Unrealized gain arising during the period / year		16,899	32,387
Less: Gain on disposal transferred to profit for the period / year		(28,087)	-
		(11,188)	32,387
Total comprehensive income for the period / year		1,172,118	11,470,651
Earnings per share - basic and diluted (Rupees)	41	0.23	2.24

The annexed notes 1 to 50 are an integral part of these consolidated financial statements.

Chairman

President & CEO

Consolidated Statement of Cash Flows

for the six months period ended December 31, 2012

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	43	26,837,453	41,826,603
Long term security deposits		(182,657)	15,997
Employees' retirement benefits paid		(4,404,499)	(2,574,670)
Payment of voluntary separation scheme cost		(5,143,842)	-
Finance costs paid		(1,970,264)	(3,430,876)
Income tax paid		(835,303)	(5,274,254)
Net cash inflows from operating activities		14,300,888	30,562,800
Cash flows from investing activities			
Capital expenditure		(13,986,518)	(21,941,261)
Acquisition of intangible assets		(574,086)	(231,343)
Acquisition of U Microfinance Bank Limited-net of cash		(79,762)	-
Proceeds from disposal of property, plant and equipment		195,599	101,880
Proceeds from disposal of investments		754,059	-
Long term loans and advances		594,294	(128,107)
PTA WLL license fee paid		10,050	(26,350)
Return on long term loans and short term investments		711,134	1,573,749
Government grants received		-	353,597
Dividend income on long term investments		15,000	-
Net cash outflows from investing activities		(12,360,230)	(20,297,835)
Cash flows from financing activities			
Long term loan received		-	9,500,000
Long term loan paid		-	(9,000,000)
Long term vendor liability		7,685,169	1,472,432
Liabilities against assets subject to finance lease		(4,923)	(40,160)
Dividend paid		(795)	(3,366,112)
Net cash inflows / (outflows) from financing activities		7,679,451	(1,433,840)
Net increase in cash and cash equivalents		9,620,109	8,831,125
Cash and cash equivalents at the beginning of the period / year		28,036,733	19,205,608
Cash and cash equivalents at the end of the period / year	43.1	37,656,842	28,036,733

The annexed notes 1 to 50 are an integral part of these consolidated financial statements.

Chairman

President & CEO

Consolidated Statement of Changes in Equity

for the six months period ended December 31, 2012

	Issued, subscribed and paid-up capital		Revenue reserves			Unrealized gain on available-for-sale investment	
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit		Total
	(Rupees in '000)						
Balance as at July 01, 2011	37,740,000	13,260,000	2,385,532	30,500,000	23,669,848	30,590	107,585,970
Total comprehensive income for the year							
Profit for the year	-	-	-	-	11,438,264	-	11,438,264
Other comprehensive income	-	-	-	-	-	32,387	32,387
	-	-	-	-	11,438,264	32,387	11,470,651
Transfer to insurance reserve	-	-	293,196	-	(293,196)	-	-
Balance as at June 30, 2012	37,740,000	13,260,000	2,678,728	30,500,000	34,814,916	62,977	119,056,621
Total comprehensive income for the period							
Profit for the period	-	-	-	-	1,183,306	-	1,183,306
Other comprehensive loss	-	-	-	-	-	(11,188)	(11,188)
	-	-	-	-	1,183,306	(11,188)	1,172,118
Balance as at December 31, 2012	37,740,000	13,260,000	2,678,728	30,500,000	35,998,222	51,789	120,228,739

The annexed notes 1 to 50 are an integral part of these consolidated financial statements.

Chairman

President & CEO

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

1. Legal status and nature of business

1.1 Constitution and ownership

The consolidated financial statements of the Pakistan Telecommunication Company Limited and its subsidiaries ("the Group") comprise of the financial statements 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 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 F-7 Markaz, Islamabad.

U Microfinance Bank Limited (Formerly Rozgar Microfinance Bank Limited)

The Holding Company acquired 100% ownership of U Microfinance Bank Limited - Formerly Rozgar Microfinance Bank Limited (U Bank) during the period 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 Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad.

During the period, the Group changed its financial year end from June 30 to December 31. Accordingly, these financial statements cover the period of six months from July 01, 2012 to December 31, 2012. This change has been made to bring the financial year of the Group in line with the financial year followed by Emirates Telecommunication Corporation (Etisalat), UAE to facilitate financial reporting to Etisalat. The corresponding figures in these financial statements pertain to the year ended June 30, 2012 and therefore, are not entirely comparable in respect of statement of comprehensive income, statement of cash flows, statement of changes in equity and notes to and forming part of the financial statements.

1.2 Activities of the Group

The Group 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 the U Microfinance Bank Limited is to assist in stimulating progress, prosperity and social peace in society through the creation of income generating opportunities for the small entrepreneur under Microfinance Institutions Ordinance, 2001.

2. Statement of compliance

These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance 1984 shall prevail.

These financial statements are the consolidated financial statements of the Group. In addition to these consolidated financial statements, the Holding Company and subsidiary companies (PTML and U Bank) also prepare separate financial statements.

2.1 Adoption of new and revised standards and interpretations:

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

		Effective date (annual periods beginning on or after)
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 01, 2013 & January 01, 2015
IAS 1	Presentation of Financial Statements (Amendments)	January 01, 2013
IAS 16	Property, Plant and Equipment (Amendments)	January 01, 2013
IAS 19	Employee Benefits (Amendments)	January 01, 2013
IAS 27	Separate Financial Statements (Revised)	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures (Revised)	January 01, 2013
IAS 32	Financial Instruments Presentation (Amendments)	January 01, 2013 & January 01, 2014
IAS 34	Interim Financial Reporting (Amendments)	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation / disclosures. The amendments to IAS 19 require immediate recognition of actuarial gains / losses in other comprehensive income in the period of initial recognition, this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. Following this change accumulated losses will be recorded immediately in other comprehensive income. Unrecognized actuarial losses at December 31, 2012 amount to Rs 9,026,630 thousand.

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

		Effective date (annual periods beginning on or after)
IFRS 1	First-Time Adoption of International Financial Reporting Standards (Amendments)	July 01, 2009
IFRS 9	Financial Instruments	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

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

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

3. Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments at fair value, liability against assets subject to finance lease, license fee payable and the recognition of certain employees' retirement benefits on the basis of actuarial assumptions.

4. Critical accounting estimates and judgments

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

(a) Provision for employees' retirement benefits

The actuarial valuation of pension, gratuity, medical and accumulating compensated absences plans (note 5.21) requires the use of certain assumptions related to future periods, including increase in future salary, pension / medical costs, expected long-term returns on plan assets and the discount rate used to discount future cash flows to present values.

(b) Provision for income taxes

The Group recognizes income tax provisions using estimates based upon expert opinions of its tax and legal advisors. Differences, if any, between the recorded income tax provision and the Group's tax liability, are recorded on the final determination of such liability. Deferred income tax (note 5.20) is calculated at the rates that are expected to apply to the period when these temporary differences reverse, based on tax rates that have been enacted or substantively enacted, by the date of the consolidated statement of financial position.

(c) Recognition of government grant

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

(d) Useful life and residual value of fixed assets

The Group reviews the useful lives and residual values of fixed assets (note 5.11) on a regular basis. Any change in estimates may affect the carrying amounts of the respective items of property, plant and equipment and intangible assets, with a corresponding effect on the related depreciation / amortization charge.

(e) Provision for stores, spares and loose tools

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

(f) Provision for doubtful receivables

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

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

(g) Advances - Microfinance Bank

These are stated net of provision for non-performing advances, if any. The outstanding principal of the advances, payments against which are over due for 30 days or more or classified as non-performing and divided into following four categories:

a) OAEM: These are advances in arrears (payments / installments overdue) for 30 days or more (but less than 60 days).

b) Substandard: These are advances in arrears (payments/installments overdue) for 61 days or more (but less than 90 days).

c) Doubtful: these are advances in arrears (payments/installments overdue) for 91 days or more (but less than 180 days).

d) Loss: These are advances in arrears (payments/installments overdue) for 180 days or more. U Bank maintains specific provision for potential loan losses for all non-performing advances as follows:

Substandard	25% of the outstanding principal net of cash collaterals
Doubtful	50% of the outstanding principal net of cash collaterals
Loss	100% of the outstanding principal net of cash collaterals

In addition, a general provision is maintained equivalent to 1.5% of the net outstanding balance (advances net of specific provisions) for potential loan losses.

Non-performing advances are written off one month after the loan is classified as "Loss". However, U Bank continues its efforts for recovery of the written off balances.

(h) Provisions and contingent liabilities

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

5. Summary of significant accounting policies

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

5.1 Consolidation

a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The consolidated financial statements include Pakistan Telecommunication Company Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases to exist.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value

Notes to and Forming Part of the Consolidated Financial Statements
for the six months period ended December 31, 2012

and amount of any non controlling interest in the acquiree. For each business combination, the acquirer measures the non controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss. Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IAS 39, either in profit or loss or charged to other comprehensive income. If the contingent consideration is classified as equity, it is remeasured until it is finally settled within equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses on assets transferred are also eliminated and considered an impairment indicator of such assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Associates

Associates are entities over which the Group has significant influence, but not control, and generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of comprehensive income, and its unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses on the assets transferred are also eliminated to the extent of the Group's interest and considered an impairment indicator of such asset. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of comprehensive income.

5.2 Functional and presentation currency

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

5.3 Foreign currency transactions and translations

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

Notes to and Forming Part of the Consolidated Financial Statements
for the six months period ended December 31, 2012

5.4 Insurance reserve

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

5.5 Government grants

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

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

5.6 Borrowings and borrowing costs

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

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

5.7 Trade and other payables

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

5.8 Provisions

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

5.9 Contingent liabilities

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

5.10 Dividend distribution

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

5.11 Fixed assets

(a) Property, plant and equipment

Property, plant and equipment, except freehold land and capital work-in-progress, is stated at cost less accumulated depreciation and any identified impairment losses; freehold land is stated at cost less identified impairment losses,

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

if any. Cost includes expenditure, related overheads, mark-up and borrowing costs (note 5.6) that are directly attributable to the acquisition of the asset.

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

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

Depreciation on assets is calculated, using the straight line method, to allocate their cost over their estimated useful lives, at the rates mentioned in note 18.1.

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

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

Assets subject to finance lease are stated at the lower of present value of minimum lease payments at inception of the lease period and their fair value less accumulated impairment losses and accumulated depreciation at the annual rates specified in note 18.1. The outstanding obligation under finance lease less finance charges allocated to future periods is shown as liability. Finance charges are calculated at interest rates implicit in the lease and are charged to the consolidated statement of comprehensive income in the year in which these are incurred.

(b) Intangible assets

(I) Goodwill

Goodwill is initially measured at cost being the excess of the consideration transferred, over the fair value of subsidiary's identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation, when determining the gain or loss on disposal of the operation. Goodwill disposed off, in this circumstances, is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

(Ii) Licenses

These are carried at cost less accumulated amortization and any identified impairment losses. Amortization is calculated using the straight line method, to allocate the cost of the license over its estimated useful life specified in note 19.1, and is charged to income for the period/year.

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

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(iii) Computer software

These are carried at cost less accumulated amortization, and any identified impairment losses. Amortization is calculated, using the straight line method, to allocate the cost of software over their estimated useful life, at the rates specified in note 19.1, and is charged to income for the period/year. Costs associated with maintaining computer software, are recognized as an expense as and when incurred.

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

5.12 Impairment of non financial assets

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

5.13 Stores, spares and loose tools

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

5.14 Stock in trade

Stock in trade is valued at the lower of cost and net realizable value. Cost comprises the purchase price of items of stock, including import duties, purchase taxes and other related costs. Cost is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale.

5.15 Trade debts

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

5.16 Financial instruments

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

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(a) Financial assets

Classification and subsequent measurement

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

(i) Fair value through profit or loss

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

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

(ii) Held-to-maturity

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

(iii) Loans and receivables

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

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

(iv) Available-for-sale

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

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

Impairment

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

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(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Fair value through profit or loss

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

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

(ii) Other financial liabilities

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

(c) Offsetting of financial assets and liabilities

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

5.17 Cash and cash equivalents

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

5.18 Revenue recognition

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

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

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

(i) Rendering of telecommunication services

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

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Revenue from telecommunication services is recognized on an accrual basis, as the related services are rendered.

Prepaid cards and electronic recharges allow the forward purchase of a specified amount of air time by customers; revenue therefrom is recognized as the airtime is utilized. Unutilized airtime is carried in the consolidated statement of financial position as unearned income.

(a) Wireline and wireless services

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

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

(b) Data services

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

(c) Interconnect

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

(d) Equipment sales

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

(ii) Income on bank deposits

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

(iii) Dividend income

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

(iv) Mark-up / return on investments

Mark-up / return on investment is recognized on time proportion basis using effective interest method. Where debt securities are purchased at premium or discount, those premiums / discounts are amortized through the statement of comprehensive income over the remaining period on maturity.

(v) Mark-up / return on advances

Mark-up / return on advances are recognized on a time proportion basis using effective interest method.

(vi) Fee, commission and other income

Fee, commission and other income is recognized when earned.

(vii) Interest on mark-up recoverable on non-performing advances

Interest on mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Prudential Regulations.

5.19 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to consolidated statement of comprehensive income on a straight line basis over the period of the lease.

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5.20 Taxation

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

(a) Current

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

(b) Deferred

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

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

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

5.21 Employees' retirement benefits

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

The main features of the schemes operated by the Group in PTCL and its subsidiary - PTML are as follows:

PTCL

(a) PTCL Employees' GPF Trust

PTCL operates an approved funded provident plan covering its permanent employees. For the purposes of this plan, a separate trust, the "PTCL Employees' GPF Trust" (the Trust), has been established. Monthly contributions are deducted from the salaries of employees and are paid to the Trust by PTCL. Interest is paid at the rate announced by the Federal Government, and this rate for the period was 13.70% (June 30, 2012: 14%) per annum. The Company contributes to the fund, the differential, if any, of the interest paid / credited for the period / year and the income earned on the investments made by the Trust.

(b) Defined benefit plans

PTCL operates the following defined benefit plans:

(i) Pension plans

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

(ii) Gratuity plan

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

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(iii) Medical benefits plan

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

(iv) Accumulating compensated absences

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

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

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

The liability recognized in the consolidated statement of financial position in respect of defined benefit plans, is the present value of the defined benefit obligations at the date of the statement of financial position less the fair value of plan assets, if any, together with adjustments for unrecognized actuarial gains / losses, if any.

The defined benefit obligations are calculated annually, by an independent actuary using the projected unit credit method. The most recent valuations were carried out as at December 31, 2012. The present value of a defined benefit obligation is determined, by discounting the estimated future cash outflows, using the interest rates of high quality corporate bonds that are nominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, in excess of the 'corridor' (10% of the higher of the fair value of the plan assets or the present value of the defined benefit obligation) at the beginning of the current reporting year, are recognized in the profit / loss for the period / year, over the expected average remaining working lives of employees participating in the defined benefit plan. Actuarial gains and losses arising on compensated absences are recognized immediately.

PTML

PTML operates:

(i) A funded gratuity scheme, a defined benefit plan, for all permanent employees. Annual contributions to the gratuity fund are based on actuarial valuation by independent actuary. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Pakistan rupees and have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the corridor limit as defined in IAS 19 are charged or credited in the consolidated statement of

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comprehensive income over the expected average remaining service life of employees.

(ii) Approved contributory provident fund, a defined contribution plan, for all permanent employees, and for which, contributions are charged to the consolidated statement of comprehensive income.

(iii) PTML provides a facility to its employees for accumulating their annual earned leaves. The liability is provided for on the basis of an actuarial valuation, carried out by independent actuary, using the projected unit credit method. The actuarial gains and losses are recognized in the consolidated statement of comprehensive income.

U Bank (formerly Rozgar Microfinance Bank)

U Bank operates an unfunded gratuity scheme for its employees. Provision is made on the basis of employees' accumulated period of service.

5.22 Operating segments

Operating segments are reported in a manner consistent with the internal reporting of the Group in note 49 to the consolidated financial statements.

6. Share Capital

6.1 Authorized share capital

December 31, 2012	June 30, 2012		December 31, 2012	June 30, 2012
(Number of shares '000)			(Rupees in '000)	
11,100,000	11,100,000	"A" class ordinary shares of Rs 10 each	111,000,000	111,000,000
3,900,000	3,900,000	"B" class ordinary shares of Rs 10 each	39,000,000	39,000,000
15,000,000	15,000,000		150,000,000	150,000,000

6.2 Issued, subscribed and paid up capital

December 31, 2012	June 30, 2012		December 31, 2012	June 30, 2012
(Number of shares '000)			(Rupees in '000)	
3,774,000	3,774,000	"A" class ordinary shares of Rs 10 each issued as fully paid for consideration other than cash - note 6.3 and note 6.5.	37,740,000	37,740,000
1,326,000	1,326,000	"B" class ordinary shares of Rs 10 each issued as fully paid for consideration other than cash - note 6.3 and note 6.6.	13,260,000	13,260,000
5,100,000	5,100,000		51,000,000	51,000,000

6.3 These shares were initially issued to the Government of Pakistan, in consideration for the assets and liabilities transferred from Pakistan Telecommunication Corporation (PTC) to the Holding Company, under the Pakistan Telecommunication (Re-organization) Act, 1996, as referred to in note 1.1.

6.4 Except for voting rights, the "A" and "B" class ordinary shares rank pari passu in all respects. "A" class ordinary shares carry one vote and "B" class ordinary shares carry four votes, for the purposes of election of directors. "A" class ordinary shares cannot be converted into "B" class ordinary shares; however, "B" class ordinary shares may be converted into "A" class ordinary shares, at the option, exercisable in writing and submitted to the Holding Company, by the holders of three fourths of the "B" class ordinary shares. In the event of termination of the license issued to the Holding Company,

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under the provisions of Pakistan Telecommunication (Re-organization) Act, 1996, the "B" class ordinary shares shall be automatically converted into "A" class ordinary shares.

6.5 The Government of Pakistan, through an "Offer for Sale" document, dated July 30, 1994, issued to its domestic investors, a first tranche of vouchers exchangeable for "A" class ordinary shares of the Holding Company; subsequently, through an Information Memorandum dated September 16, 1994, a second tranche of vouchers was issued to international investors, also exchangeable, at the option of the voucher holders, for "A" class ordinary shares or Global Depository Receipts (GDRs) representing "A" class ordinary shares of the Holding Company. Out of 3,774,000 thousand "A" class ordinary shares, vouchers against 601,084 thousand "A" class ordinary shares were issued to the general public. Till December 31, 2012, 599,584 thousand (June 30, 2012: 599,523 thousand) "A" class ordinary shares had been exchanged for such vouchers.

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

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
7. Long term loans from banks			
Secured	7.1	16,500,000	16,500,000
From banks	7.2	4,000,000	4,000,000
From consortia of banks		20,500,000	20,500,000
		(1,750,000)	(500,000)
Due within one year		18,750,000	20,000,000

7.1 From banks

	Mark-up rate (3 month Kibor plus)	Repayment commencement date		Repayment installments	Outstanding loan balance	
		Interest	Principal		December 31, 2012	June 30, 2012
					(Rupees in '000)	
Bank Al Habib Limited	1.80%	July 2010	July 2013	8	1,000,000	1,000,000
MCB Bank Limited	1.70%	February 2011	February 2014	8	3,000,000	3,000,000
MCB Bank Limited	1.15%	May 2012	May 2015	12	2,000,000	2,000,000
Faysal Bank Limited	1.80%	June 2010	June 2013	8	2,000,000	2,000,000
NIB Bank Limited	1.75%	June 2010	June 2013	8	1,000,000	1,000,000
Summit Bank Limited	1.80%	June 2010	September 2013	8	1,000,000	1,000,000
Meezan Bank Limited	1.65%	December 2010	December 2013	8	1,000,000	1,000,000
Meezan Bank Limited	1.00%	June 2012	June 2015	12	1,500,000	1,500,000
United Bank Limited	1.15%	April 2012	April 2015	12	2,000,000	2,000,000
Allied Bank Limited	1.15%	May 2012	May 2015	12	1,000,000	1,000,000
Al Baraka Bank Limited	1.15%	June 2012	June 2015	12	1,000,000	1,000,000
					16,500,000	16,500,000

All loans, except for the loan balance of Rs 1,500,000 thousand from Meezan Bank, are secured by way of first charge ranking pari passu by way of hypothecation over all present and future moveable equipment and other assets (excluding land, building and license) of PTML. The above referred loan from Meezan Bank is secured by way of first charge ranking pari passu by way of hypothecation over all its present and future movable fixed assets described in the loan agreement with the bank.

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Principal and interest are repayable in quarterly installments.

7.2 This represents syndicated term financing secured by first ranking pari pasu charge by way of hypothecation overall moveable fixed assets of the PTML. This financing carry markup at the rate of 3 month KIBOR plus 1.35% per anum, payable quarterly. Principal amount will be repayable in 8 equal quarterly installments starting from June 2014.

8. Liability against assets subject to finance lease

The minimum lease rental payments due under the lease agreements are payable in monthly installments up to August 2018. These have been discounted at the annual applicable implicit rate of interest. The amount of future lease payments and the period in which these will become due are as follows:

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
Gross obligation under finance lease	Rs '000	Rs '000
Minimum lease payments due		
Not later than 1 year	36,538	36,538
Later than 1 year and not later than 5 years	141,505	146,150
Later than 5 year	2,513	16,136
	180,556	198,824
Finance charges allocated to future periods	(78,231)	(91,576)
Net obligation under finance lease	102,325	107,248
Current portion shown under current liabilities	(31,977)	(31,983)
	70,348	75,265

8.1 The present value of finance lease liabilities is as follows:

	December 31, 2012	June 30, 2012
Not later than 1 year	31,977	31,983
Later than 1 year and not later than 5 years	69,694	71,093
Later than 5 year	654	4,172
	102,325	107,248

9. License fee payable

	December 31, 2012	June 30, 2012
License fee payable	194,200	188,400
Imputed deferred interest	(20,742)	(24,992)
Present value of license fee payable	173,458	163,408
Current portion shown under current liabilities	(47,212)	(44,476)
	126,246	118,932

9.1 This represents a license fee of USD 5,000 thousand, in respect of PTML's operations in AJK, payable to PTA in ten equal annual installments without any interest payable from June 2007 to 2016, in USD or equivalent Pak Rupees. Accordingly, at initial recognition, the aggregate amount payable was discounted to the present value of future cash flows at the rate of 6% per annum.

10. Long term security deposits

These represent non-interest bearing security deposits received from distributors, franchisees and customers that are refundable on termination of the relationship with the Group. The Holding Company has paid / adjusted a sum of Rs 184,317 thousand (June 30, 2012: Rs 45,913 thousand) to its customers during the current period/year against their balances.

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	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
11. Deferred taxation			
The liability for deferred taxation comprises of timing differences relating to:			
Accelerated tax depreciation / amortization		23,623,483	22,337,213
Provision against stocks in trade / doubtful trade debts		(3,182,506)	(3,531,886)
Provision for doubtful advances and receivables		(114,158)	(114,158)
Unused tax losses		(734,374)	(8,136)
Minimum tax adjustable		(185,696)	-
Others		(12,346)	14,407
		19,394,403	18,697,440
The gross movement in the deferred tax liability during the period/year is as follows:			
Balance as at beginning of the period / year		18,697,440	15,498,413
Charge for the period / year	40	696,963	3,199,027
Balance as at period / year end		19,394,403	18,697,440
12. Employees' retirement benefits			
Pension			
Funded - PTCL	12.1	6,774,327	5,502,293
Unfunded - PTCL	12.1	1,653,701	1,637,058
		8,428,028	7,139,351
Gratuity			
Funded - PTML	12.1	34,266	63,748
Unfunded - PTCL	12.1	713,734	764,006
Unfunded - U Bank		1,273	-
		749,273	827,754
Accumulating compensated absences - PTCL and PTML	12.1	1,086,244	1,210,988
Post retirement medical facility - PTCL	12.1	9,970,838	9,295,287
		20,234,383	18,473,380

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12.1 The latest actuarial valuations of the Group's defined benefit plans, were conducted at December 31, 2012 using the projected unit credit method. Details of obligation for defined benefit plans are as follows:

	Pension				Gratuity				Accumulating compensated absences		Post-retirement medical facility		Total	
	Funded		Unfunded		Funded		Unfunded							
	December31, 2012	June 30, 2012	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012
	(Rupees in '000)													
a) The amounts recognized in the consolidated statement of financial position:														
Present value of defined benefit obligations	77,320,417	66,448,037	1,222,489	1,572,484	372,325	328,484	597,620	638,099	1,086,244	1,210,988	11,895,646	10,356,829	92,494,741	80,554,921
Fair value of plan assets -note 12.2	(62,900,317)	(60,200,384)	-	-	(334,684)	(275,202)	-	-	-	-	-	-	(63,235,001)	(60,475,586)
Deficit	14,420,100	6,247,653	1,222,489	1,572,484	37,641	53,282	597,620	638,099	1,086,244	1,210,988	11,895,646	10,356,829	29,259,740	20,079,335
Unrecognized actuarial gains /(losses)	(7,645,773)	(745,360)	431,212	64,574	(3,375)	10,466	116,114	125,907	-	-	(1,924,808)	(1,061,542)	(9,026,630)	(1,605,955)
Liability at period / year end	6,774,327	5,502,293	1,653,701	1,637,058	34,266	63,748	713,734	764,006	1,086,244	1,210,988	9,970,838	9,295,287	20,233,110	18,473,380
b) Changes in the present value of defined benefit obligations:														
Balance as at beginning of period / year	66,448,037	65,980,987	1,572,484	1,313,614	328,484	281,751	638,099	515,026	1,210,988	1,072,947	10,356,829	9,326,900	80,554,921	78,491,225
Current service cost	270,110	553,399	58,718	110,723	31,433	51,875	49,817	105,348	36,935	58,768	64,610	123,663	511,623	1,003,776
Interest cost	4,422,587	9,237,338	99,500	183,906	20,021	38,340	39,183	72,104	72,832	150,096	684,356	1,305,766	5,338,479	10,987,550
Actuarial (gains) / losses	6,391,378	(4,528,761)	(371,001)	(27,865)	8,682	(27,692)	(13,649)	(22,508)	(25,027)	(25,737)	902,725	11,789	6,893,108	(4,620,774)
Actuarial (gains) / losses on curtailment / settlement	3,911,376	-	(102,135)	-	-	-	17,377	-	161,032	-	244,222	-	4,231,872	-
Obligation transferred from unfunded pension plan to funded pension plan	32,582	-	(32,582)	-	-	-	-	-	-	-			-	-
Benefits paid	(4,155,653)	(4,794,926)	(2,495)	(7,894)	(16,295)	(15,790)	(133,207)	(31,871)	(370,516)	(45,086)	(357,096)	(411,289)	(5,035,262)	(5,306,856)
	77,320,417	66,448,037	1,222,489	1,572,484	372,325	328,484	597,620	638,099	1,086,244	1,210,988	11,895,646	10,356,829	92,494,741	80,554,921
c) Charge for the period / year:														
Current service cost	270,110	553,399	58,718	110,723	31,433	51,875	49,817	105,348	36,935	58,768	64,610	123,663	511,623	1,003,776
Interest cost	4,422,587	9,237,338	99,500	183,906	20,021	38,340	39,183	72,104	72,832	150,096	684,356	1,305,766	5,338,479	10,987,550
Expected return on plan assets	(3,913,025)	(7,907,298)	-	-	(17,188)	(26,467)	-	-	-	-	-	-	(3,930,213)	(7,933,765)
Actuarial (gains) / losses	-	-	-	-	-	-	(5,015)	(10,379)	(25,027)	(25,737)	497	9,755	(29,545)	(26,361)
Actuarial (gain) / losses recognized on curtailment / settlement	3,939,412		(106,498)	-	-	-	(1,050)	-	161,032	-	283,184		4,276,080	-
Contribution from deputationists	(922)	(1,541)	-	-	-	-	-	-	-	-	-	-	(922)	(1,541)
	4,718,162	1,881,898	51,720	294,629	34,266	63,748	82,935	167,073	245,772	183,127	1,032,647	1,439,184	6,165,502	4,029,659
d) Significant actuarial assumptions at the date of the consolidated statement of financial position:														
Expected rate of return on plan assets	13%	14%			11.5%	12%								
Discount rate	11%	13%	11%	13%	11.5%	13%	11%	13%	11%	13%	11%	13%		
Future salary / medical cost increase	7.5%	9-12%	7.5%	9-12%	11.5%	13%	9-10%	9-12%	9-10%	9-12.5%	10%	12%		
Future pension increase	7.5%	8-20%	7.5%	8%										
Average expected remaining working lives of members	12 years	13 years	15 years	15 years	14 years	15 years	6 years	6 years			13 years	13 years		
Expected mortality rate	EFU 61-66*		EFU 61-66*		EFU 61-66*		EFU 61-66*		EFU 61-66*		EFU 61-66*			
Expected withdrawal rate	Based on experience		Based on experience		Based on experience		Based on experience		Based on experience		Based on experience			

* Mortality table adjusted for Group's experience

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for the six months period ended December 31, 2012

12.2 Changes in the fair value of plan assets

Expected return on plan assets

	Note	Defined benefit pension plan - funded		Defined benefit gratuity plan - funded	
		December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012
		(Rupees in '000)			
Balance at beginning of period / year		60,200,384	56,480,703	275,202	188,418
Expected return on plan assets	12.2.1	3,913,025	7,907,298	17,188	26,467
Contributions made by the Group during the period/year		3,479,631	2,000,000	63,748	80,071
Benefits paid		(4,155,653)	(4,794,926)	(16,295)	(15,790)
Actuarial losses on plan assets		(537,070)	(1,392,691)	(5,159)	(3,964)
Balance at period/year end		62,900,317	60,200,384	334,684	275,202
Actual return on plan assets		3,375,955	6,514,607	12,029	22,503

12.2.1 The expected return on plan assets is based on market expectations, and depends upon the asset portfolio of the funded defined benefit pension plan, held at the beginning of the period/year, for returns over the entire life of the related obligations.

The expected rate of return on plan assets of funded defined benefit gratuity plan is based on current yield on investment in corporate bonds.

12.3 Major categories of plan assets as a percentage of total plan assets, are as follows:

	Defined benefit pension plan - funded		Defined benefit gratuity plan - funded	
	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012
	(Percentage)			
Special Saving Certificates	77	74	-	-
Defense Saving Certificates	2	2	-	-
Pakistan Investment Bonds	1	1	-	-
Term Deposits	8	11	-	-
Fixed and other assets	12	12	-	-
Debt instruments	-	-	94	89
Cash	-	-	6	11
Total	100	100	100	100

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for the six months period ended December 31, 2012

12.4 During the next financial year, the expected contribution to be paid to the funded pension plan and funded gratuity plan by the Group is Rs 1,519,280 thousand (June 30, 2012 : Rs 1,401,219 thousand) and Rs 34,266 thousand (June 30, 2012: Rs 63,748 thousand) respectively.

12.5 Effect of increase / decrease in medical cost trend rate

The effect of a 1% increase in the medical cost trend rate, on current service cost and interest cost, is Rs 29,319 thousand (June 30, 2012: Rs 30,174 thousand) and the effect of a 1% decrease in the medical cost trend rate, on current service cost and interest cost, is Rs 24,276 thousand (June 30, 2012; Rs 24,984 thousand).

The effect of a 1% increase in the medical cost trend rate, on the present value of defined benefit obligations for medical cost, is Rs 3,527,059 thousand (June 30, 2012 Rs 3,070,800 thousand) and the effect of a 1% decrease in the medical cost trend rate, on the present value of defined benefit obligations for medical cost, is Rs 2,947,741 thousand (June 30, 2012: Rs 2,566,422 thousand).

12.6 Historical information

	December 31, 2012	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009
			(Rupees in '000)		
Defined benefit pension plan - funded					
Present value of defined benefit obligations at period / year end	77,320,417	66,448,037	65,980,987	62,752,225	53,610,885
Fair value of plan assets at period / year end	(62,900,317)	(60,200,384)	(56,480,703)	(53,521,666)	(50,096,598)
Deficit in the plan	14,420,100	6,247,653	9,500,284	9,230,559	3,514,287
Experience adjustments on plan liabilities - (gains) / losses	6,391,378	(4,528,761)	(431,751)	6,098,147	953,077
Experience adjustments on plan assets - (losses) / gains	(537,070)	(1,392,691)	(366,071)	1,115,117	(1,735,854)
Defined benefit pension plan - unfunded					
Present value of defined benefit obligations at period / year end	1,222,489	1,572,484	1,313,614	1,139,102	932,231
Experience adjustments on plan liabilities - (gains) / losses	(371,001)	(27,865)	(89,698)	(37,370)	83,101
Defined benefit gratuity plan - funded					
Present value of defined benefit obligations at period / year end	372,325	328,484	281,751	209,446	152,555
Fair value plan assets at period / year end	(334,684)	(275,202)	(188,418)	(115,814)	(82,072)
Deficit in the plan	37,641	53,282	93,333	93,632	70,483
Experience adjustment on plan liabilities - (gains) / losses	8,682	(27,692)	(2,335)	6,244	3,196
Experience adjustment on plan assets - (losses) / gains	(5,159)	(3,964)	6,607	2,659	5,930
Defined benefit gratuity plan - unfunded					
Present value of defined benefit obligations at period / year end	597,620	638,099	515,026	423,702	314,871
Experience adjustment on plan liabilities - (gains) / losses	(13,649)	(22,508)	(44,588)	(5,358)	(51,220)
Defined benefit accumulating compensated absences					
Present value of defined benefit obligations at period / year end	1,086,244	1,210,988	1,072,947	1,019,098	1,084,390
Experience adjustment on plan liabilities - (gains) / losses	(25,027)	(25,737)	(76,429)	(188,994)	45,308
Defined benefit post-retirement medical facility					
Present value of defined benefit obligations at period / year end	11,895,646	10,356,829	9,326,900	7,807,167	6,448,686
Experience adjustment on plan liabilities - (gains) / losses	902,725	11,789	970,988	955,960	940,121

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		Note	December 31, 2012	June 30, 2012
			(Rupees in '000)	
13.	**Deferred government grants**	13.1		
	Balance at beginning of the period / year		4,083,022	3,631,585
	Recognized during the period / year		-	593,597
	Amortization for the period / year	38	(91,204)	(142,160)
	Balance at period / year end		3,991,818	4,083,022

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

14. Long term vendor liability

This represents an amount payable to a vendor in respect of procurement of network and allied assets, and comprises:

		Note	December 31, 2012	June 30, 2012
			(Rupees in '000)	
	Obligation under acceptance of bills of exchange		14,037,549	7,100,647
	Other accrued liabilities		1,541,378	793,111
			15,578,927	7,893,758
	Current portion shown under current liabilities		(12,546,663)	(5,665,900)
			3,032,264	2,227,858
15.	**Trade and other payables**			
	Trade creditors		9,376,110	7,977,370
	Accrued liabilities		15,115,529	12,020,864
	Receipts against third party works		1,007,017	754,029
	Income tax collected from subscribers / deducted at source		443,208	113,954
	Sales tax payable		1,541,906	1,633,588
	Advances from customers		2,912,110	2,059,661
	Technical services assistance fee	35.2	1,172,827	1,019,343
	Retention money / payable to contractors and suppliers related to fixed capital expenditure		5,629,325	5,224,475
	Unclaimed dividend		148,435	149,230
	Forward foreign exchange contracts	30.1	58,257	-
	Other liabilities		444,058	431,694
			37,848,782	31,384,208

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15.1 Trade and other payables includes payable to the following related parties:

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
Trade creditors		
Etisalat - UAE	326,933	247,107
Etisalat Afghanistan	133,881	38,262
Thuraya Satellite Telecommunication Company	-	9,774
Telecom Foundation	103,620	109,597
The Government of Pakistan and its related entities	5,164,709	3,728,184
	5,729,143	4,132,924
Retention money / payable to contractors and suppliers for fixed capital assets		
TF Pipes Limited	7,532	4,143

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

16. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amounting to Rs 2,000,000 thousand (June 30, 2012: Rs 2,000,000 thousand), out of which the amount unavailed at the period / year end was Rs. 2,000,000 thousand (June 30, 2012: Rs. 311,297 thousand).

17. Contingencies and commitments

Contingencies

PTCL

17.1 Based on an audit of certain monthly returns of the Federal Excise Duty (FED), the Deputy Commissioner of Inland Revenue (DCIR), raised demands of Rs 1,289,957 thousand, upheld by CIR - Appeals, on the premise that the Company did not apportion the input tax between allowable and exempt supplies. The Company is in appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication. Meanwhile, the Honorable Islamabad High Court has granted a stay order in this regard.

17.2 Against the FED demand of Rs 2,782,660 thousand for the year from 2006 to 2009, on local interconnect revenue raised by the DCIR, upheld by CIR - Appeals, the Company is in appeal before the ATIR. Besides, the Company has already deposited the FED demand under the amnesty scheme of the Federal Board of Revenue.

17.3 Against the orders of the DCIR, upheld by CIR - Appeals, imposing FED amounting to Rs 474,417 thousand on Technical Services Assistance fee assuming that the fee is against franchise arrangement for the period from July 2007 to June 2010, the Company's appeal is pending before the ATIR.

17.4 For the tax year 2007, the Company filed an appeal before the ATIR against disallowance of certain expenses by the Taxation Officer under section 122 (5A), with tax impact of Rs 4,887,370 thousand, upheld by CIR - Appeals. The ATIR in its judgment endorsed the departmental view regarding satellite charges amounting to Rs 231,001 thousand while rest of the disallowances are yet to be decided. The Company has filed an Income tax reference in the Honorable Islamabad High Court and adjudication is pending.

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

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17.6 For the tax year 2009, the Taxation Officer has disallowed certain expenses and created tax demand, which, after rectification, amounts to Rs 3,439,222 thousand. The ATIR has remanded the case back to the Taxation Officer against the Company's appeal. The Company has also filed reference applications before the Honorable Islamabad High Court, which are pending adjudication.

17.7 The Company implemented policy directives of Ministry of Information Technology conveyed by the Pakistan Telecommunication Authority regarding termination of all international incoming calls into Pakistan. However, the Honorable Lahore High Court suspended the said directives in the wake of writ petitions filed before it. The case is presently pending before the Honorable Lahore Court for adjudication.

17.8 A total of 1,498 cases (June 30, 2012: 1,744 cases) have been filed against the Company primarily involving subscribers, regulator, pensioners and employees. Because of the large number of cases and their uncertain nature, it is not possible to quantify their financial impact at present.

17.9 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.

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
17.10 Bank guarantees and bid bonds issued in favour of:		
Universal Service Fund (USF) against government grants	4,827,567	4,841,517
Others	311,157	298,770
	5,138,724	5,140,287

PTML

17.11 Against the demands created by tax authorities assuming that Technical Assistance fee paid by the Company is against franchise arrangements, the Company has paid Rs 501,541 thousand in prior years under protest. Company's appeals against said demands are pending before various appellate fora.

17.12 The Company is contesting various tax related-notices and orders before various appellate fora in Pakistan and Azad Jammu & Kashmir. The management believes that strong legal and factual bases are available to support the Company's contention that outcome to these proceedings will be favorable.

17.13 Based upon the intentions conveyed by tax authorities to levy Federal Excise Duty (FED) on local interconnect charges received for calls terminated on Company's network, although the FED thereupon is already collected by the originating operator from its customer and duly deposited with tax authorities, the Company, along with other operators, has filed writ petition before Islamabad High Court to seek correct interpretation of pertinent legal provisions.

17.14 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.

Notes to and Forming Part of the Consolidated Financial Statements
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			December 31, 2012	June 30, 2012
			(Rupees in '000)	
17.15	**Commitments - Group**			
a)	Letter of credit for purchase of stock		178,120	170,881
b)	Commitments for capital expenditure			
	- for network assets		16,085,739	18,851,375
	- non network assets		118,737	498,956
			16,204,476	19,350,331
c)	Commitment for acquisition of U Microfinance Bank Limited (Formerly Rozgar Microfinance Bank Limited)		-	1,000,000
18.	**Property, plant and equipment**			
	Operating fixed assets	18.1	135,226,656	132,674,271
	Capital work-in-progress	18.6	16,957,329	17,218,889
			152,183,985	149,893,160

Notes to and Forming Part of the Consolidated Financial Statements

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18.1 Operating fixed assets

	Land		Buildings on										
	Freehold - note 18.2	Leasehold	Freehold land	Leasehold land	Lines and wires	Apparatus, plant and equipment	Office equipment	Computer and electrical equipment	Furniture and fittings	Vehicles	Submarine cables	Leased network and allied systems	Total
	(Rupees in '000)												
As at July 01, 2011													
Cost	1,647,893	954,868	10,562,513	1,008,671	108,148,909	218,227,138	1,264,522	3,281,618	490,560	1,737,168	9,827,693	157,637	357,309,190
Accumulated depreciation	-	(545,470)	(3,481,677)	(406,172)	(84,324,572)	(126,009,497)	(796,656)	(2,045,892)	(366,424)	(1,411,060)	(3,319,028)	(20,343)	(222,726,791)
Net book value	1,647,893	409,398	7,080,836	602,499	23,824,337	92,217,641	467,866	1,235,726	124,136	326,108	6,508,665	137,294	134,582,399
Year ended June 30, 2012													
Opening net book value	1,647,893	409,398	7,080,836	602,499	23,824,337	92,217,641	467,866	1,235,726	124,136	326,108	6,508,665	137,294	134,582,399
Additions	1,471	3,641	323,470	-	2,342,395	15,000,980	42,650	1,276,468	11,762	339,589	751,295	-	20,093,721
Disposals													
Cost	-	(437)	-	-	-	(187,111)	-	(44,456)	(264)	(61,911)	-	-	(294,179)
Accumulated depreciation	-	353	-	-	-	150,408	-	43,975	220	60,748	-	-	255,704
	-	(84)	-	-	-	(36,703)	-	(481)	(44)	(1,163)	-	-	(38,475)
Transfers / adjustments	-	(487)	-		-	(284)	-	397	374	-		(3,748)	(3,748)
Depreciation charge for the year	-	(149,541)	(269,185)	(25,212)	(4,095,419)	(15,490,128)	(45,081)	(856,298)	(25,494)	(132,010)	(659,386)	(20,113)	(21,767,867)
Impairment charge - note 18.4	-	-	-	-	-	(191,759)	-	-	-	-	-	-	(191,759)
Net book value	1,649,364	262,927	7,135,121	577,287	22,071,313	91,499,747	465,435	1,655,812	110,734	532,524	6,600,574	113,433	132,674,271
As at July 01, 2012													
Cost	1,649,364	957,585	10,885,983	1,008,671	110,491,304	233,040,723	1,307,172	4,514,027	502,432	2,014,846	10,578,988	153,889	377,104,984
Accumulated depreciation and impairment	-	(694,658)	(3,750,862)	(431,384)	(88,419,991)	(141,540,976)	(841,737)	(2,858,215)	(391,698)	(1,482,322)	(3,978,414)	(40,456)	(244,430,713)
Net book value	1,649,364	262,927	7,135,121	577,287	22,071,313	91,499,747	465,435	1,655,812	110,734	532,524	6,600,574	113,433	132,674,271
Period ended December 31, 2012													
Opening net book value	1,649,364	262,927	7,135,121	577,287	22,071,313	91,499,747	465,435	1,655,812	110,734	532,524	6,600,574	113,433	132,674,271
Additions	-	3,157	69,187	7,118	612,662	12,051,637	209,328	619,217	4,415	203,806	467,551	-	14,248,078
Disposals													
Cost	-	(11,188)	-	-	(1,628,431)	(802,431)	-	(8,012)	(595)	(55,361)	-	-	(2,506,018)
Accumulated depreciation	-	10,317	-	-	1,356,113	706,477	-	7,021	206	48,215	-	-	2,128,349
	-	(871)	-	-	(272,318)	(95,954)	-	(991)	(389)	(7,146)	-	-	(377,669)
Transfers / adjustments	-	(361)	-	-	-	(473)	-	834	-	-	-	-	-
Depreciation charge for the period	-	(66,937)	(136,150)	(12,606)	(1,955,320)	(8,042,200)	(23,325)	(526,426)	(12,026)	(91,072)	(355,248)	(9,928)	(11,231,238)
Impairment charge - note 18.4	-	-	-	-	-	(86,786)	-	-	-	-	-	-	(86,786)
Net book value	1,649,364	197,915	7,068,158	571,799	20,456,337	95,325,971	651,438	1,748,446	102,734	638,112	6,712,877	103,505	135,226,656
As at December 31, 2012													
Cost	1,649,364	949,193	10,955,170	1,015,789	109,475,535	244,289,456	1,516,500	5,126,066	506,252	2,163,291	11,046,539	153,889	388,847,044
Accumulated depreciation and impairment	-	(751,278)	(3,887,012)	(443,990)	(89,019,198)	(148,963,485)	(865,062)	(3,377,620)	(403,518)	(1,525,179)	(4,333,662)	(50,384)	(253,620,388)
Net book value	1,649,364	197,915	7,068,158	571,799	20,456,337	95,325,971	651,438	1,748,446	102,734	638,112	6,712,877	103,505	135,226,656
Annual rate of depreciation (%)		1 to 33	2.5	2.5	7	10 to 33	10	33.33	10	20	6.67 to 8.33	13.33	

18.2 As explained in note 1.1, the property and rights vesting in the operating assets, as at January 01, 1996, were transferred to PTCL from Pakistan Telecommunication Corporation, under the Pakistan Telecommunication (Re-organization) Act, 1996. However, the title to certain freehold land properties, were not formally transferred in the name of PTCL in the land revenue records. PTCL initiated the process of transfer of title to freehold land, in its own name, in previous years, which is still ongoing and shall be completed in due course of time.

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18.3 Disposal of property, plant and equipment:

The details of the disposals of property, plant and equipment, are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in '000)					
Line and wire	1,628,431	1,356,113	272,318	78,519	Auction	Various buyers
Apparatus, plant and equipment	21,049	10,604	10,445	10,572	Insurance claim	EFU General Insurance Company
	3,798	2,564	1,234	1,391	Insurance claim	EFU General Insurance Company
	3,215	1,145	2,070	2,081	Insurance claim	EFU General Insurance Company
	6,935	-	6,935	6,935	Insurance claim	EFU General Insurance Company
	756,591	685,226	71,365	43,091	Auction	Various buyers
	791,588	699,539	92,049	64,070		
Motor vehicles	3,224	2,633	591	806	Company's policy	Mr. Sheikh Younas - ex-employee
	3,047	2,688	359	762	Company's policy	Mr. Jaffer Khalid - employee
	3,017	2,665	352	754	Company's policy	Mr. Naveed Khalid Butt - employee
	3,224	2,794	430	806	Company's policy	Mr. Faisal Khaliq - employee
	3,750	2,125	1,625	938	Company's policy	Mr. Mhohammad Nadeem Khan - employee
	3,017	2,665	352	754	Company's policy	Mr. Ahmad Kamal - employee
	3,800	1,837	1,963	950	Company's policy	Mr. Akber Khan - employee
	2,570	2,185	385	385	Insurance claim	EFU General Insurance Company
	855	266	589	645	Insurance claim	EFU General Insurance Company
	26,504	19,858	6,646	6,800		
Computer and accessories	419	99	320	337	Insurance claim	EFU General Insurance Company
	76	15	61	63	Company's policy	Mr. Adeel Arshad - employee
	76	15	61	65	Company's policy	Mr. Zohaib Manzoor Ahmed - employee
	166	-	166	83	Sale to related party	U Microfinance Bank Limited
	737	129	608	548		
Aggregate of other having net book values not exceeding Rs 50,000	58,758	52,708	6,048	45,662		
	2,506,018	2,128,347	377,669	195,599		

18.4 The carrying amount of certain items of apparatus, plant and equipment have been reduced to their recoverable amount through recognition of an impairment loss of Rs 86,786 thousand (June 30, 2012: Rs 191,759 thousand). This loss has been included in 'cost of services' in the statement of comprehensive income. The impairment charge arose in apparatus, plant and equipment owing to malfunctioning of various asset items.

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
18.5 The depreciation charge for the period/ year has been allocated as follows:			
Cost of services	34	10,517,655	20,539,887
Administrative and general expenses	35	683,481	1,169,588
Selling and marketing expenses	36	30,102	58,392
		11,231,238	21,767,867
18.6 Capital work-in-progress			
Buildings		651,325	708,890
Lines and wires		5,349,871	5,259,593
Apparatus, plant and equipment		9,581,440	9,742,803
Advances to suppliers		338,313	337,790
Others		1,036,380	1,169,813
		16,957,329	17,218,889

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

		Note	December 31, 2012	June 30, 2012
			(Rupees in '000)	
18.7	**Movement during the period / year**			
	Balance at beginning of the period / year		17,218,889	18,957,590
	Additions during the period / year		15,234,165	18,355,020
	Transfers during the period / year		(14,795,034)	(20,093,721)
	Balance at period / year end		17,658,020	17,218,889

18.8 Capital work in progress includes an amount of Rs 478,978 thousand (June 30, 2012: Rs 963,074 thousand), in respect of direct overheads relating to development of assets.

		Note	December 31, 2012	June 30, 2012
			(Rupees in '000)	
19.	**Intangible assets**			
	Goodwill	47	78,790	-
	Other intangible assets	19.1	3,857,956	3,547,121
			3,936,746	3,547,121

19.1 Other intangible assets

	Licenses	Computer software	Frequency vacation charges	Total
	(Rupees in '000)			
As at July 01, 2011				
Cost	4,588,988	1,641,790	342,000	6,572,778
Accumulated amortization	(1,671,657)	(716,655)	(277,470)	(2,665,782)
Net book value	2,917,331	925,135	64,530	3,906,996
Year ended June 30, 2012				
Opening net book value	2,917,331	925,135	64,530	3,906,996
Additions	-	231,343	-	231,343
Amortization charge for the year	(233,170)	(335,248)	(22,800)	(591,218)
Closing net book value	2,684,161	821,230	41,730	3,547,121
As at July 01, 2012				
Cost	4,588,988	1,873,133	342,000	6,804,121
Accumulated amortization	(1,904,827)	(1,051,903)	(300,270)	(3,257,000)
Net book value	2,684,161	821,230	41,730	3,547,121
Period ended December 31, 2012				
Opening net book value	2,684,161	821,230	41,730	3,547,121
Additions	15,910	558,176	-	574,086
Amortization charge for the period	(120,049)	(131,802)	(11,400)	(263,251)
Closing net book value	2,580,022	1,247,604	30,330	3,857,956
As at December 31, 2012				
Cost	4,604,898	2,431,309	342,000	7,378,207
Accumulated amortization	(2,024,876)	(1,183,705)	(311,670)	(3,520,251)
Net book value	2,580,022	1,247,604	30,330	3,857,956

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

		Note	December 31, 2012	June 30, 2012
			(Rupees in '000)	
19.2	Breakup of net book values as at period/year end is as follows:			
	Licenses - PTCL			
	Telecom	19.3	79,787	84,774
	WLL spectrum	19.3	2,103,199	2,192,697
	WLL and LDI License	19.4	84,683	87,415
	IPTV	19.5	12,198	-
	Licenses - PTML	19.6	300,155	319,275
			2,580,022	2,684,161
	Computer software - PTCL			
	Bill printing software	19.7	1,913	2,733
	Billing and automation of broadband	19.7	13,052	17,659
	HP OSS	19.7	28,539	31,964
	SAP - Enterprise Resource Planning (ERP) system	19.8	355,211	382,417
	Software - PTML	19.9	848,889	386,457
			1,247,604	821,230
	Frequency vacation charges - PTML	19.10	30,330	41,730
			3,857,956	3,547,121

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

19.4 PTA has issued a license under section 5 of the Azad Jammu and Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 1996, the Northern Areas Telecommunication (Re-organization) Act, 2005 and the Northern Areas Telecommunication (Re-organization) (Adaptation and Enforcement) Order 2006, to the Holding Company to establish, maintain and operate a telecommunication system in Azad Jammu and Kashmir and Gilgit-Baltistan, for a period of 20 years, commencing May 28, 2008, at an agreed license fee of Rs 109,270 thousand. The cost of the license is being amortized, on a straight line basis, over the period of the license.

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

19.6 PTA has issued two licenses to PTML to establish, maintain and operate cellular services in Pakistan and Azad Jammu and Kashmir for a period of 15 years commencing May 1999 and June 2006 respectively.

19.7 The cost of computer software is being amortized, on a straight line basis, over a period of 5 years.

19.8 This represents the cost of the SAP - Enterprise Resource Planning (ERP) system, with a useful life of 10 years, being amortized on a straight line basis.

19.9 This represents machine independent IT software with a useful life of 3 years, being amortized on straight line basis.

19.10 Vacancy charges comprise the amount paid in year 2000 to Special Communication Organization, on initial vacation of their equipment and releasing the spectrum in favour of PTML. It has a useful life of 15 years.

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

19.11 The amortization charge for the year has been allocated as follows:

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
Cost of services	34	167,507	331,753
Administrative and general expenses	35	95,744	259,465
		263,251	591,218

20. Long term investments

	Note	December 31, 2012	June 30, 2012
Investment in associate	20.1	24,319	26,970
Other investments	20.2	83,900	83,900
		108,219	110,870

20.1 Investment in associate - unquoted

	December 31, 2012	June 30, 2012
TF Pipes Limited		
1,658,520 (June 30, 2012: 1,658,520) ordinary shares of Rs 10 each		
Ordinary shares held 40% (June 30, 2012: 40%)		
Cost	23,539	23,539
Post acquisition profit	780	3,431
	24,319	26,970

20.1.1 The net assets of the associate - TF Pipes Limited are as follows:

	December 31, 2012	June 30, 2012
Total assets	93,701	90,894
Total liabilities	49,034	43,128
Revenue	70,176	171,402
Expenses	75,564	162,024
Profit / (loss) before tax	(5,388)	9,378

20.2 Other investments

	December 31, 2012	June 30, 2012
Available for sale investments - unquoted		
Thuraya Satellite Company 3,670,000 (June 30, 2012: 3,670,000) ordinary shares of 1 Dirham each	63,900	63,900
Alcatel-Lucent Pakistan Limited 2,000,000 (June 30, 2012: 2,000,000) ordinary shares of Rs 10 each	20,000	20,000
	83,900	83,900

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
21. Long-term loans and advances - considered good			
Loans to employees - secured			
PTCL	21.1	542,166	723,703
PTML	21.2	136,815	148,537
		678,981	872,240
Less: discounting to present value		(42,073)	(53,967)
		636,908	818,273
Advances to suppliers against turnkey contracts	21.4	3,026,774	3,444,453
Others		17,602	12,852
		3,681,284	4,275,578
Less: Current portion shown under current assets			
Loans to employees - secured	25	(123,967)	(142,498)
		3,557,317	4,133,080

21.1 These loans and advances are for house building and purchase of motor cars, motor cycles and bicycles. Loans to gazetted employees of the Holding Company carry interest at the rate of 14% per annum (June 30, 2012: 14% per annum), whereas, loans to employees other than gazetted employees are interest free. The loans are recoverable in equal monthly installments spread over a period of 5 to 10 years and are secured against future pension payments of the employees.

This balance also includes a sum of Rs 1,542 thousand (June 30, 2012: Rs 2,449 thousand), due from employees against purchase of vehicles from the Holding Company, recoverable in monthly installments spread over a period of 1 to 2 years.

21.2 These represent interest free housing loans provided to eligible executive employees in accordance with the PTML's policy. The loans are secured against property located within Pakistan and owned by the employee. The loans are recoverable over a period of seven and a half years in equal installments.

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

	As at July 01, 2012	Disbursements	Repayments	As at December 31, 2012
Executives	154,761	-	13,823	140,938
Other employees	717,479	8,194	187,630	538,043
	872,240	8,194	201,453	678,981
	As at July 01, 2011	**Disbursements**	**Repayments**	**As at June 30, 2012**
	(Rupees in '000)			
Executives	142,966	57,021	45,226	154,761
Other employees	595,516	245,615	123,652	717,479
	738,482	302,636	168,878	872,240

The maximum amount due from the executives at the end of any month during the period / year was Rs 150,706 thousand (June 30, 2012: Rs 176,297 thousand).

Notes to and Forming Part of the Consolidated Financial Statements

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21.4 These represent various unsecured non interest bearing advances issued to the Group's vendors under turnkey contracts. This includes an advance of Rs 18,029 thousand (June 30, 2012: Rs 61,961 thousand) given to Telecom Foundation, a related party.

		Note	December 31, 2012 (Rupees in '000)	June 30, 2012 (Rupees in '000)
22.	**Stores, spares and loose tools**			
	Stores, spares and loose tools	22.1	3,721,455	3,595,530
	Provision for obsolescence	22.2	(786,334)	(622,706)
			2,935,121	2,972,824

22.1 Stores, spares and loose tools include items which may be capitalized as a part of property, plant and equipment but are not distinguishable.

		Note	December 31, 2012 (Rupees in '000)	June 30, 2012 (Rupees in '000)
22.2	**Provision for obsolescence**			
	Balance at the beginning of the period / year		622,706	527,192
	Provision during the period / year	34	163,628	284,623
			786,334	811,815
	Written off against provision		-	(189,109)
			786,334	622,706
23.	**Stock in trade**			
	SIM cards		210,554	239,893
	Scratch cards		38,655	39,982
	Mobile phones		161,365	296,295
			410,574	576,170
	Provision for slow moving stock and warranty against mobile phones		(116,703)	(140,103)
			293,871	436,067
24.	**Trade debts**			
	PTCL - unsecured			
	Domestic			
	Considered good	24.1	10,002,372	7,180,418
	Considered doubtful		8,631,156	9,490,723
			18,633,528	16,671,141
	International			
	Considered good	24.1	4,240,018	1,016,634
	Considered doubtful		40,091	165,512
			4,280,109	1,182,146
	PTML			
	Considered good - secured	24.2	620,874	709,998
	Considered good - unsecured	24.1	1,010,403	1,256,980
	Considered doubtful - unsecured		294,962	284,802
			1,926,239	2,251,780

Notes to and Forming Part of the Consolidated Financial Statements
for the six months period ended December 31, 2012

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
U Bank			
Considered good - unsecured		78	-
		24,839,954	20,105,067
Provision for doubtful debts	24.3	(8,966,209)	(9,941,037)
		15,873,745	10,164,030

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
24.1 These include amounts due from the following related parties:		
Etisalat - UAE	53,844	27,130
Etihad Etisalat Company - KSA	96,004	107,199
The Government of Pakistan and its related entities.	1,424,117	1,302,367
	1,573,965	1,436,696

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

24.2 These are secured against customer and dealer deposits having aggregate amount of Rs 945,253 thousand (June 30, 2012 Rs 958,351 thousand). These also include unbilled revenue related to postpaid subscribers, aggregating to Rs 224,000 thousand (June 30, 2012: Rs 233,000 thousand).

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
24.3 Provision for doubtful debts			
Balance at beginning of the period / year		9,941,037	14,698,470
Provision for the period / year	35	926,447	1,874,506
		10,867,484	16,572,976
Written-off against provision		(1,901,275)	(6,631,939)
		8,966,209	9,941,037
25. Loans and advances			
Loans			
Current portion of long term loans to employees - considered good	21	123,967	142,498
Short term loan - unsecured considered doubtful	25.1	9,964	9,964
Provision for short-term loan		(9,964)	(9,964)
		-	-
Advances - considered good			
Advances to employees	25.2	14,355	88,355
Advances to suppliers and contractors	25.3	933,200	542,326
Advances to taxation authorities	25.4	4,844	1,764,844
		952,399	2,395,525
Other advances			
Micro credit		290	-
Micro lease		473	-
		763	-

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for the six months period ended December 31, 2012

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
Provision for other advances	(320)	-
	443	-
	1,076,809	2,538,023

25.1 This represents a loan to Pakistan MNP Database (Guarantee) Limited, a related party, for working capital purposes, carrying interest at 17% (June 30, 2012:17%) per annum. The loan was due for repayment on June 30, 2010. However, no repayment was received till December 31, 2012 and full provision has been against this balance.

25.2 These include advances to executives amounting to Rs 5,715 thousand (June 30, 2012: Rs 10,287 thousand).

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
25.3 These include amounts due from the following related parties:		
TF Pipes Limited	6,841	6,841
The Government of Pakistan and its related entities	-	6,715
	6,841	13,556

25.4 This represents amount deposited into the government treasury which will be adjusted against the future income tax collections by the Group from its customers.

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
26. Deposits		
Security deposits	73,345	60,996
Margin against letter of credit	10,101	4,195
	83,446	65,191
27. Accrued interest		
Return on bank deposits	286,287	111,276
Interest receivable on loans to employees - secured	64,059	64,385
Others	3,393	-
	353,739	175,661
28. Recoverable from tax authorities		
Income tax	15,455,363	14,955,735
Sales tax	670,540	570,489
Federal Excise Duty	3,781,028	3,751,372
	19,906,931	19,277,596
Provision for doubtful amount - Federal Excise Duty	(466,176)	(466,176)
	19,440,755	18,811,420

29. Receivable from the Government of Pakistan - considered good

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

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
30. Prepayments and other receivables			
Prepayments			
- Pakistan Telecommunication Authority, a related party	30.1	151,132	-
- Site rentals		1,548,156	910,475
- Maintenance		44,341	93,638
- Others		126,298	47,148
		1,869,927	1,051,261
Other receivables - Considered good			
Due from related parties:			
- Etisalat - UAE against secondment of employees		68,627	57,625
- Pakistan Telecommunication Employees Trust		108,816	104,801
- PTCL employees' GPF Trust		69,851	86,606
- Universal Services Fund		240,000	240,000
		487,294	489,032
Other receivables from:			
Vendors		38,919	39,202
Forward foreign exchange contracts	30.2	-	20,932
Others		136,106	249,196
		2,532,246	1,849,623
Considered doubtful		326,166	326,166
Provision for doubtful receivables		(326,166)	(326,166)
		-	-
		2,532,246	1,849,623

30.1 This represents prepayments to PTA on account of License fee of Rs 117,769 thousand (June 30, 2012: Nil), Numbering Charges of Rs 5,389 thousand (June 30, 2012: Nil), Spectrum charges of Rs 22,112 thousand (June 30, 2012: Nil) and Microwave link for WLL of Rs 5,862 thousand (June 30, 2012: Nil).

30.2 This represents fair value of forward foreign exchange contracts entered into by the Group to hedge its foreign currency exposure. As at December 31, 2012, the Group had forward exchange contracts to purchase USD 86,864 thousand (June 30, 2012: USD 51,137 thousand) at various maturity dates matching the anticipated payment dates for network liability.

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
31. Short-term investments			
At fair value through profit or loss	31.1	21,718,941	15,923,900
Term deposits			
- maturity up to 3 months	31.2	8,242,117	9,611,508
Available-for-sale investments			
- units of mutual funds	31.3	655,341	317,893
		30,616,399	25,853,301

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

			December 31, 2012	June 30, 2012
			(Rupees in '000)	
31.1	**At fair value through profit or loss**			
	- Mutual funds	31.1.1	1,451,257	304,620
	- Treasury bills	31.1.2	4,198,856	15,619,280
	- Term deposit receipts (TDRs)	31.1.3	16,068,828	-
			21,718,941	15,923,900

31.1.1 This represents investment in 74,663,269 units (June 30, 2012: 30,303,539 units) of NAFA Government Securities Liquid Fund and 69,972,711 units (June 30, 2012: Nil) of ABL cash fund.

31.1.2 This represents treasury bills carrying markup ranging from 9.18% to 9.28% (June 30, 2012: 11.83% to 11.92%) per annum with maturities up to 3 months. The fair value ofthese treasury bills is calculated using the market quoted yields.

31.1.3 This represents deposit receipts having maturity period up to 3 months. The effective interest / mark up rate on these term deposit receipts ranges between 9.0% and 10.0% per annum.

31.2 Term deposits

	Term months	Maturity Upto	Profit rate % per annum	December 31, 2012 Rs '000	June 30, 2012 Rs '000
Askari Bank Limited	3	January 10, 2013	10.10	2,714,842	-
Bank of Punjab	3	February 05, 2013	10.15	2,027,275	-
National Bank of Pakistan	3	March 01, 2013	10.00	2,000,000	-
Habib Bank Limited	3	March 01, 2013	10.00	1,500,000	-
Allied Bank Limited	3	July 02, 2012	12.25	-	1,026,847
Askari Bank Limited	3	July 10, 2012	12.25	-	2,642,656
Habib Bank Limited	3	August 22, 2012	12.25	-	2,026,849
Bank Alfalah Limited	3	August 29, 2012	12.00	-	2,064,928
Bank Alfalah Limited	3	September 18, 2012	12.25	-	1,850,228
				8,242,117	9,611,508

Notes to and Forming Part of the Consolidated Financial Statements
for the six months period ended December 31, 2012

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
31.3 Available-for-sale investments		
31.3.1 Units of mutual funds		
Units of open-end mutual funds:		
Pakistan Cash Management Fund 2,659,448 (June 30, 2012: 2,540,554) units	133,335	127,174
NAFA Government Securities Liquid Fund 6,682,486 (June 30, 2012: 6,384,990) units	67,182	64,184
Atlas Money Market Fund 300,487 (June 30, 2012: Nil) units	151,761	-
IGI Money Market Fund 1,508,110 (June 30, 2012: Nil) units	151,758	-
JS Cash Fund 1,481,055 (June 30, 2012: Nil) units	151,305	-
BMA Empress Cash Fund Nil (June 30, 2012: 3,192,415) units	-	32,108
Faysal Saving Growth Fund Nil (June 30, 2012: 608,167) units	-	62,781
Askari Sovereign Cash Fund Nil (June 30, 2012: 313,124) units	-	31,646
	655,341	317,893
31.3.2 Movement in available-for-sale investments during the period / year:		
Balance as at July 01	317,893	285,506
Additions during the period / year	450,000	-
Disposals during the period / year		
Cost	(101,364)	-
Gain on disposal of available-for-sale investments transferred from other comprehensive income to income	(28,087)	-
	(129,451)	-
Unrealized gain transferred to other comprehensive income - net of tax	16,899	32,387
	655,341	317,893

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
32. Cash and bank balances			
Cash in hand		31,065	84,301
Balances with banks:			
Deposit accounts	32.1	3,935,411	358,984
Saving Accounts	32.3	1,922,457	518,868
Current accounts			
Local currency		335,653	2,564,791
Foreign currency (USD 8,420 thousand (June 30, 2012: USD 3,672 thousand))		815,857	345,191
		1,151,510	2,909,982
		7,040,443	3,872,135

32.1 The balances in deposit accounts, carry mark-up ranging between 5% and 11.65% (June 30, 2012: 2% and 13.30%) per annum.

32.2 Deposit accounts include Rs 156,768 thousand (June 30, 2012: 215,719 thousand) under lien of bank, against letters of guarantees and letters of credits issued on behalf of the holding Company.

32.3 This includes foreign currency balances of USD 1,512 thousand (June 30, 2012: USD 978 thousand) and Euro 117 thousand (June30, 2012: Euro 116 thousand). The effective interest / mark-up rate, on saving accounts, ranged between 6% and 10.5% (June 30, 2012: 5% to 11%) per annum.

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
33. Revenue			
Telecommuncation			
Domestic	33.1	53,718,956	105,045,505
International	33.2	8,855,756	5,747,783
Microfinance Bank - Net interest earned		5,937	-
		62,580,649	110,793,288

33.1 Revenue is exclusive of Federal Excise Duty amounting to Rs 7,462,720 thousand (June 30, 2012: Rs 15,148,469 thousand).

33.2 International revenue represents revenue from foreign network operators, for calls that originate outside Pakistan, and has been shown net of interconnect cost relating to other operators and Access Promotion Charges, aggregating to Rs 4,563,663 thousand (June 30, 2012: Rs 7,121,997 thousand).

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		Note	Six months period ended December 31, 2012	Year ended June 30, 2012
			(Rupees in '000)	
34.	**Cost of services**			
	Salaries, allowances and other benefits	34.1	6,534,277	12,329,487
	Call centre charges		292,408	426,658
	Interconnect cost		2,981,444	7,918,461
	Foreign operators cost and satellite charges		5,102,936	9,088,111
	Network operating cost		5,848,436	9,274,046
	Fuel and power		2,196,844	4,089,691
	Value added services		427,493	765,715
	Communication		5,590	8,490
	Cost of SIMs		247,217	858,776
	Cost of prepaid cards		78,143	142,328
	Stores, spares and loose tools consumed		1,429,902	1,758,446
	Provision for obsolete stores, spares and loose tools	22.2	163,628	284,623
	Rent, rates and taxes		161,869	899,518
	Repairs and maintenance		1,284,436	1,935,720
	Printing and stationery		144,589	215,732
	Travelling and conveyance		5,600	10,536
	Depreciation on property, plant and equipment	18.5	10,517,655	20,539,887
	Amortization of intangible assets	19.11	167,507	331,753
	Impairment on property, plant and equipment		86,786	191,759
	Annual license fee to Pakistan Telecommunication Authority (PTA)		534,968	1,010,686
	Others		66,842	123,982
			38,278,570	72,204,405

34.1 This includes Rs 1,581,967 thousand (June 30, 2012: 3,303,685 thousand) in respect of employees' retirement benefits.

		Note	Six months period ended December 31, 2012	Year ended June 30, 2012
			(Rupees in '000)	
35.	**Administrative and general expenses**			
	Salaries, allowances and other benefits	35.1	1,366,095	2,498,035
	Call centre charges		43,861	63,999
	Fuel and power		165,348	307,816
	Rent, rates and taxes		286,353	466,905
	Repairs and maintenance		309,084	483,034
	Printing and stationery		2,232	3,331
	Travelling and conveyance		148,782	285,063
	Technical services assistance fee	35.2	2,190,323	3,877,765
	Legal and professional charges		139,080	337,342
	Auditors' remuneration	35.3	9,199	21,654
	Depreciation on property, plant and equipment	18.5	683,481	1,169,588
	Amortization of intangible assets	19.11	95,744	259,465
	Research and development fund	35.4	151,221	239,281
	Provision against doubtful debts	24.3	926,447	1,874,506
	Donations	35.5	3,459	75,162
	Other expenses		1,611,295	2,871,727
			8,132,004	14,834,673

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35.1 This includes Rs 184,256 thousand (June 30, 2012: Rs 428,861 thousand) in respect of employees' retirement benefits.

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

35.3 Auditors' remuneration

	Six months period ended December 31, 2012	Year ended June 30, 2012
	(Rupees in '000)	
A.F. Ferguson & Co.		
Statutory audit, including half yearly review	5,450	5,600
Tax services	3,029	8,667
Out of pocket expenses	595	600
Other services	125	1,887
Ernst & Young Ford Rhodes Sidat Hyder		
Statutory audit, including half yearly review	-	4,500
Tax and other services	-	150
Out of pocket expenses	-	250
	9,199	21,654

35.4 This represents the Group's contribution to the National Information Communication Technology, Research and Development Fund ("National ICT R&D Fund"), at the rate of 0.5% (June 30, 2012: 0.5%) of its gross revenues less inter operator payments and related PTA / FAB mandated payments, in accordance with the terms and conditions of its license to provide telecommunication services.

35.5 There were no donations during the period / year in which the directors or their spouses had any interest.

36. Selling and marketing expenses

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
Salaries, allowances and other benefits	36.1	1,055,769	2,004,153
Call centre charges		29,241	42,666
Sales and distribution charges		877,065	2,009,558
Fuel and power		48,819	90,882
Printing and stationery		1,491	2,224
Travelling and conveyance		5,600	10,536
Advertisement and publicity		1,788,588	2,934,321
Customer port in fee - net		63,966	-
Net cost of handsets sold		7,993	89,134
GoP activation tax		493,117	802,146
Depreciation on property, plant and equipment	18.5	30,102	58,392
Others		31,492	119,757
		4,433,243	8,163,769

36.1 This includes Rs 171,634 thousand (June 30, 2012: Rs 383,199 thousand) in respect of employees' retirement benefits.

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37. Voluntary separation scheme cost

During the period, the Holding Company offered a voluntary separation scheme (VSS) to certain categories of its employees. The benefits offered over and above the accumulated post retirement benefit obligations as at September 30, 2012 have been treated as VSS cost.

Out of 5,567 employees who opted for the Scheme, 2,510 belong to funded pension scheme, 328 to unfunded pension scheme and 2,729 to Gratuity Scheme, 2,284 of these employees have become pensioners during the period. The amount of actuarial gain / loss on curtailment / settlement and proportionate share of unrecognized actuarial gains / losses as at December 31, 2012 for employees who have opted for VSS have also been adjusted / charged against the VSS cost. The break up of the VSS cost is as follows:

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
VSS cost relating to employees' retirement benefits			
- Actuarial (gains) / losses recognised on curtailment / settlement	9.1(c)	4,276,080	-
Other VSS cost	31.1	5,191,188	-
		9,467,268	-
Other VSS cost			
Severance pay		3,252,320	-
Separation bonus		984,900	-
Medical benefits		682,250	-
Housing allowance		221,209	-
EOBI Cost of VSS Optees		30,220	-
Others		20,289	-
		5,191,188	-

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
38. Other operating income			
Income from financial assets:			
Return on bank deposits		889,212	1,378,140
Late payment surcharge from subscribers on over due bills		115,234	199,962
Dividend income		15,000	-
Gain on sale of short-term investments through profit or loss		708,010	298,098
Gain on fair value remeasurement of:			
- short term investments		43,154	207,420
- forward exchange contracts		-	20,932
Gain on disposal of available-for-sale investments		28,087	-
Imputed interest net of unwinding of interest on long term loans		14,083	-
Income from non financial assets:			
Gain on disposal of items of property, plant and equipment		-	65,930
Gain on sale of obsolete stores		-	180,980
Liabilities no longer payable written back	38.1	-	1,800,660
Secondment income from Etisalat, UAE - a related party		16,683	58,852

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	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
Amortization of deferred government grants	13	91,204	142,160
Others		138,398	266,283
		2,059,065	4,619,417

38.1 This includes Rs 1,340,114 thousand related to reversal of liabilities in the previous year on account of the National ICT R&D Fund, pursuant to an amendment in the holding Company's license by PTA.

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
39. Finance costs			
Interest on:			
Long term loans from banks		1,278,982	2,157,920
Long term liability		149,077	172,462
Short term running finances		5,425	19,293
Finance lease		12,684	31,894
Bank and other charges		148,474	241,332
Loss on fair value measurement of forward exchange contracts		79,189	-
Exchange loss		249,883	667,418
Imputed interest related to			
AJK license fee		4,250	8,528
Long-term loans		-	6,375
		1,927,964	3,305,222
40. Provision for income tax charge / (credit) for the period / year			
Current			
- for the period / year		335,675	3,301,662
- for prior period / year		-	(1,031,000)
		335,675	2,270,662
Deferred - for the period / year	11	696,963	3,199,027
		1,032,638	5,469,689
Share of tax of an associate		496	434
		1,033,134	5,470,123

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40.1 Tax charge reconciliation

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

	Six months period ended December 31, 2012	Year ended June 30, 2012
	(Percentage)	
Applicable tax rate	35.00	35.00
Tax effect of minimum tax not recognised as deferred tax asset	6.79	-
Utilization of minimum tax paid in prior years, not recognized as deferred tax asset	-	(6.10)
Tax effect of amounts that are not deductible for tax purposes and others	4.82	3.45
	11.61	(2.65)
Average effective tax rate charged to the statement of comprehensive income	46.61	32.35

41. Earnings per share - basic and diluted

		Six months period ended December 31, 2012	Year ended June 30, 2012
Profit for the period / year	Rupees in thousand	1,183,306	11,438,264
Weighted average number of ordinary shares	Number in thousand	5,100,000	5,100,000
Earnings per share	Rupees	0.23	2.24

42. Non funded finance facilities

PTCL has non funded financing facilities available with banks, which include facilities to avail letters of credit and letters of guarantee. The aggregate facility of Rs 17,125,000 thousand (June 30,2012: Rs 16,625,000 thousand) and Rs 5,800,000 thousand (June 30, 2012: Rs 5,500,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facility availed at the period / year end is Rs5,138,724 thousand (June 30,2012: Rs 5,133,626 thousand). The letter of credit facility is secured by a hypothecation charge over certain assets of PTCL, amounting to Rs 18,717,000 thousand (June 30,2012: Rs 16,985,000 thousand).

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
43. Cash generated from operations		
Profit before tax	2,216,440	16,908,387
Adjustments for non-cash charges and other items:		
Depreciation and amortization	11,494,489	22,359,085
Impairment	86,786	191,759
Provision for obsolete stores, spares and loose tools	163,628	284,623
Provision for doubtful trade debts and other receivables	926,447	1,874,506
Provision for stock and warranty against mobile phones	(23,400)	83,381
Employees' retirement benefits	1,889,422	4,029,659
Voluntary separation scheme cost	9,467,268	-
Loss / (gain) on disposal of property, plant and equipment	182,070	(65,930)
Return on bank deposits	(889,212)	(1,371,588)
Interest income on long term loans	-	(6,552)

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		December 31, 2012	June 30, 2012
		(Rupees in '000)	
Dividend		(15,000)	-
Gain on disposal of available-for-sale investments		(28,087)	-
Unrealized gain on available-for-sale investments - net of tax		16,899	32,387
Liabilities no longer payable written back		-	(1,800,660)
Amortization of government grants		(91,204)	(142,160)
Finance costs		1,927,964	3,298,847
Imputed interest on long term loans		(14,083)	6,375
Gain on sale of short term investments through profit or loss		(739,976)	-
Gain on fair value adjustment for forward exchange contracts		-	(20,932)
Share of (profit) / loss from associate		2,155	(3,751)
		26,572,606	45,657,436
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(125,925)	112,041
Stock in trade		165,596	50,294
Trade debts		(6,636,162)	(2,603,651)
Loans and advances		1,442,683	(1,752,633)
Deposits		(17,283)	178,896
Recoverable from tax authorities		(129,707)	(2,490,634)
Prepayments and other receivables		(682,623)	(46,240)
		(5,983,421)	(6,551,927)
Increase / (decrease) in current liabilities:			
Trade and other payables		6,418,023	1,685,527
Advances from customers		(169,755)	1,035,567
		6,248,268	2,721,094
		26,837,453	41,826,603

43.1 Cash and cash equivalents

Short term investments	31	30,616,399	25,853,301
Cash and bank balances	32	7,040,443	3,872,135
Short term borrowings		-	(1,688,703)
		37,656,842	28,036,733

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44. Remuneration of Directors, Chief Executive and Executives

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

	Chairman		Chief Executive		Executives	
	Six months period ended December 31, 2012	Year ended June 30, 2012	Six months period ended December 31, 2012	Year ended June 30, 2012	Six months period ended December 31, 2012	Year ended June 30, 2012
	(Rupees in '000)					
Managerial remuneration	-	-	62,748	99,366	822,896	1,639,726
Honorarium	150	300	-	-	1,490	2,796
Bonus	-	-	-	-	295,784	280,431
Retirement benefits	-	-	4,490	7,568	96,160	475,418
Housing	-	-	-	-	327,725	631,504
Utilities	-	-	-	-	60,704	115,813
	150	300	67,238	106,934	1,604,759	3,145,688
Number of persons	1	1	1	1	1,126	984

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

The aggregate amount charged in the consolidated financial statements for the period / year as fee paid to 9 non executive directors (June 30, 2012: 9 non executive directors), is Rs 11,407 thousand (June 30, 2012: 32,765 thousand) for attending the Board of Directors, and its sub-committee meetings.

45. Rates of exchange

Assets in foreign currencies have been translated into Rupees at USD 1.0320 (June 30, 2012: USD 1.0638) equal to Rs 100, while liabilities in foreign currencies have been translated into Rupees at USD 1.0299 (2011: USD 1.0616) equal to Rs 100.

46. Financial risk management

46.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Arab Emirates Dirham (AED), EURO (EUR) and Australian Dollar (AUD). Currently, the

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Group's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Group's exposure to currency risk is as follows:

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
USD		
Trade and other payables	(9,615,148)	(5,319,952)
Long term vendor liability	(10,380,957)	(343,727)
License fee payable	(194,200)	(163,408)
Trade debts	5,600,119	1,923,249
Cash and bank balances	962,640	437,297
Net exposure	(13,627,546)	(3,466,541)
EUR		
Trade and other payables	(80,655)	(55,409)
Long term vendor liability	-	(19,386)
Trade debts	75,457	43,892
Cash and bank balances	15,028	13,693
Net exposure	9,830	(17,210)
AED		
Trade and other payables	(50,887)	(49,577)
AUD		
Loans and advances	-	3,028

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

	Six months period ended December 31, 2012	Year ended June 30, 2012
Rupees per USD		
Average rate	95.42	94.55
Reporting date rate	97.10	94.20
Rupees per EURO		
Average rate	121.67	117.99
Reporting date rate	128.31	118.50
Rupees per AED		
Average rate	25.98	25.53
Reporting date rate	26.44	25.65
Rupees per AUD		
Average rate	99.11	96.17
Reporting date rate	100.98	95.55

If the functional currency, at the reporting date, had fluctuated by 5% against the USD, AED, EUR, and AUD with all other variables held constant, the impact on profit after taxation for the period / year would have been Rs 444,330 thousand (June 30, 2012: Rs 114,735 thousand) respectively lower/ higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

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(ii) Other price risk

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

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

Financial assets include investments of Rs 2,106,598 thousand (June 30, 2012: Rs 622,513 thousand) which were subject to price risk.

If redemption price on mutual funds, at the period / year end date, fluctuate by 5% higher / lower with all other variables held constant, total comprehensive income for the period / year would have been Rs 105,330 thousand (June 30, 2012: Rs 20,231 thousand) higher / lower, mainly as a result of higher / lower redemption price on units of mutual funds.

(iii) Interest rate risk

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

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

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
Financial assets		
Fixed rate instruments:		
Staff loans	542,166	723,703
Short term investments - term deposits	24,310,945	9,611,508
Treasury Bills	4,198,856	15,619,280
Floating rate instruments		
Bank balances - deposit accounts	3,935,411	358,984
Bank balances - saving accounts	1,922,457	518,868
	34,909,835	26,832,343
Financial liabilities		
Floating rate instruments		
Long term loans from banks	20,500,000	20,500,000
Liability against assets subject to finance lease	102,325	107,248
Long term vendor liability	3,767,718	7,893,758
Short term running finance	-	1,688,703
	24,370,043	30,189,709

Fair value sensitivity analysis for fixed rate instruments

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

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Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate instruments of the Group, at the period / year end date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the period / year would have been Rs 120,329 thousand (June 30, 2012: Rs 102,746 thousand) higher / lower, mainly as a result of higher / lower markup income on floating rate loans/investments.

(b) Credit risk

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

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
Long term loans and advances	4,634,126	8,408,658
Trade debts	15,873,745	10,164,030
Deposits	83,446	65,191
Accrued interest	353,739	175,661
Receivable from the Government of Pakistan	2,164,072	2,164,072
Prepayments and other receivables	2,532,246	798,362
Short term investments	30,616,399	25,853,301
Bank balances	7,009,378	3,787,834
	63,267,151	51,417,109

The credit risk on liquid funds is limited, because the counter parties are banks with reasonably high credit ratings. In case of trade debts the Group believes that it is not exposed to a major concentration of credit risk, as its exposure is spread over a large number of counter parties and subscribers.

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

	Rating		Rating	December 31,	June 30,
	Short term	Long term	Agency	2012	2012
				(Rupees in '000)	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	6,098,101	2,162,780
Bank Alfalah Limited	A1+	AA	PACRA	2,653,782	3,906,379
Al Baraka Bank	A1	A	PACRA	500,668	-
MCB Bank Limited	A1+	AA+	PACRA	237,987	12,485
Soneri Bank Limited	A1+	AA-	PACRA	13,287	23,095
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	4,921
The Bank of Punjab	A1+	AA-	PACRA	3,082,986	6,197
NIB Bank Limited	A1+	AA-	PACRA	1,366,498	3
Habib Bank Limited	A-1+	AA+	JCR-VIS	1,566,774	1,987,647
Faysal Bank Limited	A1+	AA	PACRA	31,268	7,647
Askari Bank Limited	A1+	AA	PACRA	4,726,425	2,688,992
Allied Bank Limited	A1+	AA+	PACRA	4,167,389	1,129,868
United Bank Limited	A-1+	AA+	JCR-VIS	1,363,126	796,142
KASB Bank Limited	A3	BBB	PACRA	4,526	1,758
Tameer Micro Finance Bank Limited	A-1	A	JCR-VIS	-	590
Bank Al-Habib Limited	A1+	AA+	PACRA	2,644,336	164,979
Summit Bank Limited	A-2	A-	JCR-VIS	1,542,757	3,721

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	Rating Short term	Rating Long term	Rating Agency	December 31, 2012	June 30, 2012
				(Rupees in '000)	
Dubai Islamic Bank (Pakistan) Limited	A-1	A	JCR-VIS	218,541	251,446
Citibank, N.A	P-1	A1	Moody's	71,882	131,582
HSBC Bank Middle East Limited	P-1	A1	Moody's	-	939
Silkbank Limited	A-2	A-	JCR-VIS	-	212
SME Bank Limited	A-3	BBB	JCR-VIS	321	715
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	71,154	73,450
Meezan Bank Limited	A-1+	AA-	JCR-VIS	154,943	36,572
Other Banks				4,615	-
Barclays Bank PLC	A-1	A+	S&P's	15,502	7,222
Samba Bank	A-1	AA-	JCR-VIS	803,455	-
Mutual Funds					
- Pakistan Cash Management Fund	-	AAA(f)	PACRA	133,335	127,174
- NAFA Government Securities Liquid Fund	-	AAA(f)	PACRA	818,439	368,804
- Atlas Money Market Fund	-	AA+(f)	PACRA	151,761	-
- IGI Money Market Fund	-	AM3+	PACRA	151,758	-
- JS Cash Fund	-	AA+	PACRA	151,305	-
- Allied Bank Limited	-	AA+	JCR-VIS	700,000	-
- BMA Express Cash Fund	-	AA+(f)	JCR-VIS	-	32,108
- Faysal Saving Growth Fund	-	AA-(f)	JCR-VIS	-	62,781
- Askari Sovereign Cash Fund	-	AA+(f)	PACRA	-	31,646
				33,446,921	14,021,855

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

(c) Liquidity risk

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

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

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

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in '000)			
Long-term loans from Banks	20,500,000	1,750,000	18,750,000	-
Liability against assets subject to finance lease	102,325	31,977	69,694	654
License fee payable	173,458	47,212	126,246	-
Long term security deposits	1,479,740	-	534,487	945,253
Employees' retirement benefits	20,234,383	-	-	20,234,383
Long term vendor liability	15,578,927	12,546,663	3,032,264	-
Trade and other payables	31,944,541	31,944,541	-	-
Interest accrued	205,846	205,846	-	-
	90,219,220	46,526,239	22,512,691	21,180,290

Notes to and Forming Part of the Consolidated Financial Statements
for the six months period ended December 31, 2012

The following are the contractual maturities of financial liabilities as at June 30, 2012:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in '000)			
Long term loans	20,500,000	500,000	20,000,000	-
Liability against assets subject to finance lease	107,248	31,983	71,093	4,172
License fee payable	163,408	44,476	118,932	-
Long term security deposits	1,662,397	-	704,046	958,351
Employees' retirement benefits	18,473,380	-	-	18,473,380
Long term vendor liability	7,893,758	5,665,900	2,227,858	-
Trade and other payables	26,822,976	26,822,976	-	-
Interest accrued	248,146	248,146	-	-
Short term running finance	1,688,703	1,688,703	-	-
	77,560,016	35,002,184	23,121,929	19,435,903

46.2 Fair value of financial assets and liabilities

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

46.3 Financial instruments by categories

	Fair value through profit or loss		Available-for-sale		Loans and receivables		Total	
	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012
	(Rupees in '000)							
Financial assets as per statement of financial position								
Long term investments	-	-	83,900	83,900	-	-	83,900	83,900
Long term loans	-	-	-	-	530,543	4,133,080	530,543	4,133,080
Trade debts	-	-	-	-	15,873,745	10,164,030	15,873,745	10,164,030
Loans and advances	-	-	-	-	138,765	4,275,518	138,765	4,275,518
Deposits	-	-	-	-	83,446	65,191	83,446	65,191
Accrued interest	-	-	-	-	353,739	175,661	353,739	175,661
Receivable from the Government of Pakistan	-	-	-	-	2,164,072	2,164,072	2,164,072	2,164,072
Prepayments and other receivables	-	20,932	-	-	662,319	798,362	662,319	819,294
Short-term investments	21,718,941	15,923,900	655,341	317,893	8,242,117	9,611,508	30,616,399	25,853,301
Cash and bank balances	-	-	-	-	7,040,443	3,872,135	7,040,443	3,872,135
	21,718,941	15,944,832	739,241	401,793	35,089,189	35,259,557	57,547,371	51,606,182

	Liabilities at fair value through profit and loss		Other fianncial liabilities		Total	
	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012
	(Rupees in '000)					
Financial liabilities as per statement of financial position						
Loans from Banks	-	-	20,500,000	20,500,000	20,500,000	20,500,000
Liability against assets subject to finance lease	-	-	102,325	107,248	102,325	107,248
License fee payable	-	-	173,458	163,408	173,458	163,408
Long term security deposits	-	-	1,479,740	1,662,397	1,479,740	1,662,397
Employees' retirement benefits	-	-	20,234,383	18,473,380	20,234,383	18,473,380
Vendor liability	-	-	15,578,927	7,893,758	15,578,927	7,893,758
Trade and other payables	-	-	31,944,541	26,822,976	31,944,541	26,822,976
Interest accrued	-	-	205,846	248,146	205,846	248,146
Short term running finance	-	-	-	1,688,703	-	1,688,703
Forward foreign exchange contracts	58,257	-	-	-	-	-
	58,257	-	90,219,220	77,560,016	90,219,220	77,560,016

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

46.4 Capital risk management

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

The Group's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders

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

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

47. Business combination

On August 31, 2012, the Holding Company acquired 100% shares of U Microfinance Bank Limited (formerly Rozgar Microfinance Bank Limited) - the Bank, to offer services of digital commerce and branchless banking. The Bank's principal business is to assist in stimulating progress, prosperity and social peace in society through creation of income generating opportunities for the small entrepreneurs under the Micro Finance institutions Ordinance, 2001.

The following table summarises the consideration paid for the Bank, the fair value of assets acquired and liabilities assumed at the acquisition date:

	(Rupees in '000)
Assets	
Cash and cash equivalents	104,095
Operating fixed assets	436
Other assets	8,561
Total assets	113,092
Less: Liabilities	
Deposits	(6,019)
Other liabilities	(2,006)
Total liabilities	(8,025)
Net assets acquired	105,067
Goodwill	78,790
Purchase consideration paid in cash	183,857

47.1 Purchase consideration settled in cash during the period

Cash and cash equivalents in subsidiary acquired	(183,857)
Cash and cash equivalents inflow on acquisition	104,095
	(79,762)

47.2 Acquisition related costs of Rs 8,496 thousand have been charged to administrative expenses in the consolidated statement of comprehensive income for the six months period ended December 31, 2012.

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

47.3 The goodwill is attributable to the benefits from provisions of digital commerce and branchless banking to be offered by the Group.

47.4 The revenue included in the Consolidated Statement of Comprehensive Income since August 31, 2012 contributed by U Bank was Rs 5,937 thousand. U Bank loss for the period since acquisition is Rs 30,023 thousand.

47.5 Had U Bank been consolidated from July 1, 2012, revenue in the Consolidated Staement of Comprehensive Income would be Rs 62,582,695 thousand and profit would be Rs 1,184,378 thousand.

48. Transactions with related parties

The Government of Pakistan and Etisalat International Pakistan (EIP), UAE are the majority shareholders of the Group. Therefore, all related entities of the Government of Pakistan and EIP are related parties of the Group. Additionally, the Group's associate T.F. Pipes Limited, directors, chief executive, key management personnel and employee funds are also related parties of the Group. The remuneration of the directors, chief executive and executives is given in note 44 to the financial statements. The amounts due from and due to these related parties are shown under respective receivables and payables. The Group had transactions with the following related parties during the period / year:

Shareholders

Etisalat International Pakistan

Associated undertakings

Emirates Telecommunication Corporation
Etisalat Afghanistan
Etihad Etisalat Company
Etisalat International Zantel Limited
Thuraya Satellite Telecommunication
Atlantique Telecom
TF Pipes Limited
Pakistan MNP Database (Guarantee) Limited

Employees' retirement benefit plans

Pakistan Telecommunication Employees' Trust
PTML - Employees' Provident Fund
PTML - Employees' Gratuity Fund

Other related parties

Pakistan Telecommunication Authority - The Government of Pakistan
Universal Service Fund - The Government of Pakistan

	Six months period ended December 31, 2012	Year ended June 30, 2012
	(Rupees in '000)	
Shareholders		
Technical services assistance fee	2,190,115	3,877,765
Associated undertakings		
Sale of goods and services	323,797	1,106,814
Purchase of goods and services	923,727	1,158,326
Employees' retirement benefit plans		
Contribution to the plans	3,562,331	2,149,834
Other related parties		
Charge under license obligations	1,053,114	1,896,650

Notes to and Forming Part of the Consolidated Financial Statements
for the six months period ended December 31, 2012

49. Operating segment Information

49.1 Management has determined the operating segments based on the information that is presented to the Group's Board of Directors for allocation of resources and assessment of performance. 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.

49.2 The Group's Board of Directors monitor the results of the above mentioned segments for the purpose of making decisions about the resources to be allocated and for assessing performance based on total comprehensive income for the year.

49.3 The segment information for the reportable segments is as follows:

	Wire line	Wireless	Total
	(Rupees in '000)		
Six months period ended December 31, 2012			
Segment revenue	34,788,989	32,023,709	66,812,698
Inter - segment revenue	(2,555,519)	(1,676,530)	(4,232,049)
Revenue from external customers	32,233,470	30,347,179	62,580,649
Segment results	734,472	448,834	1,183,306
Year ended June 30, 2012			
Segment revenue	56,043,727	61,912,059	117,955,786
Inter - segment revenue	(5,220,426)	(1,942,072)	(7,162,498)
Revenue from external customers	50,823,301	59,969,987	110,793,288
Segment results	7,346,830	4,091,434	11,438,264

Information on assets and liabilities of the segments is as follows:

	Wire line	Wireless	Total
	(Rupees in '000)		
As at December 31, 2012			
Segment assets	134,511,663	107,685,250	242,196,913
Segments liabilities	59,861,521	62,106,653	121,968,174
As at June 30, 2012			
Segment assets	127,773,851	98,812,727	226,586,578
Segments liabilities	51,307,064	56,222,893	107,529,957

Notes to and Forming Part of the Consolidated Financial Statements

for the six months period ended December 31, 2012

49.4 Other segment information is as follows:

	Wire line	Wireless	Total
	(Rupees in '000)		
Six months period ended December 31, 2012			
Depreciation	5,076,157	6,155,079	11,231,236
Amortization	134,255	128,996	263,251
Finance cost	136,001	1,791,963	1,927,964
Interest income	592,033	297,179	889,212
Income tax expense	641,268	391,370	1,032,638
Share of loss from associates	2,551	-	2,551
Year ended June 30, 2012			
Depreciation	10,490,650	11,277,217	21,767,867
Amortization	270,714	320,504	591,218
Finance cost	481,745	2,823,477	3,305,222
Interest income	1,094,888	283,252	1,378,140
Income tax expense	3,513,476	1,956,647	5,470,123
Share of loss from associates	3,751	-	3,751

49.5 The Group's customer base is diverse with no single customer accounting for more than 10% of net revenues.

49.6 The amount of revenue from external parties, total segment assets and segment liabilities is measured in a manner consistent with that of the financial information reported to the Group's Board of Directors.

49.7 Breakdown of the revenue from all services by category is as follows:

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
Voice	42,634,972	77,174,515
Data	13,384,292	21,580,364
Other services	6,561,385	13,543,157
	62,580,649	112,298,036

50. Date of authorization for issue

These consolidated financial statements were authorized for issue on February 13, 2013 by the Board of Directors of the Holding Company.

Chairman

President & CEO

ANNEXES

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholding From	Shareholding To	Number of Shares Held
624	1	100	21,996
25,559	1	100	2,527,504
9,390	101	500	2,903,276
2,989	501	1,000	2,632,411
3,351	1,001	5,000	8,944,141
803	5,001	10,000	6,595,940
254	10,001	15,000	3,276,516
202	15,001	20,000	3,805,638
122	20,001	25,000	2,934,787
87	25,001	30,000	2,489,723
54	30,001	35,000	1,784,136
49	35,001	40,000	1,922,800
23	40,001	45,000	987,690
83	45,001	50,000	4,108,256
12	50,001	55,000	649,875
23	55,001	60,000	1,346,556
11	60,001	65,000	698,675
13	65,001	70,000	894,500
14	70,001	75,000	1,043,000
12	75,001	80,000	938,601
9	80,001	85,000	748,818
8	85,001	90,000	711,000
6	90,001	95,000	562,000
43	95,001	100,000	4,289,300
8	100,001	105,000	818,257
7	105,001	110,000	763,611
4	110,001	115,000	448,566
9	115,001	120,000	1,065,679
7	120,001	125,000	867,806
4	125,001	130,000	515,243
6	130,001	135,000	807,006
5	135,001	140,000	695,501
6	140,001	145,000	859,315
16	145,001	150,000	2,392,000
7	150,001	155,000	1,060,396
2	155,001	160,000	320,000
2	160,001	165,000	330,000
2	170,001	175,000	346,000
4	175,001	180,000	711,800
3	180,001	185,000	553,000
3	185,001	190,000	567,300
17	195,001	200,000	3,393,447
7	200,001	205,000	1,417,350
1	205,001	210,000	210,000
4	210,001	215,000	853,608
3	215,001	220,000	656,000
2	220,001	225,000	449,000
2	225,001	230,000	454,900
1	230,001	235,000	230,500
1	235,001	240,000	236,000
1	240,001	245,000	245,000
4	245,001	250,000	993,042
1	255,001	260,000	256,004

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholding From	Shareholding To	Number of Shares Held
1	260,001	265,000	263,000
2	265,001	270,000	537,833
5	270,001	275,000	1,374,469
2	275,001	280,000	555,900
1	285,001	290,000	290,000
6	295,001	300,000	1,800,000
4	300,001	305,000	1,209,444
2	305,001	310,000	616,691
3	310,001	315,000	936,903
2	315,001	320,000	639,400
1	320,001	325,000	324,735
1	325,001	330,000	330,000
1	330,001	335,000	334,190
3	335,001	340,000	1,014,018
2	345,001	350,000	700,000
1	370,001	375,000	371,000
1	375,001	380,000	380,000
2	385,001	390,000	777,041
2	390,001	395,000	783,860
4	395,001	400,000	1,595,500
1	400,001	405,000	401,500
2	405,001	410,000	817,500
2	420,001	425,000	846,046
2	425,001	430,000	854,435
2	445,001	450,000	895,323
1	455,001	460,000	457,000
1	475,001	480,000	476,000
1	480,001	485,000	483,000
8	495,001	500,000	3,998,000
1	510,001	515,000	514,900
1	520,001	525,000	524,801
1	530,001	535,000	530,901
1	540,001	545,000	540,070
1	580,001	585,000	583,000
1	585,001	590,000	587,500
3	595,001	600,000	1,800,000
1	605,001	610,000	608,670
2	615,001	620,000	1,235,084
1	620,001	625,000	622,000
2	650,001	655,000	1,302,100
1	655,001	660,000	659,039
1	690,001	695,000	690,400
1	715,001	720,000	715,700
1	720,001	725,000	721,000
1	730,001	735,000	730,900
3	750,001	755,000	2,260,750
1	765,001	770,000	770,000
2	785,001	790,000	1,573,000
1	790,001	795,000	790,358
1	840,001	845,000	840,758
1	860,001	865,000	861,975
2	865,001	870,000	1,738,500
1	875,001	880,000	877,532
1	905,001	910,000	906,000

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholding From	Shareholding To	Number of Shares Held
1	960,001	965,000	961,100
4	995,001	1,000,000	4,000,000
1	1,045,001	1,050,000	1,048,500
1	1,075,001	1,080,000	1,077,375
2	1,095,001	1,100,000	2,200,000
1	1,115,001	1,120,000	1,117,300
1	1,120,001	1,125,000	1,125,000
1	1,125,001	1,130,000	1,127,000
1	1,130,001	1,135,000	1,132,000
1	1,140,001	1,145,000	1,142,905
2	1,195,001	1,200,000	2,390,902
1	1,220,001	1,225,000	1,220,500
1	1,240,001	1,245,000	1,242,600
1	1,325,001	1,330,000	1,328,000
1	1,350,001	1,355,000	1,353,201
2	1,395,001	1,400,000	2,800,000
1	1,440,001	1,445,000	1,441,500
2	1,495,001	1,500,000	3,000,000
1	1,530,001	1,535,000	1,530,659
1	1,550,001	1,555,000	1,554,900
1	1,635,001	1,640,000	1,640,000
1	1,660,001	1,665,000	1,660,193
1	1,715,001	1,720,000	1,717,400
1	1,725,001	1,730,000	1,728,382
1	1,765,001	1,770,000	1,766,333
1	1,795,001	1,800,000	1,800,000
1	1,865,001	1,870,000	1,865,500
1	1,885,001	1,890,000	1,886,510
1	1,920,001	1,925,000	1,922,339
2	1,995,001	2,000,000	4,000,000
1	2,140,001	2,145,000	2,140,400
1	2,190,001	2,195,000	2,191,000
1	2,305,001	2,310,000	2,307,539
1	2,615,001	2,620,000	2,617,562
1	2,620,001	2,625,000	2,625,000
1	2,670,001	2,675,000	2,672,666
1	2,775,001	2,780,000	2,777,500
1	2,865,001	2,870,000	2,866,000
1	2,875,001	2,880,000	2,877,670
1	3,055,001	3,060,000	3,057,000
1	3,080,001	3,085,000	3,084,050
1	3,345,001	3,350,000	3,347,600
1	3,370,001	3,375,000	3,375,000
1	3,375,001	3,380,000	3,375,968
1	3,585,001	3,590,000	3,588,000
1	3,700,001	3,705,000	3,704,899
1	3,895,001	3,900,000	3,900,000
1	3,910,001	3,915,000	3,915,000
1	3,940,001	3,945,000	3,943,049
2	4,495,001	4,500,000	8,998,500
1	4,535,001	4,540,000	4,537,000
1	4,720,001	4,725,000	4,722,500
1	4,810,001	4,815,000	4,810,200
1	4,925,001	4,930,000	4,925,500

Pattern of Shareholding

as at December 31, 2012

Number of Shareholders	Shareholding From	Shareholding To	Number of Shares Held
1	4,935,001	4,940,000	4,938,998
1	5,195,001	5,200,000	5,197,375
1	5,200,001	5,205,000	5,202,700
1	5,215,001	5,220,000	5,216,000
1	5,245,001	5,250,000	5,250,000
1	5,495,001	5,500,000	5,500,000
1	5,810,001	5,815,000	5,810,639
1	5,870,001	5,875,000	5,875,000
1	6,570,001	6,575,000	6,574,100
1	7,970,001	7,975,000	7,970,568
1	8,500,001	8,505,000	8,502,830
1	8,610,001	8,615,000	8,613,500
1	8,900,001	8,905,000	8,904,616
1	9,040,001	9,045,000	9,042,434
1	10,420,001	10,425,000	10,425,000
1	12,280,001	12,285,000	12,285,000
1	13,520,001	13,525,000	13,522,037
1	13,915,001	13,920,000	13,915,500
1	14,135,001	14,140,000	14,137,977
1	21,020,001	21,025,000	21,020,854
1	46,570,001	46,575,000	46,574,103
1	55,890,001	55,895,000	55,893,800
1	57,060,001	57,065,000	57,060,074
1	196,385,001	196,390,000	196,387,991
1	407,805,001	407,810,000	407,809,524
1	918,190,001	918,195,000	918,190,476
1	2,974,680,000	2,974,685,000	2,974,680,002
43,445			5,100,000,000

Categories of Shareholders

As on December 31, 2012

Sr.#	Categories	No. of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer, their spouses and minor children	9	9	0.00
2	Associated Companies, undertakings and related parties	2	1,326,000,000	26.00
3	NIT and ICP	5	10,839,968	0.21
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	29	40,216,951	0.79
5	Insurance Companies	13	73,757,158	1.45
6	Modarabas and Mutual Funds	57	116,231,444	2.28
7	Shareholders holding 10%	4	4,497,067,993	88.18
8	General Public :			
	a. Local	42,596	104,075,201	2.04
	b. Foreign	358	457,800	0.01
9	Others	376	3,428,421,469	67.22
	Total (excluding shareholders holding 10%)	**43,445**	**5,100,000,000**	**100.00**

Trades in PTCL Shares

The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouses and minor children have not traded in PTCL shares during the six months period ended December 31, 2012.

Information as required under Code of Corporate Governance

As at December 31, 2012

	Categories of shareholders	Number of shareholders	Number of shares held
i.	**Associated Companies, Undertakings and Related Parties (name wise details)**		
	ETISALAT INTERNATIONAL PAKISTAN (LLC) - FIRST CDC ACCOUNT	1	918,190,476
	ETISALAT INTERNATIONAL PAKISTAN (LLC) SECOND CDC ACCOUNT	1	407,809,524
	Total :	2	1,326,000,000
ii.	**Mutual Funds (name wise details)**		
	ASIAN STOCK FUND LIMITED	1	184,000
	CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	1	171,000
	CDC - TRUSTEE AKD INDEX TRACKER FUND	1	141,457
	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	2,877,670
	CDC - TRUSTEE APF-EQUITY SUB FUND	1	165,000
	CDC - TRUSTEE APIF - EQUITY SUB FUND	1	250,000
	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	1,500,000
	CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	1,400,000
	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	1,132,000
	CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND	1	587,500
	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	25,000
	CDC - TRUSTEE FIRST HABIB STOCK FUND	1	246,500
	CDC - TRUSTEE HBL - STOCK FUND	1	3,057,000
	CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	280,000
	CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	125,000
	CDC - TRUSTEE JS ISLAMIC FUND	1	1,800,000
	CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	1	290,000
	CDC - TRUSTEE JS LARGE CAP. FUND	1	5,250,000
	CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	445,323
	CDC - TRUSTEE MEEZAN BALANCED FUND	1	1,886,510
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	13,522,037
	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1	715,700
	CDC - TRUSTEE NAFA ISLAMIC MULTI ASSET FUND	1	224,000
	CDC - TRUSTEE NAFA MULTI ASSET FUND	1	483,000
	CDC - TRUSTEE NAFA STOCK FUND	1	2,140,400
	CDC - TRUSTEE NIT STATE ENTERPRISE FUND	1	46,574,103
	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	5,810,639
	CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	1	100
	CDC - TRUSTEE PICIC INCOME FUND - MT	1	1,328,000
	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	3,375,000
	CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND	1	120,000
	CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	1,242,600
	CDC-TRUSTEE MEEZAN CAPITAL PROTECTED FUND-II	1	334,190
	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	1	583,000
	CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	1	1,865,500
	FIRST CAPITAL MUTUAL FUND LIMITED	1	300,000
	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	407,500
	JS VALUE FUND LIMITED	1	4,537,000
	MC FSL - TRUSTEE JS GROWTH FUND	1	8,904,616
	MC FSL - TRUSTEE JS KSE-30 INDEX FUND	1	29,499
	MCBFSL - TRUSTEE NAMCO BALANCED FUND - MT	1	721,000
	MCBFSL - TRUSTEE NAMCO INCOME FUND - MT	1	8,500
	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	275,000
	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	1	300,000
	MCBFSL-TRUSTEE UIRSF-EQUITY SUB FUND	1	40,000
	MCBFSL-TRUSTEE URSF-EQUITY SUB FUND	1	50,000
	NATIONAL BANK OF PAKISTAN TRUSTEE WING	2	3,000
	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	1	7,970,568
	SAFEWAY MUTUAL FUND LIMITED	1	180,000
	SILK -ROAD FRONTIERS FUND	1	514,900
	Total :	51	124,373,812

Information as required under Code of Corporate Governance
As at December 31, 2012

	Categories of shareholders	Number of shareholder	Number of share held
iii.	**Directors and their spouse(s) and minor children (name wise details)**		
	MR. ABDUL RAHIM A. AL NOORYANI	1	1
	MR. ABDUL WAJID RANA	1	1
	MR. AMIR TARIQ ZAMAN	1	1
	DR. DANIEL RITZ	1	1
	MR. FADHIL MUHAMMAD ERHAMA AL ANSARI	1	1
	MR. JAMAL SAIF AL JARWAN	1	1
	MR. JAMIL AHMED KHAN	1	1
	MR. KAMRAN ALI	1	1
	MR. SERKAN OKANDAN	1	1
	Total :	9	9
iv.	**Executives**		
	NIL	-	-
	Total :	-	-
v.	**Public Sector Companies and Corporations**		
		5	59,046,074
	Total :	5	59,046,074
vi.	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds**		
		62	61,154,115
	Total :	62	61,154,115
vii.	**Shareholders Holding five percent or more Voting Rights in the Listed Company (name wise details)**		
	PRESIDENT OF PAKISTAN	2	3,171,067,993
	ETISALAT INTERNATIONAL PAKISTAN (LLC)	2	1,326,000,000
	Total :	4	4,497,067,993

Notice of 18th Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of Pakistan Telecommunication Company Limited will be held on Monday, April 15, 2013 at 10:30 a.m. at the Islamabad Serena Hotel, Opposite Convention Center, Sector G-5, Khayaban-e-Suhrwardy, Islamabad, to transact the following business:

1. To confirm the minutes of the last AGM held on October 18, 2012.

2. To receive, consider and adopt the Audited Accounts for the six months period ended December 31, 2012, together with the Auditors' and Directors' reports.

3. To appoint Auditors for the financial year ending December 31, 2013 and to fix their remuneration. The retiring Auditors M/s A. F. Ferguson & Co., Chartered Accountants being eligible, have offered themselves for re-appointment.

4. To transact any other business with the permission of the Chair.

By order of the Board

(Farah Qamar)
Company Secretary

Dated: February 13, 2013.
Islamabad

Notes:

1. Any member of the Company entitled to attend and vote at this meeting may appoint any person as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the time fixed for holding the meeting.

2. The Share Transfer Books of the Company will remain closed from April 09, 2013 to April 15, 2013 (both days inclusive).

3. Members are requested to notify any change in address immediately to our Share Registrar, M/s FAMCO Associates (Pvt.) Limited at Ground Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi.

4. Any individual Beneficial Owner of CDC, entitled to vote at this meeting, must bring his/her original CNIC with him/her to prove his/her identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

Form of Proxy

Pakistan Telecommunication Company Limited

I/we ____

of ____

being a member of Pakistan Telecommunication Company Limited, and a holder of ____________________

Ordinary Shares as per Share Register Folio No. ____________________ and / or CDC Participant I.D. No.

____________________ hereby appoint Mr./Mrs./Miss ____________________

of ____________________ as my / our proxy to vote for me / us and on my / our behalf at the 18th Annual General Meeting of the Company to be held on Monday, April 15, 2013 at 10:30 a.m. and at any adjournment thereof.

Signed this ____________________ day of ____________________ 2013.

For beneficial owners as per CDC List

Signature on Rs. 5/- Revenue Stamp

1. Witness

Signature ____________________

Name: ____________________

Address: ____________________

____

CNIC No. [| | | | | – | | | | | | | – |]

or passport No. ____________________

2. Witness

Signature ____________________

Name: ____________________

Address: ____________________

____

CNIC No. [| | | | | – | | | | | | | – |]

or passport No. ____________________

Notes:

i) The proxy need not be a member of the Company.

ii) The instrument appointing a proxy must be duly stamped, signed and deposited at the office of the Company Secretary PTCL, Headquarters, Sector G-8/4, Islamabad, not less than 48 hours before the time fixed for holding the meeting.

iii) Signature of the appointing member should match with his / her specimen signature registered with the Company.

iv) If a proxy is granted by a member who has deposited his / her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and account / sub-account number along with attested copies of the Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.

AFFIX
CORRECT
POSTAGE

To,

The Company Secretary,

Pakistan Telecommunication Company Limited

PTCL Headquarters, Sector G-8/4,

Islamabad-44000