FINANCIAL STATEMENTS

for the six months period ended December 31, 2012

Auditor's Report to The Members

We have audited the annexed statement of financial position of Pakistan Telecommunication Company Limited ("the Company") as at December 31, 2012 and the related statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the six months period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

  (i) the statement of financial position and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2012 and of the comprehensive loss, its cash flows and changes in equity for the six months period then ended; and

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

The financial statements of the Company 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

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		20,552,622	21,295,232
		53,731,350	54,473,960
Unrealized gain on available-for-sale investments		51,789	62,977
		104,783,139	105,536,937
Liabilities			
Non-current liabilities			
Long term security deposits	7	534,487	707,668
Deferred income tax	8	7,229,269	7,821,758
Employees' retirement benefits	9	20,024,951	18,250,681
Deferred government grants	10	3,991,818	4,083,022
		31,780,525	30,863,129
Current liabilities			
Trade and other payables	11	28,291,874	20,548,656
Total equity and liabilities		164,855,538	156,948,722
Contingencies and commitments	12		

The annexed notes 1 to 43 are an integral part of these financial statements.

Chairman

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
ASSETS			
Non-current assets			
Fixed assets			
Property, plant and equipment	13	85,041,154	85,870,337
Intangible assets	14	2,678,582	2,799,659
		87,719,736	88,669,996
Long term investments	15	7,791,296	6,607,439
Long term loans and advances	16	11,986,019	14,311,954
		107,497,051	109,589,389
Current assets			
Stores, spares and loose tools	17	2,934,843	2,972,824
Trade debts	18	15,402,253	8,785,812
Loans and advances	19	3,409,815	1,368,215
Accrued interest	20	559,390	426,527
Recoverable from tax authorities	21	18,055,152	17,784,694
Receivable from the Government of Pakistan	22	2,164,072	2,164,072
Prepayments and other receivables	23	885,415	666,466
Short term investments	24	8,897,458	9,929,401
Cash and bank balances	25	5,050,089	3,261,322
		57,358,487	47,359,333
Total assets		164,855,538	156,948,722

President & CEO

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	26	37,139,189	60,038,254
Cost of services	27	(24,487,339)	(44,898,012)
Gross profit		12,651,850	15,140,242
Administrative and general expenses	28	(4,186,300)	(7,770,295)
Selling and marketing expenses	29	(1,419,482)	(2,478,537)
Voluntary separation scheme cost	30	(9,467,268)	-
Other operating income	31	1,625,518	6,596,103
Loss on disposal of property, plant and equipment		(216,220)	-
		(13,663,752)	(3,652,729)
Operating profit / (loss)		(1,011,902)	11,487,513
Finance costs	32	(136,001)	(481,745)
Profit / (loss) before tax		(1,147,903)	11,005,768
Provision for income tax	33	405,293	(3,793,689)
Profit / (loss) for the period / year		(742,610)	7,212,079
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 income for the period / year		(28,087)	-
		(11,188)	32,387
Total comprehensive income / (loss) for the period / year		(753,798)	7,244,466
Earnings / (loss) per share - basic and diluted (Rupees)	34	(0.15)	1.41

The annexed notes 1 to 43 are an integral part of these financial statements.

Chairman

President & CEO

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	36	15,641,410	20,549,795
Long term security deposits		(173,181)	(33,076)
Employees' retirement benefits paid		(4,339,522)	(2,490,851)
Payment of voluntary separation scheme cost		(5,143,842)	-
Finance costs paid		(85,016)	(222,240)
Income tax paid		(327,947)	(4,206,300)
Net cash inflows from operating activities		5,571,902	13,597,328
Cash flows from investing activities			
Capital expenditure		(5,072,390)	(11,589,283)
Acquisition of intangible assets		(15,910)	(34,246)
Proceeds from disposal of property, plant and equipment		127,964	58,669
Long term investments		(1,183,857)	-
Long term loans and advances		181,537	(116,435)
Return on long term loans and short term investments		1,133,373	2,615,920
Government grants received		-	353,597
Dividend income on long term investments		15,000	1,400,000
Net cash outflows from investing activities		(4,814,283)	(7,311,778)
Cash flows from financing activities			
Dividend paid		(795)	(3,366,112)
Net cash outflows from financing activities		(795)	(3,366,112)
Net increase in cash and cash equivalents		756,824	2,919,438
Cash and cash equivalents at the beginning of the period / year		13,190,723	10,271,285
Cash and cash equivalents at the end of the period / year	37	13,947,547	13,190,723

The annexed notes 1 to 43 are an integral part of these financial statements.

Chairman

President & CEO

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 investments	Total
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit		
	(Rupees in '000)						
Balance as at July 01, 2011	37,740,000	13,260,000	2,385,532	30,500,000	14,376,349	30,590	98,292,471
Total comprehensive income for the year							
Profit for the year	-	-	-	-	7,212,079	-	7,212,079
Other comprehensive income	-	-	-	-	-	32,387	32,387
	-	-	-	-	7,212,079	32,387	7,244,466
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	21,295,232	62,977	105,536,937
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	(742,610)	-	(742,610)
Other comprehensive loss	-	-	-	-	-	(11,188)	(11,188)
	-	-	-	-	(742,610)	(11,188)	(753,798)
Balance as at December 31, 2012	37,740,000	13,260,000	2,678,728	30,500,000	20,552,622	51,789	104,783,139

The annexed notes 1 to 43 are an integral part of these financial statements.

Chairman

President & CEO

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

1. The Company and its operations

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

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

During the period, the Company 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 Company 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.

2. Statement of compliance

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

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

2.1 Adoption of new and revised standards and interpretations:

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

		Effective date (annual periods beginning on or after)
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 01, 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

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

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 9,023,255 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

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

4. Critical accounting estimates and judgments

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

(a) Provision for employees' retirement benefits

The actuarial valuation of pension, gratuity, medical and accumulating compensated absences plans (note 5.19) 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.

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

(b) Provision for income taxes

The Company recognizes income tax provisions using estimates based upon expert opinions of its tax and legal advisors. Differences, if any, between the recorded income tax provision and the Company's tax liability, are recorded on the final determination of such liability. Deferred income tax (note 5.18) is calculated at the rates that are expected to apply to the period when these temporary differences reverse, based on tax rates that have been enacted or substantively enacted, by the date of the statement of financial position.

(c) Recognition of government grant

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

(d) Useful life and residual value of fixed assets

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

(e) Provision for stores, spares and loose tools

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

(f) Provision for doubtful receivables

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

(g) Provisions and contingent liabilities

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

5. Summary of significant accounting policies

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

5.1 Functional and presentation currency

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

5.2 Foreign currency transactions and translations

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

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

5.3 Insurance reserve

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

5.4 Government grants

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

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

5.5 Borrowings and borrowing costs

Borrowings are recognized equivalent to the value of the proceeds received by the Company. Any difference, between the proceeds (net of transaction costs) and the redemption value, is recognized 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.

5.6 Trade and other payables

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

5.7 Provisions

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

5.8 Contingent liabilities

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

5.9 Dividend distribution

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

5.10 Fixed assets

(a) Property, plant and equipment

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

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

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

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

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

Depreciation on additions to property, plant and equipment, is charged from the month in which the relevant asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off. Impairment loss, if any, or its reversal, is also charged to income for the 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.

(b) Intangible assets

(I) Licenses

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

(ii) Computer software

These are carried at cost less accumulated amortization, and any identified impairment losses. Amortization is calculated, using the straight line method, to allocate the cost of software over their estimated useful lives, at the rates specified in note 14, 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 amortization 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.

5.11 Investments in subsidiaries and associates

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

5.12 Impairment of non financial assets

Assets that have an indefinite useful life, for example freehold land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment on the date of the statement of financial position, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized, equal to the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non financial assets that suffered an impairment, are reviewed for possible reversal of the impairment at each statement of financial position date. Reversals of the impairment loss are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized. An impairment loss, or the reversal of an impairment loss, are both recognized in the income for the 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 statement of financial position.

5.14 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.

5.15 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expires. All financial assets and liabilities are initially recognized at fair value plus transaction costs other than financial assets and liabilities carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to income for the 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.

(a) Financial assets

Classification and subsequent measurement

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

(i) Fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at their fair value, with changes therein recognized in the income for the 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 Company has the positive intention and ability to hold these assets to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment, if any.

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

(iii) Loans and receivables

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

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

(iv) Available-for-sale

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

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

Impairment

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Fair value through profit or loss

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

Financial liabilities at fair value through profit or loss are carried in the statement of financial position at their fair value, with changes therein recognized in the income for the 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 statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously.

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for the six months period ended December 31, 2012

5.16 Cash and cash equivalents

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

5.17 Revenue recognition

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

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

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

(i) Rendering of telecommunication services

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

(a) Wireline and wireless services

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

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

(b) Data services

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

(c) Interconnect

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

(d) Equipment sales

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

(ii) Income on bank deposits

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

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

(iii) Dividend income

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

5.18 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 statement of financial position. Management periodically evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred

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

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

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

5.19 Employees' retirement benefits

The Company 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 Company has constituted both defined contribution and defined benefit plans.

(a) PTCL Employees' GPF Trust

The Company operates an approved funded provident plan covering its permanent employees. For the purposes of this plan, a separate trust, the "PTCL Employees' GPF Trust" (the Trust), has been established. Monthly contributions are deducted from the salaries of employees and are paid to the Trust by the Company. Interest is paid at the rate announced by the Federal Government, and this rate for the period was 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

The Company operates the following defined benefit plans:

(i) Pension plans

The Company 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 the Company took over the business from PTC. The Company also operates an unfunded pension scheme for employees recruited on a regular basis, on or after January 01, 1996.

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

(ii) Gratuity plan

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

(iii) Medical benefits plan

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

(iv) Accumulating compensated absences

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

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

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

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

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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 Pakistan Telecommunication Company Limited (PTCL), under the Pakistan Telecommunication (Re-organization) Act, 1996, as referred to in note 1.

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

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

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

		Note	December 31, 2012	June 30, 2012
			(Rupees in '000)	
7.	**Long term security deposits**	7.1	534,487	707,668

7.1 These represent non interest bearing security deposits received from the customers of the Company, including security deposits of Rs 3,623 thousand (June 30, 2012: Rs 3,623 thousand) from Pak Telecom Mobile Limited (PTML), a related party. The Company has adjusted / paid a sum of Rs 184,317 thousand (June 30, 2012: Rs 45,913 thousand) to its customers during the current period against their balances.

		Note	December 31, 2012	June 30, 2012
			(Rupees in '000)	
8.	**Deferred income tax**			
	The liability for deferred taxation comprises of timing differences relating to:			
	Accelerated tax depreciation / amortization		11,141,422	11,315,598
	Provision for doubtful trade debts		(3,034,936)	(3,379,682)
	Provision for doubtful advances and receivables		(114,158)	(114,158)
	Unused tax loss		(577,363)	-
	Unused minimum tax credit		(185,696)	-
			7,229,269	7,821,758
	The gross movement in the deferred tax liability during the period / year is as follows:			
	Balance as at July 01		7,821,758	5,011,731
	Deferred tax charge / (credit) for the period / year	33	(592,489)	2,810,027
	Balance at period / year end		7,229,269	7,821,758
9.	**Employees' retirement benefits**			
	Liabilities for pension obligations			
	Funded	9.1	6,774,327	5,502,293
	Unfunded	9.1	1,653,701	1,637,058
			8,428,028	7,139,351
	Gratuity - unfunded	9.1	713,734	764,006
	Accumulating compensated absences	9.1	912,351	1,052,037
	Post retirement medical facility	9.1	9,970,838	9,295,287
			20,024,951	18,250,681

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

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

	Pension				Gratuity - unfunded		Accumulating compensated absences		Post-retirement medical facility		Total	
	Funded		Unfunded									
	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 statement of financial position:												
Present value of defined benefit obligations	77,320,417	66,448,037	1,222,489	1,572,484	597,620	638,099	912,351	1,052,037	11,895,646	10,356,829	91,948,523	80,067,486
Fair value of plan assets -note 9.2	(62,900,317)	(60,200,384)	-	-	-	-	-	-	-	-	(62,900,317)	(60,200,384)
Deficit	14,420,100	6,247,653	1,222,489	1,572,484	597,620	638,099	912,351	1,052,037	11,895,646	10,356,829	29,048,206	19,867,102
Unrecognized actuarial gains /(losses)	(7,645,773)	(745,360)	431,212	64,574	116,114	125,907	-	-	(1,924,808)	(1,061,542)	(9,023,255)	(1,616,421)
Liability at period / year end	6,774,327	5,502,293	1,653,701	1,637,058	713,734	764,006	912,351	1,052,037	9,970,838	9,295,287	20,024,951	18,250,681
b) Changes in the present value of defined benefit obligations:												
Balance as at July 01	66,448,037	65,980,987	1,572,484	1,313,614	638,099	515,026	1,052,037	957,642	10,356,829	9,326,900	80,067,486	78,094,169
Current service cost	270,110	553,399	58,718	110,723	49,817	105,348	17,708	27,973	64,610	123,663	460,963	921,106
Interest cost	4,422,587	9,237,338	99,500	183,906	39,183	72,104	62,976	134,070	684,356	1,305,766	5,308,602	10,933,184
Actuarial (gains) / losses	6,391,378	(4,528,761)	(371,001)	(27,865)	(13,649)	(22,508)	(13,388)	(26,310)	902,725	11,789	6,896,065	(4,593,655)
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)	(133,207)	(31,871)	(368,014)	(41,338)	(357,096)	(411,289)	(5,016,465)	(5,287,318)
	77,320,417	66,448,037	1,222,489	1,572,484	597,620	638,099	912,351	1,052,037	11,895,646	10,356,829	91,948,523	80,067,486
c) Charge for the period / year:												
Current service cost	270,110	553,399	58,718	110,723	49,817	105,348	17,708	27,973	64,610	123,663	460,963	921,106
Interest cost	4,422,587	9,237,338	99,500	183,906	39,183	72,104	62,976	134,070	684,356	1,305,766	5,308,602	10,933,184
Expected return on plan assets	(3,913,025)	(7,907,298)	-	-	-	-	-	-	-	-	(3,913,025)	(7,907,298)
Actuarial (gains) / losses	-	-	-	-	(5,015)	(10,379)	(13,388)	(26,310)	497	9,755	(17,906)	(26,934)
Actuarial (gains) / 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	82,935	167,073	228,328	135,733	1,032,647	1,439,184	6,113,792	3,918,517
d) Significant actuarial assumptions at the date of the statement of financial position:												
Expected rate of return on plan assets	13%	14%										
Discount rate	11%	13%	11%	13%	11%	13%	11%	13%	11%	13%		
Future salary / medical cost increase	7.5%	9-12%	7.5%	9-12%	9-10%	9-12%	9-10%	9-12%	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	6 years	6 years				13 years		
Expected mortality rate	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			

* Mortality table adjusted for Company's experience.

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		Note	December 31, 2012	June 30, 2012
			(Rupees in '000)	
9.2	**Changes in the fair value of plan assets**			
	Defined benefit pension plan - funded			
	Balance as at July 01		60,200,384	56,480,703
	Expected return on plan assets	9.2.1	3,913,025	7,907,298
	Contributions made by the Company during the period / year		3,479,631	2,000,000
	Benefits paid		(4,155,653)	(4,794,926)
	Actuarial losses on plan assets		(537,070)	(1,392,691)
	Balance at period / year end		62,900,317	60,200,384
	Actual return on plan assets		3,375,955	6,514,607

9.2.1 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.

9.3 Major categories of plan assets of the funded defined benefit pension plan, as a percentage of total plan assets, are as follows:

	December 31, 2012	June 30, 2012
	(Percentage)	
Special Savings Certificates	77	74
Defence Savings Certificates	2	2
Term Deposits	8	11
Pakistan Investment Bonds	1	1
Fixed and other assets	12	12
Total	100	100

9.4 During the next financial year, the expected contribution to be paid to the funded pension plan by the Company is Rs 1,519,280 thousand (June 30, 2012: Rs 1,401,219 thousand).

9.5 Effect of increase / decrease in total 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).

Notes to and Forming Part of the Financial Statements

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9.6 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	(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 adjustment 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 adjustment on plan liabilities - (gains) / losses	(371,001)	(27,865)	(89,698)	(37,370)	83,101
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	912,351	1,052,037	957,642	926,338	1,025,164
Experience adjustment on plan liabilities - (gains) / losses	(13,388)	(26,310)	(71,038)	(202,585)	39,239
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

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
10. Deferred government grants	10.1		
Balance as at July 01		4,083,022	3,631,585
Recognized during the period / year		-	593,597
Amortization for the period / year	30	(91,204)	(142,160)
Balance at period / year end		3,991,818	4,083,022

10.1 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.

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	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
11. Trade and other payables			
Trade creditors	11.1	7,791,426	6,514,031
Accrued liabilities		8,895,647	4,397,888
Receipts against third party works		1,007,017	754,029
Income tax collected from subscribers / deducted at source		278,729	11,662
Sales tax payable		901,503	907,614
Advances from customers		2,912,110	2,059,661
Technical services assistance fee	28.2	682,615	492,261
Retention money / payable to contractors and suppliers for fixed assets	11.1	5,600,592	5,216,314
Unclaimed dividend		148,435	149,230
Other liabilities		73,800	45,966
		28,291,874	20,548,656

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

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
Trade creditors			
Pak Telecom Mobile Limited (PTML)		159,440	69,068
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
		5,888,583	4,201,992
Retention money / payable to contractors and suppliers for fixed assets			
TF Pipes Limited		7,532	4,143

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

12. Contingencies and commitments

Contingencies

12.1 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.

12.2 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.

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12.3 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.

12.4 For the tax year 2007, the Company filed an appeal before the ATIR against disallowance of certain expenses by the Taxation Officer under section 122 (5A), with tax impact of Rs 5,185,163 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.

12.5 For the tax year 2008, the ATIR, while disposing off the Company's appeal against the tax demand of Rs 4,559,208 thousand on the basis that the Company applied incorrect withholding tax rate for payments to 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.

12.6 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.

12.7 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.

12.8 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.

12.9 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.

		Note	December 31, 2012	June 30, 2012
			(Rupees in '000)	
12.10	**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
	Commitments			
	Contracts for capital expenditure		6,270,263	12,282,162
	Commitment for acquisition of U Microfinance Bank Limited (Formerly Rozgar Microfinance Bank Limited)	15.1.1	-	1,000,000
13.	**Property, plant and equipment**			
	Operating fixed assets	13.1	74,262,561	76,089,050
	Capital work-in-progress	13.6	10,778,593	9,781,287
			85,041,154	85,870,337

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

13.1 Operating fixed assets

	Land		Buildings on									
	Freehold - note 13.2	Leasehold	Freehold land	Leasehold land	Lines and wires	Apparatus, plant and equipment	Submarine cables	Office equipment	Computer equipment	Furniture and fittings	Vehicles	Total
	(Rupees in '000)											
As at July 01, 2011												
Cost	1,632,089	90,026	10,562,513	1,008,671	108,148,909	133,078,951	9,827,693	760,790	548,760	461,034	1,424,635	267,544,071
Accumulated depreciation	-	(25,553)	(3,481,677)	(406,172)	(84,324,572)	(99,661,623)	(3,319,028)	(514,259)	(471,195)	(354,371)	(1,197,162)	(193,755,612)
Net book value	1,632,089	64,473	7,080,836	602,499	23,824,337	33,417,328	6,508,665	246,531	77,565	106,663	227,473	73,788,459
Year ended June 30, 2012												
Opening net book value	1,632,089	64,473	7,080,836	602,499	23,824,337	33,417,328	6,508,665	246,531	77,565	106,663	227,473	73,788,459
Additions	1,471	-	323,470	-	2,342,395	10,336,356	751,295	42,650	79,922	11,021	282,129	14,170,709
Disposals												
Cost	-	-	-	-	-	-	-	-	-	-	(56,747)	(56,747)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	56,703	56,703
	-	-	-	-	-	-	-	-	-	-	(44)	(44)
Depreciation charge for the year	-	(1,277)	(269,185)	(25,212)	(4,095,419)	(6,415,103)	(659,386)	(45,081)	(56,324)	(22,780)	(88,548)	(11,678,315)
Impairment charge	-	-	-	-	-	(191,759)	-	-	-	-	-	(191,759)
Net book value	1,633,560	63,196	7,135,121	577,287	22,071,313	37,146,822	6,600,574	244,100	101,163	94,904	421,010	76,089,050
As at July 01, 2012												
Cost	1,633,560	90,026	10,885,983	1,008,671	110,491,304	143,415,307	10,578,988	803,440	628,682	472,055	1,650,017	281,658,033
Accumulated depreciation	-	(26,830)	(3,750,862)	(431,384)	(88,419,991)	(106,268,485)	(3,978,414)	(559,340)	(527,519)	(377,151)	(1,229,007)	(205,568,983)
Net book value	1,633,560	63,196	7,135,121	577,287	22,071,313	37,146,822	6,600,574	244,100	101,163	94,904	421,010	76,089,050
Period ended December 31, 2012												
Opening net book value	1,633,560	63,196	7,135,121	577,287	22,071,313	37,146,822	6,600,574	244,100	101,163	94,904	421,010	76,089,050
Additions	-	-	69,187	-	612,662	3,016,126	467,551	209,328	30,320	3,627	24,376	4,433,177
Disposals												
Cost	-	-	-	-	(1,628,431)	(756,591)	-	-	(89)	-	(9,350)	(2,394,461)
Accumulated depreciation	-	-	-	-	1,356,113	685,226	-	-	89	-	8,849	2,050,277
	-	-	-	-	(272,318)	(71,365)		-	-	-	(501)	(344,184)
Depreciation charge for the period	-	(639)	(136,150)	(12,606)	(1,955,320)	(3,242,758)	(355,248)	(23,325)	(27,993)	(10,688)	(63,969)	(5,828,696)
Impairment charge - note 13.4	-	-	-	-	-	(86,786)	-	-	-	-	-	(86,786)
Net book value	1,633,560	62,557	7,068,158	564,681	20,456,337	36,762,039	6,712,877	430,103	103,490	87,843	380,916	74,262,561
As at December 31, 2012												
Cost	1,633,560	90,026	10,955,170	1,008,671	109,475,535	145,674,842	11,046,539	1,012,768	658,913	475,682	1,665,043	283,696,749
Accumulated depreciation and impairment	-	(27,469)	(3,887,012)	(443,990)	(89,019,198)	(108,912,803)	(4,333,662)	(582,665)	(555,423)	(387,839)	(1,284,127)	(209,434,188)
Net book value	1,633,560	62,557	7,068,158	564,681	20,456,337	36,762,039	6,712,877	430,103	103,490	87,843	380,916	74,262,561
Annual rate of depreciation (%)		1 to 3.3	2.5	2.5	7	10	6.67 to 8.33	10	33.33	10	20	

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

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

13.3 Disposals 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)					
Lines and wires	1,628,431	1,356,113	272,318	78,519	Auction	Various buyers
Apparatus, plant and equipment	756,591	685,226	71,365	43,091	Auction	Various buyers
Aggregate of others having net book values not exceeding Rs 50,000	9,439	8,938	501	6,354		
	2,394,461	2,050,277	344,184	127,964		

13.4 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.

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

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
Cost of services	27	5,708,287	11,444,749
Administrative and general expenses	28	90,307	175,174
Selling and marketing expenses	29	30,102	58,392
		5,828,696	11,678,315

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
13.6 Capital work-in-progress		
Buildings	651,325	708,890
Lines and wires	5,349,871	5,259,593
Apparatus, plant and equipment	3,974,680	3,099,674
Advances to suppliers	331,333	337,790
Others	471,384	375,340
	10,778,593	9,781,287
13.7 Movement during the period / year		
Balance as at July 01	9,781,287	15,955,058
Additions during the period / year	5,430,483	7,996,938
Transfers during the period / year	(4,433,177)	(14,170,709)
Balance at period / year end	10,778,593	9,781,287

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

13.8 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	Licenses	Computer Software	Total
		(Rupees in '000)		
14. Intangible assets				
As at July 01, 2011				
Cost		4,015,397	598,384	4,613,781
Accumulated amortization		(1,455,580)	(122,074)	(1,577,654)
Net book value		2,559,817	476,310	3,036,127
Year ended June 30, 2012				
Opening net book value		2,559,817	476,310	3,036,127
Additions		-	34,246	34,246
Amortization charge for the year		(194,931)	(75,783)	(270,714)
Net book value		2,364,886	434,773	2,799,659
As at July 01, 2012				
Cost		4,015,397	632,630	4,648,027
Accumulated amortization		(1,650,511)	(197,857)	(1,848,368)
Net book value		2,364,886	434,773	2,799,659
Period ended December 31, 2012				
Opening net book value		2,364,886	434,773	2,799,659
Additions		15,910	-	15,910
Amortization charge for the period	27	(100,929)	(36,058)	(136,987)
Net book value		2,279,867	398,715	2,678,582
As at December 31, 2012				
Cost		4,031,307	632,630	4,663,937
Accumulated amortization		(1,751,440)	(233,915)	(1,985,355)
Net book value	14.1	2,279,867	398,715	2,678,582

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

		Note	December 31, 2012	June 30, 2012
			(Rupees in '000)	
14.1	Breakup of net book values as at period/year end is as follows:			
	Licenses			
	Telecom	14.2	79,787	84,774
	WLL spectrum	14.2	2,103,199	2,192,697
	WLL and LDI License	14.3	84,683	87,415
	IPTV	14.4	12,198	-
			2,279,867	2,364,886
	Computer software			
	Bill printing software	14.5	1,913	2,733
	Billing and automation of broadband	14.5	13,052	17,659
	HP OSS	14.5	28,539	31,964
	SAP - Enterprise Resource Planning (ERP) system	14.6	355,211	382,417
			398,715	434,773
			2,678,582	2,799,659

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

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

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

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

14.6 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.

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
15. Long term investments			
Investments in subsidiaries and associate	15.1	7,707,396	6,523,539
Other investments	15.2	83,900	83,900
		7,791,296	6,607,439
15.1 Investments in subsidiaries and associate - at cost (unquoted)			
Wholly owned subsidiaries			
Pak Telecom Mobile Limited			
650,000,000 (June 30, 2012: 650,000,000) ordinary shares of Rs 10 each			
Ordinary shares held 100% (June 30, 2012: 100%)		6,500,000	6,500,000
U Microfinance Bank Limited			
(Formerly Rozgar Microfinance Bank Limited)			
118,571,429 (June 30, 2012: Nil) ordinary shares of Rs 10 each			
Ordinary shares held 100% (June 30, 2012: Nil)	15.1.1	1,183,857	-
		7,683,857	6,500,000
Associate			
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%)		23,539	23,539
		7,707,396	6,523,539

All subsidiaries and associated companies are incorporated in Pakistan

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
15.1.1 U Microfinance Bank Limited (Formerly Rozgar Microfinance Bank Limited)		
Acquisition of 100% shares	183,857	-
Additional equity investment made during the period	1,000,000	-
	1,183,857	-

The Company acquired 100% ownership of U Microfinance Bank Limited - Formerly: Rozgar Microfinance Bank Limited (the bank) during the period to offer services of digital commerce and branchless banking. The bank was incorporated as a public company limited by shares, under the Companies Ordinance,1984.

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
15.2 Other investments			
Available-for-sale investments - unquoted			
Thuraya Satellite Telecommunication 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

16. Long term loans and advances - considered good

	Note	December 31, 2012	June 30, 2012
Loans to PTML - unsecured	16.1	11,000,000	11,000,000
Loans to employees - secured	16.2	542,166	723,703
Advances to suppliers against turnkey contracts	16.3	3,026,774	3,444,453
Others		17,602	12,852
		14,586,542	15,181,008
Less: Current portion shown under current assets			
Loans to PTML - unsecured	19	(2,500,000)	(750,000)
Loans to employees - secured	19	(100,523)	(119,054)
		11,986,019	14,311,954

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

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

The maximum amount of the loan to PTML, outstanding at any time since the date of the previous statement of financial position, was Rs 11,000,000 thousand (June 30, 2012: Rs 11,000,000 thousand).

16.2 These loans and advances are for house building and purchase of motor cars, motor cycles and bicycles. Loans to gazetted employees of the 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. These 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 Company, recoverable in monthly installments spread over a period of 1 to 2 years.

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

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

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

	As at July 01, 2011	Disbursements	Repayments	As at June 30, 2012
	(Rupees in '000)			
Executives	11,752	853	6,381	6,224
Other employees	595,516	245,615	123,652	717,479
	607,268	246,468	130,033	723,703

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

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
17. Stores, spares and loose tools			
Stores, spares and loose tools	17.1	3,721,177	3,595,530
Provision for obsolescence	17.2	(786,334)	(622,706)
		2,934,843	2,972,824

17.1 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	June 30, 2012
		(Rupees in '000)	
17.2 Provision for obsolescence			
Balance as at July 01		622,706	527,192
Provision during the period / year	27	163,628	284,623
		786,334	811,815
Written-off against provision		-	(189,109)
		786,334	622,706

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
18. Trade debts - unsecured			
Domestic			
Considered good	18.1	11,162,235	7,769,178
Considered doubtful		8,631,156	9,490,723
		19,793,391	17,259,901
International			
Considered good	18.2	4,240,018	1,016,634
Considered doubtful		40,091	165,512
		4,280,109	1,182,146
		24,073,500	18,442,047
Provision for doubtful debts	18.3	(8,671,247)	(9,656,235)
		15,402,253	8,785,812

18.1 These include amounts due from the following related parties:

Pak Telecom Mobile Limited		1,159,863	588,760
The Government of Pakistan and its related entities		1,424,117	1,302,367
		2,583,980	1,891,127

18.2 These include an amount of Rs 96,004 thousand (June 30, 2012: Rs 107,199 thousand) due from Etihad Etisalat Company - KSA, a related party.

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

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
18.3 Provision for doubtful debts			
Balance as at July 01		9,656,235	14,434,615
Provision for the period / year	28	916,287	1,853,559
		10,572,522	16,288,174
Written-off against provision		(1,901,275)	(6,631,939)
		8,671,247	9,656,235
19. Loans and advances - considered good			
Current portion of long term loans to PTML	16	2,500,000	750,000
Current portion of long term loans to employees	16	100,523	119,054
Advances to suppliers and contractors	19.1	809,292	499,161
		3,409,815	1,368,215

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

		Note	December 31, 2012	June 30, 2012
			(Rupees in '000)	
19.1	**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

20. Accrued interest

		Note	December 31, 2012	June 30, 2012
	Return on bank deposits		286,287	110,724
	Mark up on long term loans	20.1	209,044	251,418
	Interest receivable on loans to employees - secured		64,059	64,385
			559,390	426,527

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

21. Recoverable from tax authorities

		December 31, 2012	June 30, 2012
	Income tax	14,571,301	14,430,550
	Sales tax	670,540	570,489
	Federal excise duty	3,279,487	3,249,831
		18,521,328	18,250,870
	Provision for doubtful amount	(466,176)	(466,176)
		18,055,152	17,784,694

22. Receivable from The Government of Pakistan - considered good

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

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

	Note	December 31, 2012 (Rupees in '000)	June 30, 2012 (Rupees in '000)
23. Prepayments and other receivables			
Prepayments			
- Pakistan Telecommunication Authority, a related party		151,132	-
- Prepaid rent and others		160,525	93,440
		311,657	93,440
Other receivables - considered good			
Due from related parties:			
- PTML- against service charges for software maintenance		2,537	2,798
- 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
Others		83,927	81,196
		573,758	573,026
		885,415	666,466
Considered doubtful		326,166	326,166
Provision for doubtful receivables		(326,166)	(326,166)
		-	-
		885,415	666,466
24. Short term investments			
Term deposits			
- maturity upto 3 months	24.1	8,242,117	9,611,508
Available-for-sale investments			
- units of mutual funds	24.2	655,341	317,893
		8,897,458	9,929,401

24.1 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 Financial Statements

for the six months period ended December 31, 2012

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
24.2 Available-for-sale investments		
24.2.1 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
24.2.2 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 Financial Statements

for the six months period ended December 31, 2012

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	
25. Cash and bank balances			
Cash in hand		1,661	-
Balances with banks:			
Deposit accounts	25.1	3,897,824	358,984
Current accounts			
Local currency		334,747	2,557,147
Foreign currency (USD 8,420 thousand (June 30, 2012: USD 3,672 thousand))		815,857	345,191
		1,150,604	2,902,338
		5,050,089	3,261,322

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

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

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
26. Revenue			
Domestic	26.1	28,283,433	54,290,471
International	26.2	8,855,756	5,747,783
		37,139,189	60,038,254

26.1 Revenue is exclusive of Federal Excise Duty amounting to Rs 2,651,720 thousand (June 30, 2012: Rs 5,698,469 thousand).

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

Notes to and Forming Part of the Financial Statements
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)	
27. Cost of services			
Salaries, allowances and other benefits	27.1	6,243,987	11,771,474
Call centre charges		292,408	426,658
Interconnect costs		1,125,738	2,585,923
Foreign operators costs and satellite charges		4,965,262	8,789,817
Fuel and power		2,196,844	4,089,691
Communication		5,590	8,490
Stores, spares and loose tools consumed		1,429,902	1,758,446
Provision for obsolete stores, spares and loose tools	17.2	163,628	284,623
Rent, rates and taxes		575,896	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	13.5	5,708,287	11,444,749
Amortization of intangible assets	14	136,987	270,714
Impairment on property, plant and equipment	13.4	86,786	191,759
Annual license fee to Pakistan Telecommunication Authority (PTA)		121,399	214,162
		24,487,339	44,898,012

27.1 This includes Rs 1,529,019 thousand (June 30, 2012: Rs 3,260,296 thousand) in respect of employees' retirement benefits.

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
28. Administrative and general expenses			
Salaries, allowances and other benefits	28.1	636,201	1,199,396
Call centre charges		43,861	63,999
Fuel and power		165,348	307,816
Rent, rates and taxes		109,721	148,841
Repairs and maintenance		7,515	11,325
Printing and stationery		2,232	3,331
Travelling and conveyance		44,802	84,287
Technical services assistance fee	28.2	1,194,134	1,912,281
Legal and professional charges		87,663	206,213
Auditors' remuneration	28.3	7,235	14,654
Depreciation on property, plant and equipment	13.5	90,307	175,174
Research and development fund	28.4	151,221	239,281
Provision against doubtful debts	18.3	916,287	1,853,559
Donations	28.5	-	40,162
Other expenses		729,773	1,509,976
		4,186,300	7,770,295

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

28.1 This includes Rs 155,792 thousand (June 30, 2012: Rs 332,191 thousand) in respect of employees' retirement benefits.

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

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
28.3 Auditors' remuneration			
A. F. Ferguson & Co.			
Statutory audit, including half yearly review		4,500	4,500
Tax services		2,235	5,004
Out of pocket expenses		500	250
Ernst & Young Ford Rhodes Sidat Hyder			
Statutory audit, including half yearly review		-	4,500
Tax services		-	150
Out of pocket expenses		-	250
		7,235	14,654

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

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

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
29. Selling and marketing expenses			
Salaries, allowances and other benefits	29.1	624,399	1,177,147
Call centre charges		29,241	42,666
Sales and distribution charges		281,253	661,541
Fuel and power		48,819	90,882
Printing and stationery		1,491	2,224
Travelling and conveyance		5,600	10,536
Advertisement and publicity		398,577	435,149
Depreciation on property, plant and equipment	13.5	30,102	58,392
		1,419,482	2,478,537

29.1 This includes Rs 152,902 thousand (June 30, 2012: Rs 326,030 thousand) in respect of employees' retirement benefits.

30. Voluntary separation scheme cost

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

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

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 curtainment / settlement	9.1(c)	4,276,080	-
Other VSS cost	30.1	5,191,188	-
		9,467,268	-

30.1 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	-

31. Other operating income

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
Income from financial assets:			
Return on bank deposits		584,708	1,000,905
Mark up on long term loans	31.1	681,528	1,532,679
Late payment surcharge from subscribers on overdue bills		115,234	199,962
Dividend income		15,000	-
Income from non financial assets:			
Dividend from subsidiary company - PTML		-	1,400,000
Gain on disposal of items of property, plant and equipment		-	58,625
Gain on sale of obsolete stores		-	180,980
Liabilities no longer payable written back	31.2	-	1,800,660
Secondment income from Etisalat, UAE - a related party		16,683	58,852
Amortization of deferred government grants	10	91,204	142,160
Gain on disposal of available-for-sale investments transferred to income	24.2.2	28,087	-
Others		93,074	221,280
		1,625,518	6,596,103

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

31.1 This includes a sum of Rs 674,203 thousand (June 30, 2012: Rs 1,526,127 thousand) accrued on the loans given to PTML, a related party.

31.2 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 Company's license by PTA.

	Note	Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
32. Finance costs			
Bank and other charges		85,016	222,240
Exchange loss		50,985	259,505
		136,001	481,745
33. Provision for income tax			
Charge / (credit) for the period / year			
Current		187,196	983,662
Deferred	8	(592,489)	2,810,027
		(405,293)	3,793,689

33.1 Income tax 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
	(Rupees in '000)	
Applicable tax rate	(35.00)	35.00
Tax effect of amounts chargeable to tax at lower rates	(0.33)	(0.53)
Tax effect of amount are not deductable for tax purposes	0.02	-
	(0.31)	(0.53)
Average effective tax rate	(35.31)	34.47

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

			Six months period ended December 31, 2012	Year ended June 30, 2012
34.	**Earnings / (loss) per share - basic and diluted**			
	Profit / (loss) for the period / year	Rupees in thousand	(742,610)	7,212,079
	Weighted average number of ordinary shares	Numbers in thousand	5,100,000	5,100,000
	Earnings / (loss) per share	Rupees	(0.15)	1.41

35. Non-funded finance facilities

The Company has non funded financing facilities available with banks, which include facilities to avail letters of credit and letters of guarantee. The aggregate facility of Rs 17,125,000 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 end is Rs 5,138,724 thousand (June 30, 2012: Rs 5,133,626 thousand). The letter of guarantee facility is secured by a hypothecation charge over certain assets of the Company, amounting to Rs 18,717,000 thousand (June 30, 2012: Rs 16,985,000 thousand).

		Six months period ended December 31, 2012	Year ended June 30, 2012
		(Rupees in '000)	
36.	**Cash generated from operations**		
	Profit / (loss) before tax	(1,147,903)	11,005,768
	Adjustments for non-cash charges and other items:		
	Depreciation and amortization	5,965,683	11,949,029
	Impairment	86,786	191,759
	Provision for obsolete stores, spares and loose tools	163,628	284,623
	Provision against doubtful trade debts	916,287	1,853,559
	Employees' retirement benefits	1,837,712	3,918,517
	Voluntary separation scheme cost	9,467,268	-
	Loss / (gain) on disposal of property, plant and equipment	216,220	(58,625)
	Return on bank deposits	(584,708)	(1,000,905)
	Markup on long term loans	(681,528)	(1,532,679)
	Dividend income	(15,000)	(1,400,000)
	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	85,016	222,240
		16,207,069	23,522,853

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

	Six months period ended December 31, 2012	Year ended June 30, 2012
	(Rupees in '000)	
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(125,647)	112,041
Trade debts	(7,532,728)	(1,467,520)
Loans and advances	(310,131)	(38,506)
Recoverable from tax authorities	(129,707)	(1,989,093)
Prepayments and other receivables	(223,699)	(66,745)
	(8,321,912)	(3,449,823)
Increase in current liabilities:		
Trade and other payables	7,756,253	476,765
	15,641,410	20,549,795

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000)	

37. Cash and cash equivalents

	Note	December 31, 2012	June 30, 2012
Short term investments	24	8,897,458	9,929,401
Cash and bank balances	25	5,050,089	3,261,322
		13,947,547	13,190,723

38. Capacity

	Access Lines Installed (ALI)		Access Lines In Service (ALIS)	
	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012
	(Number)			
Number of lines	8,888,986	9,011,678	4,124,340	4,235,999

ALI represent switching lines. ALI include 274,913 (June 30, 2012: 268,565) and ALIS include 89,273 (June 30, 2012: 92,156) Primary Rate Interface (PRI) and Basic Rate Interface (BRI) respectively. ALI and ALIS also include 3,406,000 (June 30, 2012: 3,406,000) and 1,308,730 (June 30, 2012: 1,424,248) WLL connections, respectively.

The difference between ALI and ALIS is due to pending and potential future demand.

Notes to and Forming Part of the Financial Statements

for the six months period ended December 31, 2012

39. Remuneration of Directors, Chief Executive and Executives

The aggregate amount charged in the financial statements for remuneration, including all benefits, to the Chairman, Chief Executive and Executives of the Company 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	340,281	619,676
Honorarium	150	300	-	-	1,490	2,796
Bonus	-	-	-	-	27,646	8,317
Retirement benefits	-	-	4,490	7,568	38,146	60,827
Housing	-	-	-	-	120,139	214,931
Utilities	-	-	-	-	31,058	56,275
	150	300	67,238	106,934	558,760	962,822
Number of persons	1	1	1	1	550	501

The Company 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 Company are provided only with limited telephone facilities; certain executives are also provided with the Company maintained cars.

The aggregate amount charged in the financial statements for the 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: Rs 32,765 thousand) for attending the Board of Directors, and its sub-committee, meetings.

40. Rates of exchange

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

41. Financial risk management

41.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.
Risk management is carried out by the Board of Directors (the Board). The Board has prepared a 'Risk Management Policy' covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of this policy.

(a) Market risk

(i) Currency risk

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

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

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
USD		
Trade and other payables	(9,488,821)	(5,151,602)
Trade debts	5,445,556	1,820,360
Cash and bank balances	815,857	345,191
Net exposure	(3,227,408)	(2,986,051)
AED		
Trade and other payables	(50,887)	(49,577)
EUR		
Trade and other payables	(1,641)	(3,006)
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 AED		
Average rate	25.98	25.53
Reporting date rate	26.44	25.65
Rupees per EUR		
Average rate	121.67	117.99
Reporting date rate	128.31	118.50
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 106,598 thousand (June 30, 2012: Rs 98,657 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 Company is exposed to equity securities price risk, because of the investments held by the Company in money market mutual funds, and classified on the statement of financial position as available-for-sale. To manage its price risk arising from investments in mutual funds, the Company diversifies its portfolio.

The other financial assets include available-for-sale investments of Rs 655,341 thousand (June 30, 2012: Rs 317,893 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 32,767 thousand (June 30, 2012: Rs 15,895 thousand) higher / lower, mainly as a result of higher / lower redemption price on units of mutual funds.

(iii) Interest rate risk

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

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

	December 31, 2012	June 30, 2012
	(Rupees in '000)	
Financial assets		
Fixed rate instruments:		
Staff loans	542,166	723,703
Short term investments - term deposits	8,242,117	9,611,508
Floating rate instruments:		
Long term loans - loan to subsidiary	11,000,000	11,000,000
Bank balances - deposit accounts	3,897,824	358,984
	23,682,107	21,694,195

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long-term loans to subsidiary and deposit bank balances, at the 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 96,836 thousand (June 30, 2012: Rs 73,833 thousand) higher / lower, mainly as a result of higher / lower markup income on floating rate loans / investments.

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(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 investments	83,900	83,900
Long term loans and advances	11,986,019	14,311,954
Trade debts	15,402,253	8,785,812
Loans and advances	3,409,815	1,368,215
Accrued interest	559,390	426,527
Receivable from the Government of Pakistan	2,164,072	2,164,072
Other receivables	573,758	573,026
Short term investments	8,897,458	9,929,401
Bank balances	5,050,089	3,261,322
	48,126,754	40,904,229

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

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

	Rating Short term	Rating Long term	Rating Agency	December 31, 2012	June 30, 2012
				(Rupees in '000)	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	4,539,292	2,149,008
Bank Alfalah Limited	A1+	AA	PACRA	199,981	3,906,379
MCB Bank Limited	A1+	AA+	PACRA	236,588	12,485
Soneri Bank Limited	A1+	AA-	PACRA	12,963	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	42,589	3
Habib Bank Limited	A-1+	AA+	JCR-VIS	1,552,532	1,987,647
Askari Bank Limited	A1+	AA	PACRA	2,774,339	2,599,634
Allied Bank Limited	A1+	AA+	PACRA	101,004	1,129,868
United Bank Limited	A-1+	AA+	JCR-VIS	175,568	403,263
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	110,849	161,774
Summit Bank Limited	A-2	A-	JCR-VIS	-	3,721
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

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	Rating Short term	Rating Long term	Rating Agency	December 31, 2012	June 30, 2012
				(Rupees in '000)	
SME Bank Limited	A-3	BBB	JCR-VIS	321	715
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	41,815	61,021
Meezan Bank Limited	A-1+	AA-	JCR-VIS	124,769	36,572
Mutual Funds					
- Pakistan Cash Management Fund	-	AAA(f)	PACRA	133,335	127,174
- NAFA Government Securities Liquid Fund	-	AAA(f)	PACRA	67,182	64,184
- Atlas Money Market Fund	-	AA+(f)	PACRA	151,761	-
- IGI Money Market Fund	-	AM3+	PACRA	151,758	-
- JS Cash Fund	-	AA+	PACRA	151,305	-
- BMA Empress 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
				13,945,886	13,190,723

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

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company follows an effective cash management and planning policy to ensure availability of funds, and to take appropriate measures for new requirements.

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

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in '000)			
Long term security deposits	534,487	-	534,487	-
Employees' retirement benefits	20,024,951	-	-	20,024,951
Trade and other payables	23,192,515	23,192,515	-	-
	43,751,953	23,192,515	534,487	20,024,951

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 security deposits	707,668	-	707,668	-
Employees' retirement benefits	18,250,681	-	-	18,250,681
Trade and other payables	16,815,690	16,815,690	-	-
	35,774,039	16,815,690	707,668	18,250,681

41.2 Fair value of financial assets and liabilities

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

Notes to and Forming Part of the Financial Statements

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41.3 Financial instruments by categories

	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
	(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 and advances	-	-	11,986,019	14,311,954	11,986,019	14,311,954
Trade debts	-	-	15,402,253	8,785,812	15,402,253	8,785,812
Loans and advances	-	-	3,409,815	1,368,215	3,409,815	1,368,215
Accrued interest	-	-	559,390	426,527	559,390	426,527
Receivable from the Government of Pakistan	-	-	2,164,072	2,164,072	2,164,072	2,164,072
Other receivables	-	-	573,758	573,026	573,758	573,026
Short term investments	655,341	317,893	8,242,117	9,611,508	8,897,458	9,929,401
Cash and bank balances	-	-	5,050,089	3,261,322	5,050,089	3,261,322
	739,241	401,793	47,387,513	40,502,436	48,126,754	40,904,229

	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						
Long term security deposits	-	-	534,487	707,668	534,487	707,668
Employees' retirement benefits	-	-	20,024,951	18,250,681	20,024,951	18,250,681
Trade and other payables	-	-	23,192,515	16,815,690	23,192,515	16,815,690
	-	-	43,751,953	35,774,039	43,751,953	35,774,039

41.4 Capital risk management

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

The Company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

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

42. Transactions with related parties

The Government of Pakistan and Etisalat International Pakistan (EIP), UAE are the majority shareholders of the Company. Therefore, all related entities of the Government of Pakistan and EIP are related parties of the Company. Additionally, the Company's subsidiaries Pak Telecom Mobile Limited, U Microfinance Bank Limited, associate T.F. Pipes Limited,

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directors, chief executive, key management personnel and employee funds are also related parties of the Company. The remuneration of the directors, chief executive and executives is given in note 39 to the financial statements. The amounts due from and due to these related parties are shown under respective receivables and payables. The Company had transactions with the following related parties during the period / year:

Shareholders

Etisalat International Pakistan

Subsidiary

Pak Telecom Mobile Limited
U Microfinance Bank Limited (Formerly:Rozgar Microfinance Bank Limited)

Associated undertakings

Emirates Telecommunication Corporation
Etisalat Afghanistan
Etihad Etisalat Company
Etisalat International Zantel Limited
Thuraya Satellite Telecommunication Company
TF Pipes Limited

Employees' retirement benefit plan

Pakistan Telecommunication Employees' Trust

Other related parties

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

	Six months period ended December 31, 2012	Year ended June 30, 2012
	(Rupees in '000)	
Shareholders		
Technical services assistance fee	1,194,134	1,912,281
Subsidiaries		
Sale of goods and services	2,555,518	5,220,732
Purchase of goods and services	1,723,976	2,627,487
Mark up on long term loans	674,203	1,526,127
Dividend income	-	1,400,000
Associated undertakings		
Sale of goods and services	292,147	1,062,547
Purchase of goods and services	899,765	1,105,115
Employees' retirement benefit plan		
Contribution to the plan	3,479,630	2,000,000
Other related Parties		
Charge under license obligations	639,545	1,100,126

43. Date of authorization for issue

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

Chairman

President & CEO