



Communication is evolving at a rapid pace. It has sped up the process of evolution by bridging the distances we once had. Our resolve to progress is apparent from our sustained growth establishing our position as the leader of information and communication technology.

# Contents

## Company Review

|       |   |
|-------|---|
| 2     | Corporate Vision, Mission & Core Values |
| 6-7   | Board of Directors                      |
| 8     | Corporate Information                   |
| 12-13 | The Management                          |
| 14-15 | Operating Highlights - Graphs           |
| 18-19 | Group CEO's Message                     |
| 22-32 | Directors' Report                       |
| 33    | Composition of Board's Sub-Committees   |
| 33    | Attendance of PTCL Board Members        |
| 36    | Statement of Compliance with CCG        |
| 37    | Auditors' Review Report to the Members  |

## Financial Statements

|       |   |
|-------|---|
| 43    | Auditors' Report to the Members                       |
| 44-45 | Statement of Financial Position                       |
| 46    | Statement of Profit and Loss                          |
| 47    | Statement of Comprehensive Income                     |
| 48    | Statement of Cash Flows                               |
| 49    | Statement of Changes in Equity                        |
| 50-98 | Notes to and Forming Part of the Financial Statements |

## Consolidated Financial Statements

|         |  |
|---------|--|
| 101     | Auditors' Report to the Members                                    |
| 102-103 | Consolidated Statement of Financial Position                       |
| 104     | Consolidated Statement of Profit and Loss                          |
| 105     | Consolidated Statement of Comprehensive Income                     |
| 106     | Consolidated Statement of Cash Flows                               |
| 107     | Consolidated Statement of Changes in Equity                        |
| 108-171 | Notes to and Forming Part of the Consolidated Financial Statements |

## Annexes

|         |                                       |
|---------|---------------------------------------|
| 174-180 | Pattern of Shareholding               |
| 181     | Notice of 19th Annual General Meeting |
| 183     | Form of Proxy                         |

# Vision, Mission & Core Values

## Corporate Vision

To be the leading Information and Communication Technology Service Provider in the region by achieving customers' satisfaction and maximizing shareholders' value.

## Mission

To achieve our vision by having:

- An organizational environment that fosters professionalism, motivation and quality
- An environment that is cost effective and quality conscious
- Services that are based on the most optimum technology
- "Quality" and "Time" conscious customer services
- Sustained growth in earnings and profitability

## Core Values

- Professional Integrity
- Teamwork
- Customer Satisfaction
- Loyalty to the Company





# Enriching Homes

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With its country wide coverage & connectivity, PTCL's Broadband Pakistan gives families the luxury to enjoy seamless browsing, downloading and streaming.

# Board of Directors



**AKHLAQ AHMAD TARAR**  
Chairman PTCL Board



**ABDULRAHIM A. AL NOORYANI**  
Member PTCL Board



**DR. WAQAR MASOOD KHAN**  
Member PTCL Board



**JAMAL SAIF AL JARWAN**  
Member PTCL Board



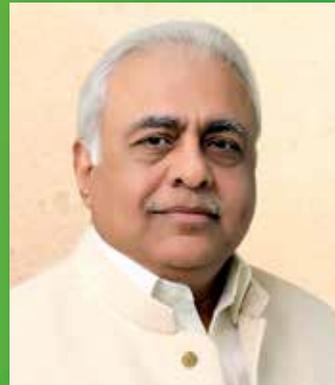
**SERKAN OKANDAN**  
Member PTCL Board



**FADHIL AL ANSARI**  
Member PTCL Board



**DR. DANIEL RITZ**  
Member PTCL Board



**AMJAD ALI KHAN**  
Member PTCL Board



**YASIR QADIR**  
Member PTCL Board



**WALID IRSHAID**  
President & Chief Executive Officer

# Corporate Information

## Management

**Walid Irshaid**

President & Chief Executive Officer

**Muhammad Nehmatullah Toor**

Chief Financial Officer

**Syed Mazhar Hussain**

Chief Human Resource Officer

**Muhammad Nasrullah**

Chief Business Operations Officer

**Hamid Farooq**

Chief Business Development Officer

**Furqan Habib Qureshi**

Chief Marketing Officer

**Kamal Ahmed**

Chief Digital Services Officer

**Jamil A. Khwaja**

Chief Customer Care Officer

**Tariq Salman**

Chief Technical Officer

**Raed Yousef Ali Abdel Fattah**

Chief Information Officer

**Jamal Abdalla Salim Hussain Al Suwaidi**

Chief Procurement Officer

**Muhammad Shehzad Yousuf**

Chief Internal Auditor

## Company Secretary

**Farah Qamar**

## Legal Affairs

**Zahida Awan**

## Auditors

**A. F. Ferguson & Co.**

Chartered Accountants

## Bankers

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al Habib Limited

The Bank of Punjab

Citibank Limited

Dubai Islamic Bank

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

Industrial & Commercial Bank China

J S Bank Limited

MCB Bank Limited

Meezan Bank Limited

National Bank of Pakistan

NIB Bank Limited

Silkbank Limited

SME Bank Limited

Standard Chartered Bank (Pakistan) Limited

Sindh Bank Limited

Soneri Bank Limited

United Bank Limited

## Registered Office

PTCL Headquarters

Sector G-8/4,

Islamabad-44000, Pakistan

Tel: +92-51-2263732 & 34

Fax: +92-51-2263733

E-mail: [company.secretary@ptcl.net.pk](mailto:company.secretary@ptcl.net.pk)

Web: [www.ptcl.com.pk](http://www.ptcl.com.pk)

## Share Registrar

M/s FAMCO Associates (Pvt.) Limited

8-F, Next to Hotel Faran, Nursery,

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

Tel: +92-21-34380101-2

Fax: +92-21-34380106

[info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)



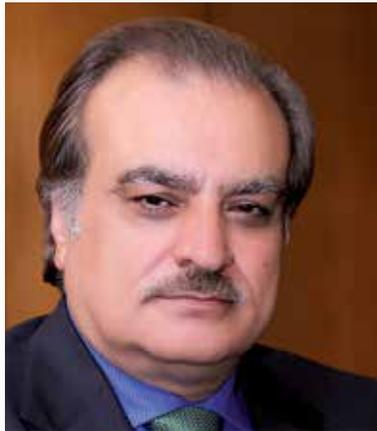


# Enriching Experience

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Revolutionizing the wireless connectivity, 3G EVO offers its users an exclusive experience of fast and instant connection on the go that's worth sharing.

# The Management



**Walid Irshaid**  
President & Chief Executive Officer



**Muhammad Nehmatullah Toor**  
Chief Financial Officer



**Syed Mazhar Hussain**  
Chief Human Resource Officer



**Muhammad Nasrullah**  
Chief Business Operations Officer



**Hamid Farooq**  
Chief Business Development Officer



**Furqan Habib Qureshi**  
Chief Marketing Officer



**Kamal Ahmed**  
Chief Digital Services Officer



**Jamil A. Khwaja**  
Chief Customer Care Officer



**Tariq Salman**  
Chief Technical Officer



**Raed Yousef Ali Abdel Fattah**  
Chief Information Officer



**Jamal Abdalla Salim Hussain Al Suwaidi**  
Chief Procurement Officer



**Muhammad Shehzad Yousuf**  
Chief Internal Auditor

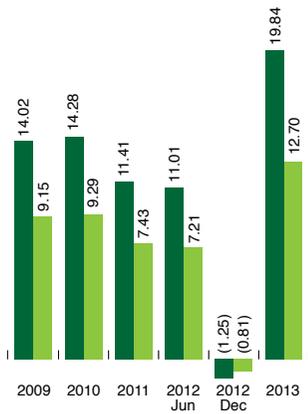
# Operating Highlights

| Financial Year                                  |          | Year ended<br>Dec 31, 2013 | Six months ended<br>Dec 31, 2012 | Year ended<br>Jun 30, 2012 | Year ended<br>Jun 30, 2011 | Year ended<br>Jun 30, 2010 | Year ended<br>Jun 30, 2009 |
|---|----------|----------------------------|----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Key Indicators</b>                           |          |                            |                                  |                            |                            |                            |                            |
| <b>Operating</b>                                |          |                            |                                  |                            |                            |                            |                            |
| Pre tax margin (EBIT margin)                    | %        | 24.90                      | (3.02)                           | 19.13                      | 21.03                      | 25.68                      | 25.20                      |
| Net margin                                      | %        | 15.66                      | (2.18)                           | 12.01                      | 13.44                      | 16.26                      | 15.45                      |
| <b>Performance</b>                              |          |                            |                                  |                            |                            |                            |                            |
| Fixed assets turnover                           | Times    | 1.06                       | 0.49                             | 0.80                       | 0.75                       | 0.75                       | 0.74                       |
| Debtors' turnover                               | Times    | 4.77                       | 3.06                             | 6.69                       | 5.71                       | 5.46                       | 4.91                       |
| Return on equity                                | %        | 12.85                      | (0.81)                           | 7.19                       | 7.50                       | 9.33                       | 9.28                       |
| Return on capital employed                      | %        | 8.92                       | (0.64)                           | 6.11                       | 6.40                       | 7.40                       | 7.20                       |
| Retention                                       | %        | 19.66                      | 100.00                           | 100.00                     | (20.15)                    | 3.97                       | 16.40                      |
| <b>Leverage</b>                                 |          |                            |                                  |                            |                            |                            |                            |
| Debt:Equity                                     | Ratio    | 28:72                      | 28:72                            | 21:79                      | 18:82                      | 15:85                      | 14:86                      |
| Leverage  | %        | 43.38                      | 40.03                            | 32.13                      | 33.36                      | 32.51                      | 34.47                      |
| Time interest earned                            | Times    | 58.26                      | (8.23)                           | 23.85                      | 56.00                      | 36.42                      | 16.43                      |
| <b>Liquidity</b>                                |          |                            |                                  |                            |                            |                            |                            |
| Current   | Times    | 1.94                       | 2.05                             | 2.30                       | 1.39                       | 1.51                       | 1.50                       |
| Quick   | Times    | 1.85                       | 1.95                             | 2.16                       | 1.27                       | 1.37                       | 1.36                       |
| <b>Valuation</b>                                |          |                            |                                  |                            |                            |                            |                            |
| Earnings per share                              | Rs.      | 2.49                       | (0.16)                           | 1.41                       | 1.46                       | 1.82                       | 1.79                       |
| Breakup value per share                         | Rs.      | 19.78                      | 18.97                            | 20.07                      | 19.27                      | 19.56                      | 19.49                      |
| Dividend payout ratio                           | %        | 80.34                      | -                                | -                          | 120.15                     | 96.03                      | 83.60                      |
| Price earnings ratio                            | Times    | 11.42                      | (109.52)                         | 9.68                       | 9.76                       | 9.77                       | 9.61                       |
| Market price to breakup value                   | Times    | 1.44                       | 0.91                             | 0.68                       | 0.74                       | 0.91                       | 0.88                       |
| Dividend per share                              | Rs.      | 2.00                       | -                                | -                          | 1.75                       | 1.75                       | 1.50                       |
| Dividend yield                                  | %        | 7.03                       | -                                | -                          | 12.31                      | 9.83                       | 8.70                       |
| Dividend cover ratio                            | Times    | 1.24                       | -                                | -                          | 0.83                       | 1.04                       | 1.20                       |
| Market value per share (as on Dec 31 & June 30) | Rs.      | 28.44                      | 17.35                            | 13.69                      | 14.22                      | 17.80                      | 17.24                      |
| <b>Historical Trends</b>                        |          |                            |                                  |                            |                            |                            |                            |
| <b>Operating Results</b>                        |          |                            |                                  |                            |                            |                            |                            |
| Revenue   | Rs. (m)  | 81,061                     | 37,033                           | 60,038                     | 55,254                     | 57,175                     | 59,239                     |
| Profit / (loss) before tax                      | Rs. (m)  | 19,838                     | (1,255)                          | 11,006                     | 11,414                     | 14,281                     | 14,021                     |
| Profit / (loss) after tax                       | Rs. (m)  | 12,696                     | (808)                            | 7,212                      | 7,428                      | 9,294                      | 9,151                      |
| Dividend  | Rs. (m)  | 10,200                     | -                                | -                          | 8,925                      | 8,925                      | 7,650                      |
| <b>Financial Position</b>                       |          |                            |                                  |                            |                            |                            |                            |
| Share capital                                   | Rs. (m)  | 51,000                     | 51,000                           | 51,000                     | 51,000                     | 51,000                     | 51,000                     |
| Reserves  | Rs. (m)  | 49,782                     | 45,677                           | 51,312                     | 47,262                     | 48,759                     | 48,390                     |
| Shareholders' equity                            | Rs. (m)  | 100,872                    | 96,729                           | 102,375                    | 98,292                     | 99,759                     | 99,390                     |
| EBITDA  | Rs. (m)  | 28,311                     | 3,482                            | 16,840                     | 15,656                     | 22,006                     | 23,454                     |
| Working capital                                 | Rs. (m)  | 36,335                     | 29,067                           | 26,811                     | 10,991                     | 15,257                     | 18,134                     |
| Current assets                                  | Rs. (m)  | 74,918                     | 56,688                           | 47,359                     | 39,012                     | 45,450                     | 54,220                     |
| Total assets                                    | Rs. (m)  | 181,908                    | 164,185                          | 156,949                    | 152,520                    | 150,768                    | 154,048                    |
| Non current liabilities                         | Rs. (m)  | 42,453                     | 39,835                           | 34,025                     | 26,207                     | 20,816                     | 18,572                     |
| <b>Operational</b>                              |          |                            |                                  |                            |                            |                            |                            |
| ALIS as on (as on Dec 31 & June 30)*            | No (000) | 4,014                      | 4,035                            | 4,144                      | 4,393                      | 4,370                      | 4,681                      |
| Average ALIS per employee                       | No       | 183                        | 165                              | 153                        | 153                        | 155                        | 168                        |

\* Exclusive of Primary and Basic Rate interface

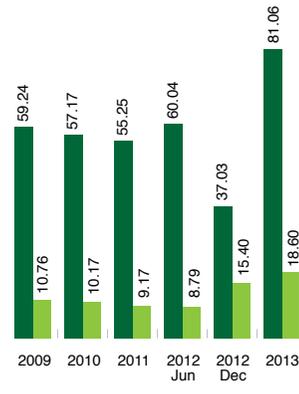
# Graphs

Profit before Tax and Profit after Tax  
(Rupees in billion)



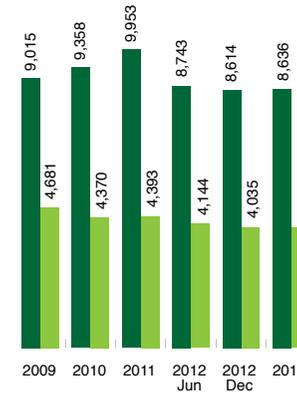
■ Profit before Tax (PBT) ■ Profit after Tax (PAT)

Revenue and Trade Debts  
(Rupees in billion)



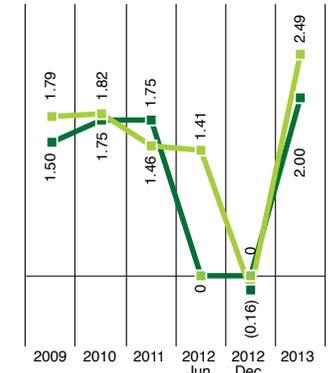
■ Revenue ■ Trade Debts

Capacity: Installed Vs In Service  
(Numbers in thousand)



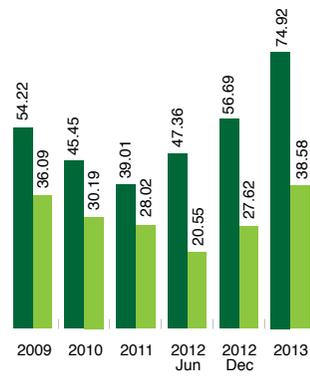
■ ALI excluding PRI/BRI  
■ ALIS excluding PRI/BRI

Dividend Payout per Share  
(Rupees)



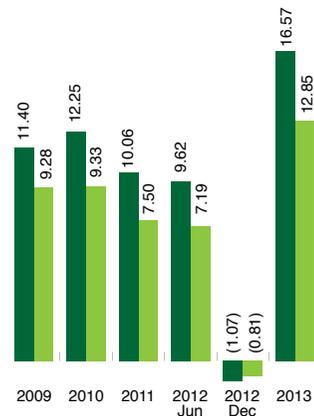
■ Dividend per Share ■ Earnings per Share

Current Assets and Current Liabilities  
(Rupees in billion)



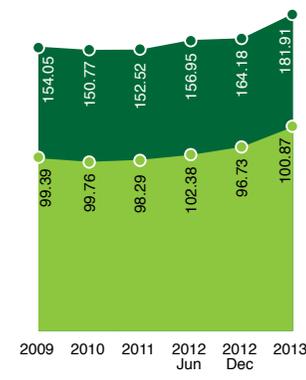
■ Current Assets ■ Current Liabilities

Return on Operating Assets and Equity  
(Percentage)



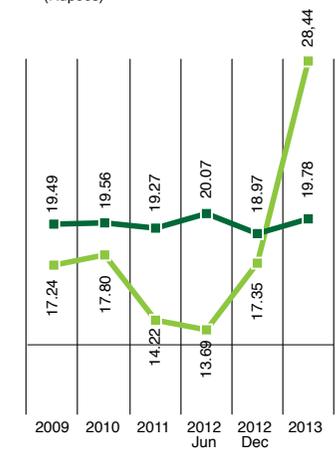
■ Return on Operating Assets ■ Return on Equity

Total Assets Vs Shareholders' Equity  
(Rupees in billion)



■ Total Assets ■ Shareholders' Equity

Breakup Value Vs Market Value  
(Rupees)



■ Breakup Value per Share  
■ Market Value per Share



# Enriching Relationships

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From countless wires to one line that connects all, PTCL Landline builds a land of sharing where heart to heart conversations strengthen relationships.

## Group CEO's Message



“We will remain focused to deliver the best to our customers and we pledge to keep customer centricity at the core of our future directions. It is our commitment to empower people of Pakistan for growth and enable them to compete for better future and higher prospects in life.”

**Walid Irshaid**  
President & Chief Executive Officer

2013 was a year of sustained growth and progress for PTCL. We continued leading the telecom industry in the country by offering wider and improved choices across all segments of market. From businesses to households, consumers to institutions - our telephony, broadband, wireless and home entertainment product lines managed to stay as top of the mind preference in the country.

PTCL's role as a telecom industry catalyst became more prominent during the year. Our services to other internet service providers and mobile operators along with wide range of other industries played a vital role in boosting the country's growth and ensured that the economic activity remains lucrative for international investments.

One of our key strategic focuses during the year remained as investment in our network. We achieved significant improvements in our fixed and wireless infrastructure enabling the company to be prepared for future opportunities. Our substantial investment in international gateway facilitated Pakistan to connect with the world through new and improved fiber optic cable system.

The competition in mobile operator market remained fierce during the year. Despite market challenges, Ufone remained as the favorite choice especially in the youth segments. The number of Ufone customers grew significantly during the year and customer appreciation and loyalty measured high on the scales.

Improved and widened network coverage and innovation in product line proved to be the greatest support for mobile segment growth. Through the launch of Upaisa, a mobile banking service, the company was able to make waves in the market. We have identified mobile banking service as a great opportunity for growth and we aim to seize this opportunity by expanding these services significantly in coming years.

We see 2014 as both a challenging and exciting year for PTCL Group. With 3G/4G auction around the corner, we are looking at huge windows of growth and opportunities. We are confident that given our strong and unique position in the market, we would be able to maximize our benefits from this evolution.

We clearly realize that going forward telecom industry would no longer be about connectivity alone. There will be a dire need for the industry to offer integrated services and customized solutions to its customers. We are ready to brace these changes and are determined to maintain our position as information and communication technology leader of Pakistan.

I would personally like to thank PTCL's stakeholders - our customers who continue to reward us with their loyalty and have shown continuous faith in us for serving them, our employees who strive to deliver better performance and play their part in the growth of the country, our

shareholders, Government of Pakistan and Etisalat Group for their persistent support and belief in the management and PTCL's strategies.

We strongly believe that the next year would mark exponential growth in the telecom industry and PTCL would continue leading the industry in a progressive manner. We would continue pursuing growth and prosperity by expanding our services to the larger community. We will remain focused in delivering the best to our customers and we pledge to keep customer centricity at the core of our future directions. It is our commitment to empower people of Pakistan for growth and enable them to compete for better future and higher prospects in life.



**Walid Irshaid**

President & Chief Executive Officer



# Enriching Freedom

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With 3G EVO cloud, we take freedom of connecting everyone to new heights. Sharing virtual space anywhere, anytime has never been this easy.

# Directors' Report



On behalf of the Board of Directors of Pakistan Telecommunication Company Limited (PTCL), we are pleased to present the annual report and the audited financial information for the year ended December 31, 2013 together with auditors' report thereon.

2013 was the year of growth for your Company in terms of enhanced revenues and profitability and increased customer base. Broadband services, both wireline and wireless, as well as international business were the main

contributors to achieve growth in the business. With the forthcoming advent of 3G/4G services in Pakistan, PTCL Group is well poised to seize the opportunity and reap the benefits. In furtherance of the business in coming years, opportunities of possible consolidation in Pakistan's telecom market are being closely monitored by your Company.

A brief overview of your Company's performance is presented in the succeeding paragraphs.

## 1. INDUSTRY OUTLOOK

Telecom sector continued to grow stronger in 2013 with major indicators showing improvement from last year. Tele-density reached 77.1% with main contribution from cellular sector. The increasing revenues from the telecom sector indicate the strength and size of the market despite tough competition and challenges like energy shortage, floods, law and order situation and factors that impeded investment and economic activity. Telecom operators are now exploring new avenues of earning, reducing dependence on the voice channels alone. It is expected that influx of innovation in the form of 3G technology into the telecom market will further boost the revenues of the sector.

New information and communication technologies have changed the dynamics of our social, legal and economic systems. Dependence on the traditional media has been taken over by fast developing Information Technology (IT) systems that has paved way for effective and timely decision making. The economic impact of IT growth will have massive bearing on the overall growth of the country. Major initiatives are being undertaken by the government sector including E-Government, E-Learning and E-Health.

The use of smart phones and broadband platforms to carry out social, financial and educational activities has increased exponentially. Such are the impacts of these requirements that telecom operators are now planning for investments in new technologies for faster content provisioning to meet customer demands and increase revenues. This new wave will change the customer services equation impelling the industry to graduate from customer services to customer value management.

Financial services landscape is fast changing with the introduction of innovative and fast mobile payments (m-payments) systems. Cellular mobile companies and financial institutions in Pakistan joined hands to develop one of the best m-payments model and practice. It has resulted in the expansion of m-payments services across the country through an expanding network of agents. In the formal financial system, m-payments systems are mostly important for the inclusion of poor and un-served thus contributing their share towards growth of the country.

Year 2013 witnessed another realization as our landline business saw a turnaround after mushroom growth of mobile sector. The landline business trends reversed positively and continued to show an incline which is a healthy sign for the sector.

Successful integrated efforts were the focal point for all our efforts during the year. Signing memorandum of

understanding for network footprint enhancement with national and international real estate builders brought great success to our efforts. Massive rehabilitation of access network for quality service provision and customer retention parallel with the aggressive increase of broadband customer base enabled PTCL to grow notably.

Industry is now all set for the launch of 3G/4G licenses in the near future. Telecom sector will witness an exponential growth in the demand of high-speed internet and applications and services associated with it despite tough competition among the key players which allows limited margin over these services. The customers, however, will benefit from low price, high quality of service and multiple options to choose from. Telecom sector will experience a second wave of the growth, and this time content will be one of the key drivers.

## 2. FINANCIAL PERFORMANCE

Your Company's financial performance was remarkable during the twelve months under review. With 20% growth in revenues on annual basis, gross profit for the year increased by 41%. Main contributor for the growth was broadband segment with 88% increase in the subscriber base of 'EVO', the wireless broadband and 30% enhancement in subscribers' base of the wireline broadband services.

### Profitability and Dividend

For the year under review, PTCL Group's profit after tax was Rs. 15.7 billion. The increased profitability of Rs. 12.7 billion for PTCL was contributed by revenue growth. Accordingly, the Board has recommended a final cash dividend of 20% (Rs. 2.00 per share) for the financial year 2013 which is inclusive of the interim cash dividend already declared and paid to the shareholders. Earnings per share for PTCL Group for the year was Rs. 3.09.

### Revenues

During the year, growth in PTCL Group revenues of Rs. 131.2 billion was 11% per annum. PTCL's revenues of Rs. 81.1 billion increased by 20% on yearly basis mainly on account of robust performance of Broadband segment as well as increase in international business.

### Operating Costs

Through effective cost control measures and discounting the cost effect of voluntary separation scheme (VSS) implemented last year, the annual increase in total operating cost of Rs. 109.3 billion for PTCL Group during the year was 10% thus successfully withstanding the inflationary pressures, continued devaluation of Pakistani currency and increasing energy cost. On the same basis, annual increase in PTCL's operating expenses was 11%. Of these, the cost of services of Rs. 53.1 billion increased by 11%, administrative and general expenses of Rs. 9.1 billion increased by 10% and selling and marketing expenses of Rs. 2.9 billion increased by 16% annually. Salaries, allowances and other benefits; foreign operators' cost and satellite charges; depreciation on property, plant and equipment; fuel and power and store, spares and loose tools consumed were the main constituents of the operating expenses.

### Revision in Accounting Policy

Consequent to the revision of International Accounting Standard on Employees Benefits (IAS 19), effective from 1st January 2013, the accumulated remeasurement gains / losses (unrecognized actuarial gains / losses) pertinent to various retirement benefit schemes were accounted for retrospectively and the corresponding figures were restated.

# Directors' Report

## 3. PRODUCT & SERVICES

The hallmark for the year 2013 for your Company was growth in business with further improvement in customers' facilitation. Data services of broadband were the main driver of the growth. With an overall increase of 48% in broadband subscribers' basis during the year, there was 20% growth in PTCL's revenues on annual based. Your Company also continued to provide improved and easy-to-use channels to customers to interact with PTCL with ease.

The succeeding paragraphs provide an overview of the performance of various segments of diversified services offered by your Company during 2013.

### Retail Services

#### Wireline Business

The year 2013 was a productive year for PTCL's wireline business. While DSL Broadband performed well with 32% annual increase in revenues and crossing the 1.1million subscribers mark, the year also witnessed a turnaround in the voice segment by arresting the decline in revenue and increasing voice customers' base by 4%. These achievements were mainly attributed to creative pricing and packaging, attractive cross sell / upsell promotions and effective win-back and acquisition campaigns. The enhancement and reorganization of sales channels provided the required impetus for the significant increase in order generation and acquisitions.

The year started with a successful reconnect win-back campaign for landline customers. After the first fruitful run of the campaign, it was re-launched with the additional scope to win-back broadband customers as well. The re-launch proved more effective than the first run. The highlight of the year, however, remained achievement of over 1 million DSL Broadband subscribers with 30% annual growth.

For providing customers a taste of higher speeds without increasing the tariff, broadband data rate upgrade campaigns remained the strategy of your Company. Many such campaigns were launched during the year that upgraded subscribers to higher data rates without any extra charges for a specific promotional period. Each time customers were duly informed about these promotions to enable them to reap the benefit. The up-sell resulted in remarkable retentions on higher data rates after the expiry of the promotions.

As market dynamics change so do the customer requirements. With the passage of time, customers have developed higher interest in subscribing for enhanced broadband speeds. Accordingly, the ultra-high DSL speeds of 12 and 16Mbps were launched during the year. Moreover, for creating good value for customers, waiver of Smart TV monthly service charges was bundled as a special offer with 8, 12 and 16Mbps broadband packages. At the same time, however, PTCL remains cognizant of the fact that the survival in the future does not depend only on high speed DSL but very much on newer fiber to the home (GPON) technology.

Keeping in view need of the time, diversified products are required with right offerings. Security situation of the country demands a product that provides consumers with the most affordable surveillance security solution. Based on this important consideration, PTCL's I-sentry product offerings were packaged at affordable prices so that customers could benefit from the quality security solution without paying for the high cost of devices.

#### Wireless Business

EVO retained its strong brand position throughout the year. Brand's focus for the year remained on adaptation of evolving technology and drive to innovate continuously.

During the year 2013, new subscriber acquisition for EVO wireless broadband customer base witnessed a growth of 88% culminating in 0.75 million subscribers at the year-end with corresponding revenue increase of 91%. This was made possible by the continuous improvements in existing product line supported by addition of new products.

The launch of a new and improved 3G EVO Tab with enhanced features and economical prices was one of the key successes during the year. Additionally, new Mi-Fi devices were introduced to improve end user experience.

Promotional campaigns included the launch of a one-week promotion for EVO and EVO Wingle. Another similar promotion was run for EVO 3.1Mbps USB customers. Both the campaigns resulted in phenomenal acquisition of new subscribers in short span of time. Apart from these, various other promotions were also introduced from time to time in order to attract new subscribers and provide loyalty rewards to the existing customers.

As part of loyalty rewards for PTCL's existing EVO customers, a new promotion was launched offering EVO to Wingle upgrades for all existing active and inactive EVO unlimited customers. This helped your Company in offering superior value, arresting churn and triggering win back through incentives in the form of the device upgrade at nominal charges without any change in the existing line rents.

Launch of V-fone new year promotion helped to increase fixed wireless phone sales and ensure availability of quality CDMA sets in the market. Price rationalization incentives were also taken for both EVO and V-fone with the aim to boost sales for these products simultaneously. New postpaid packages for all EVDO products were introduced, with the objective to increase post-paid customer base and to encourage pre-paid customers to switch to post-paid billing options. Moreover, extensive focus was given on winning back inactive customers through twice a month SMS campaigns.



#### Smart TV

During 2013, the customer base of Smart TV services witnessed a 113% growth. The achievement was made possible through the strategic focus on offering the customers a choice for better and value added entertainment. PTCL enriched the service by increasing the number of channels from a 125 to 150 and adding advanced features on selected TV channels. Some of the advanced features include catch-up TV, facilitating the viewers to watch programs of past four days and a personal video recorder facility that allows the customers to schedule recording of their favorite TV programs to be aired within next seven days. PTCL is the only company to offer these unique facilities to TV viewers for the first time in Pakistan.

Your Company also diversified in the field of media measurement. In collaboration with a renowned media company, PTCL now provides TV rating, audience preference measurement and advertising tracking through a system titled as 'Rview' - a first of its kind initiative by PTCL in the entire region. The initiative holds the promise to generate new business streams with advertising agencies, TV channels and media houses.

#### Carrier & Wholesale Services

Your Company holds the unique position of being the only unified service provider in Pakistan serving all segments of customers. Based upon its vast and strong network capabilities available throughout the country, PTCL provides diversified services to other telecom operators and carriers as well. With the forthcoming advent of 3G technologies and expected increase in data usage preferences of customers, PTCL recognizes the opportunity being offered due to relative lack of high quality telecom infrastructure by other telecom operators in emerging urban centers and rural areas. Accordingly, the lack of passive infrastructure such as fiber network by other operators provides an opportunity to your Company of additional revenue growth by further strengthening its business relationships with these operators.

Moreover, to address the growing demands of a data-savvy customer base, PTCL, in partnerships with cellular mobile operators, is to provide Wi-Fi hotspots in the central business districts of dense urban areas across Pakistan. This initiative is expected to further augment the data usage preference of customers post 3G regime, hence acting as a catalyst for business growth for PTCL.

#### International Business

In 2013, PTCL continued to maintain its leading position as a preferred LDI (Long Distance International) carrier for international traffic and media provisioning in domestic market as well as in neighboring countries. As a result, revenues from international incoming calls increased significantly during the year. Besides, international transit traffic also increased, further augmenting the revenues from international segment.

Also, in order to cater for growing bandwidth demand due to increasing customer base, additional IP bandwidth was procured with further reduction in cost per unit through effective negotiation of leasing higher capacities. In order to ensure service availability to expanded customer base of PTCL, the said bandwidth procurement was strategically spread on each of our existing three submarine cables viz. I-ME-WE, SEA-ME-WE3 and SEA-ME-WE4. PTCL is the only telecom operator in Pakistan having a network of three redundant and resilient submarine cable systems thus offering its customers better quality of service. In order to cater for the ever-growing bandwidth requirements, PTCL is negotiating to invest in a new submarine cable system as well.

# Directors' Report

## Corporate Services

Corporate and enterprise business remains a potential for further growth in PTCL. Towards this end, focus continued on enhancing business relationships with existing corporate and enterprise customers as well as closing deals with new ones. Needs of the enterprise segment were duly addressed by offering state-of-the-art products and services - proactively and cost effectively. During 2013, most of the corporate customers were shifted from copper network to fiber network thus further improving the service levels.

During the year, several innovative products/services such as Managed WAN, cloud computing and Geographical Information System (GIS) were launched specifically for the corporate sector. The service portfolio continued to offer managed services, one window solutions, data center Hosting and Multi-Protocol label switching initiatives. Moreover, efforts were further intensified on improving quality of service and after sales support to our valued corporate customers to ensure smooth and un-interrupted services for their business critical applications.

The business relationship with various government and educational entities was further strengthened. Accordingly, your Company was successful in obtaining orders from universities offering unconventional medium to over one hundred thousand students across the country, satisfying their need of wireless connectivity with cloud and other ICT services. In collaboration with Ministry of IT and Telecom, PTCL also facilitated in the 'E-Government Project'.

With an increased focus on providing integrated business solutions to its corporate clients, PTCL partnered with system integrators and leading hardware manufacturers to provide competitive and state-of-the-art technologies to the enterprise segments.

Your Company continued to provide Small and Medium Enterprise (SME) sector with cost effective solutions. The

flagship SME product "Business-in-a-Box" was re-launched with additional features.

## 4. SUPPORT FUNCTIONS

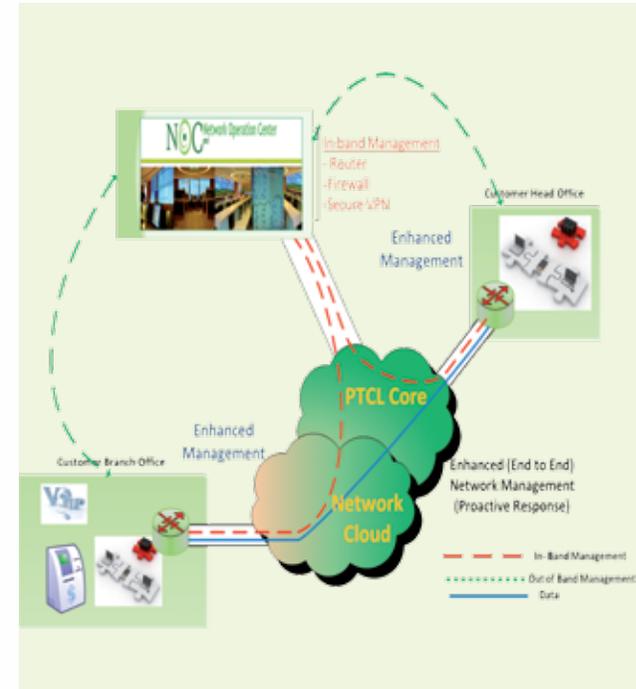
### Network Infrastructure

In line with the growing demand of broadband, both wireline and wireless, your Company continued to expand its network capabilities across the country using latest technologies with the objective to provide customers with innovative products and services at affordable prices.

During the year, PTCL proactively rolled out its mega program of expanding wireless broadband infrastructure in terms of capacity and capability. About 600 new Base Transceiver Stations (BTS) were deployed in urban and far-flung areas along with capacity expansion in existing BTS sites. In year 2013, PTCL doubled its footprint of wireless broadband which enabled your Company to lead the wireless broadband business in Pakistan with corresponding growth in revenues. Moreover, your Company also acquired (subject to fulfillment of certain conditions) the right to use additional 1900MHz CDMA spectrum in nine telecom regions with the objective to provide the customers with higher-end wireless broadband products.

In the wireline network, coverage of broadband footprint was extended to untapped areas having potential for the business. In this regard, an initiative was undertaken which enabled more than 150K new fiber backhaul broadband lines deployment with Multi Services Access Gateway (MSAGs) nodes. Besides these new nodes, large numbers of existing sites were also expanded with additional broadband ports to address customers' demand. At the year-end, your Company had the wireline broadband capacity of 2.3 million ports.

PTCL also expanded its transport and core network with latest technology to match the capacity footprint offered in



wireline and wireless broadband services. In this direction, PTCL has embarked upon an initiative to introduce IP based packet transport nodes in transmission network, which will not only enhance the capacity and improve the service management but will also address the technology obsolescence issue. Optical fiber laying on long haul and metro networks also continued in 2013 resulting in about 1,000 KM new optical fiber being laid during the year, bringing full resilience in our backhaul network of 31,500 KM with 80% redundancy. Further, Deep Packet Inspection (DPI) deployment and expansion in international bandwidth not only addressed the resilience issues but also enabled PTCL to customize packages and products as per needs and requirements of our valued customers - both in wireline and wireless domains.

Prevailing power crisis in the country remained the major issue in the year 2013 as well, posing challenge to ensure

uninterrupted service availability to our customer base throughout the country. To meet the challenge, various out of the box techniques were introduced which included fast charging battery solution at hub BTS/MSAG sites, smart switches with Automatic Transfer Switch (ATS) panel in more than 1,000 sites, DC hybrid solution, windmill solution, solar power solution, inverted based ACs and periodic replacing of batteries at BTS/MSAG sites. The investment in these initiatives not only helped to reduce the impact of the commercial power outages in urban and rural areas but also ensured and sustained PTCL's revenues based upon uninterrupted quality service provisioning to our valued subscribers.

### Information Technology (IT)

Your Company undertook various initiatives to introduce innovations required to launch new products and services, improve operational efficiency, effectiveness and optimize the operational costs. PTCL initiated the transformation program in which the key drivers were to efficiently serve the evolving business needs and enable digital services, reduce time to market (TTM) for the launch of new products, services, packages, bundles and also to reduce the total cost of ownership (TCO).

Major projects in the transformation program include customer relationship management (CRM), convergent billing, business analytics and intelligence (BI) and interconnect and wholesale billing system. Out of these, CRM and BI projects are being implemented. The CRM project focuses on the revamping of the order to fulfillment process. Order management, provisioning and activation are the main processes covered in this project and the aim is to consolidate discrete and disparate order and provisioning systems thus enabling the better bundled offers to the customers while reducing the TTM and overall TCO. BI Project will bring in the capability of using analytics in decision making. The other projects of enterprise convergent billing systems and interconnect and wholesale billing are also underway.



### Human Resource Development

Your Company takes pride in the ability and efforts of its people for a consistent progress. Performance linked evaluation, reward and training system remained the key component of PTCL's Human Resource (HR) strategy. In line with the contemporary business needs and to introduce products and services based upon latest technologies, the organization was duly revamped and strengthened with induction of professionals having required competencies.

To support the growth in business, learning of the employees in relevant fields cannot be overemphasized. Towards this end, various comprehensive training programs were conducted for all strata of the staff. Programs on leadership, behavioral change, business knowledge, technical skills, health and safety and creativity were implemented with the help of world class trainers.

The focused training sessions were supported by two additional leadership programs; one of which was for top leadership tier of the Company and the second one for developing potential leaders. A leadership competency model for inculcating the desired behaviors in PTCL leaders was also introduced to ensure success of leadership development.

With the objective to enhance the internal communication of the organization, PTCL's in-house quarterly publication and an e-facilitation service were also launched so as to reduce the response time to various queries by employees.

In 2013, PTCL initiated a strategy formulation mechanism rolled out from the top tier in form of balance scorecard approach. Going forward, the initiative is expected to align the efforts of the individuals with Company's objectives in seamless manner. Further, with the focus on evaluation of all the organizational activities, repeated employee

# Directors' Report



engagement surveys were conducted which helped to identify areas of improvement enabling all functions to formulate the annual action plans to ensure better performance.

Various welfare and support programs for employees were conducted throughout the year. Understanding the need of employee engagement through informal activities, various platforms like fun gala, talent show and sports events were launched for both employees and their families.

## Market and Corporate Communication

To further augment the marketing of its products and expand the communication channels, focus on research and monitoring was enhanced which helped PTCL to develop a baseline for creating effective and successful messages, tools and communication methods.



Various promotional campaigns were launched during the year that proved effective in business growth of your Company. Besides the successful wireline reconnect campaigns, other promotional and positioning campaigns like EVO happy week offer and broadband reconnect offer were also undertaken during the year. PTCL also launched an image building campaign for broadband titled "Zindagi Chalti Jaey"- the campaign with its catchy jingle and creative depiction of how the broadband service revolutionizes lifestyle of customers received great appreciation from the customers and marketing industry of Pakistan.

Your Company also embarked successfully in digital and social media this year. PTCL's presence on social networking forums grew considerably enabling our customers to connect with us through a click. We also integrated our social media sites to our customer services links for increasing the response efficiency.

Presence of your Company was made more visible in the media through prominent placement of news and events relating to PTCL. Various interactive media sessions were organized during the year that provided an opportunity for all main stream media representatives to interact with PTCL officials. Interviews of key Company officials on industry practices and issues continued to appear in leading publications and channels throughout the year.

## Customer Care

Continuing with the objective to build lasting loyalty-based relationship with our valued customers, PTCL launched a customer self-care portal – 'MyPTCL' which enables subscribers to apply for diversified service connections online as well as to register complaints and retrieve bills. Besides, a number of other initiatives were also put in place for self-help of our customers e.g. self-care videos, live web chat with our customer service agents and etc.

To ensure that customers' first impression of PTCL is positive, a New Joiners' Program was launched under the customer value management initiative. The key elements of the initiative include verification of quality of installation, welcome information, preferential treatment for initial 90 days and complaint escalation. Carrying the experience forward, a preferential program for our high value customers was also launched during the year thus identifying customer segmentation based on revenue generation. The segmentation enabled relevant functionaries to serve the priority value customers more efficiently thus enhancing customer satisfaction levels.

PTCL also implemented on-line computerized national identity card verification service for validating customer antecedents by integrating with National Database and Registration Authority (NADRA). Through the initiative, correctness of customer information in our billing and customer care database is ensured enabling better customer service.

To benchmark customer experience, PTCL also initiated a mystery shopping drive. The exercise yielded relevant insight which led to improvement in One Stop Shop (OSS) operations.

In order to facilitate PTCL's customers, E-Payment Systems were further enhanced by addition of more channels comprising of various banks, mobile payment and other institutions thereby enabling the customers not only to pay the bills with on-line real-time updating of the pertinent records but also to use ATMs, major banks internet portals and mobile payment agents networks for this purpose as well as to load the balance for 'EVO' wireless broadband products. Moreover, 35 additional cash machines across the country were deployed to help customers to pay the bills with ease.

## Regulatory Affairs

In today's competitive environment, PTCL stays enthusiastically engaged to meet the regulatory obligations focusing on the business interests of the Company.

During the year, your Company was awarded two more Universal Service Fund (USF) projects for provision of broadband services in the under-served/un-served areas of Pakistan. The projects relate to Rawalpindi Telecom Region (Rawalpindi, Attock, Jhelum and Chakwal districts) and Northern Telecom Region I (Nowshera, Mardan, Charsadda, Swabi, Swat, Shangla, Chitral, Buner, Malakand, Upper Dir and Lower Dir districts).

Through the persistent efforts of your Company, Pakistan Telecom Authority (PTA) has agreed to review the stringent Quality of Service (QoS) benchmarks applicable to PTCL as compared to regional countries and other operators in Pakistan. As a result, PTA has started the due consultation process for revision of QoS benchmarks in line with the comparable markets.

## Quality Assurance

During the year, focus of your Company remained on improving quality of service. PTCL ensured verification of quality of installation in all business zones through random testing. A comprehensive training program for customer services representatives was put in place to ensure quality installations.

Rehabilitation of access network project was one of the key initiatives during the year. As a result, over two million lines have been made broadband enabled. This will play a significant role in increasing the broadband penetration in the country.



During the year, ISO: 9001:2008 certifications for PTCL's corporate customer helpline 1260 were acquired. Eight PTCL functions also successfully qualified surveillance audits.

## 5. CORPORATE SOCIAL RESPONSIBILITY (CSR)

PTCL has always been cognizant of its obligation towards community. This commitment is manifested in various socially responsible initiatives that form a distinctive feature of our corporate thinking and philosophy. Be it providing free medical care to the under privileged in remote areas or coming forward in helping the suffering humanity in their hour of need during natural calamities and environmental disasters, PTCL has always been at the forefront of the national CSR scene.

In 2013, the focus of PTCL's CSR initiatives remained towards health and youth development. Various initiatives were undertaken in both these areas during the year.

PTCL launched its 'Experia Summer Program' in 2013. This was an extensive learning and development platform for

# Directors' Report



the students of top Pakistani universities. This effort played a vital role in bridging the gap between academia and industry. Students from various recognized universities gained practical experience by working in various departments of PTCL including commercial, finance, human resource and technical functions. This internship program provided a platform to students to apply their academic business knowledge in real work settings and groom them to have a successful career.

Following the same lead, PTCL also contributed towards the development of the youth of the country by providing an additional 2,700 internships of six to eight weeks to students from diverse academic backgrounds. Each of these interns went through a structured and systematic placement and training in their relevant areas with a rotational placement in other functions. The training was concluded on a comprehensive report submitted by the interns on their learnings.

Another paid internship program for 500 fresh graduates from various universities and disciplines was completed successfully in 2013. The purpose of this program was to enable the fresh graduates in their learning by making them financially independent. This too was a carefully designed, highly structured and elaborated program. Dubbed as Triple E, based on the principles of engagement, encouragement, and evolution, this program made sure that these youngsters were imparted a thorough grounding in the soft skills as well - a pre-requisite for succeeding in the intensely competitive corporate world.

On the health front, PTCL organized a seminar on 'prevention and awareness of hepatitis' at a local school in Karachi as part of the Company's CSR initiatives. The underlying idea was to push a nation-wide drive to create awareness about hepatitis and its preventive measures. PTCL's medical staff gave information to students on growing rate of hepatitis and reasons for its rapid growth particularly in women and children.

In addition to this, a weeklong medical camp was conducted as part of social responsibility in health sector. The medical camp provided free healthcare to more than 3,000 children who participated in the annual sports week held at sports complex, Islamabad.

In furtherance of PTCL's vision of supporting the community, another medical camp was set up in collaboration with Pakistan Sweet Homes to provide free healthcare and medical services to the children. A project of Pakistan Bait-ul-Maal (PBM), these Sweet Homes provide quality housing and education to thousands of orphaned children across Pakistan.

Besides providing healthcare and diagnostic services, PTCL's medical staff also actively promoted awareness on common and preventable diseases to the benefit of not only its employees but the general public as well. PTCL also initiated the model of PTCL mobile medical units.

Accordingly, during the year, your Company provided free medical treatment and advice in the far-flung areas of the country to over twenty thousand patients through over three hundred mobile medical units' visits.

2013 was the year of general elections in Pakistan. As a responsible corporate citizen, PTCL played its role in this significant event by successfully connecting 535 election offices of the Election Commission of Pakistan (ECP) using the flagship voice and data services including wireline and wireless broadband. Some remote sites were connected via VSAT technology. PTCL's support in this regard helped ECP in modernizing the electoral system.

## 6. SUBSIDIARIES

### Pak Telecom Mobile Limited - Ufone

Ufone kept its lead against competition in offering its valued customers, new and unparalleled offers such as Bolta Pakistan, 1 Paisa per second International Direct Dialing (IDD) and Hajj offers which were an instant success achieving higher activations.

Ufone launched a program of appreciation for customers who have been with us since inception and rewarded their loyalty resulting in increased customer satisfaction.

In order to focus directly on a booming market segment, Ufone launched "Uthpack" during the year which pioneered a unique way of selling to the youth of Pakistan, no price point was communicated rather a life style was promised and delivered by offering discounts at over 400 outlets.

In collaboration with U bank, Ufone successfully launched mobile financial services under the brand name of "UPaisa", providing branchless banking services with the best customer processes, highest number of agents nationwide and fastest rollout which won the trust of customers making it the fastest growing mobile financial service platform.



In order to assess Ufone's network performance and benchmark it against the competitors, an extensive multi-operator network quality of service benchmarking project was conducted in top seven cities through an independent and internationally renowned consultant covering assessment of coverage, quality, call connectivity, call retainability, SMS and data. This extensive exercise reflected that Ufone has been rated as number one in six out of seven cities.

Comprehensive technical and commercial evaluation process was carried out with major telecom infrastructure suppliers enabling Ufone to lock its 3G network supplier as well as finalize the technical solution for state-of-the-art 3G network well ahead of auction.

Network optimization projects relating to radio frequency (RF) redesigns, network overhauling and conventional network optimization measures were undertaken. By virtue of these projects and activities, network quality of service remained fully conformed to required targets. In parallel, Ufone forged ahead with nationwide coverage expansion and deployed 760 new sites.

To ensure competitive advantage, Ufone partnered with global smartphone leader Samsung and launched S4 and Note 3. This and other related initiatives have established Ufone as the largest carrier for smartphone customers in Pakistan - a position of considerable strategic advantage in wake of the upcoming 3G license auction.

Ufone also achieved ISO quality certification for its customer care function during the year.

#### **U Microfinance Bank Limited - Ubank**

PTCL acquired Rozgar Microfinance Bank Limited (RMBL) on August 30, 2012, a district level microfinance bank based in Karachi with one branch license. The name of the bank was changed to 'U Microfinance Bank Limited' (Ubank) to synergize with 'Ufone' and the branchless banking product, 'UPaisa'.

After injecting the prescribed equity and completing all regulatory requirements, the State Bank of Pakistan granted the nationwide banking license to Ubank in January 2013, enabling the bank to operate across Pakistan. In

collaboration with Ufone, the bank launched the branchless banking product "UPaisa" in the shortest possible time for which it won the 'Best Bank Led Mobile Money Award' in Dubai, UAE in the fourth quarter of 2013.

At the year end, besides having fifteen fully functional microfinance banking branches across Pakistan, Ubank has successfully deployed branchless banking network across 15,000 retailers of Ufone. The bank aims to launch innovative branchless banking products in near future.

#### **7. FINANCIAL REPORTING FRAMEWORK**

The Company has complied with all the material requirements of the Code of Corporate Governance and Directors are pleased to confirm the following:

- The financial information prepared by the management of the Company present fairly its state of affairs, the results of its operations, its cash flows and its changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial information and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial information and if any departure therefrom, the same has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the Company's ability to continue as a going concern.

# Directors' Report

- There has been no material departure from the best practices of corporate governance, as detailed in listed regulations.
- The Audit Committee has recommended the appointment of M/s A. F. Ferguson & Co., Chartered Accountants, as auditors of the Company for the financial year ending December 31, 2014.
- Information regarding outstanding taxes and levies is given in notes to the accounts of the financial information.
- The fair value of Pension Assets as per audited accounts amounted to Rs. 72.9 billion at December 31, 2013 (December 31, 2012: Rs. 62.9 billion).
- During the period, one training program on corporate governance was arranged for the Directors in UAE. However, no certification under Directors' Training Program was arranged during the period under review.
- Historic business indicators, composition of Audit Committee, Human Resource & Remuneration (HR&R) Committee, number of Board Meetings, attendance of Directors and Pattern of Shareholding are part of this report and appear in the following pages.

## 8. CHALLENGES AND WAY FORWARD

With the advent of 2014, telecom sector is gearing up to face new challenges and, at the same time, is showing its eagerness to avail different opportunities whether created by the technological advancement or by the enhanced level of digital-literacy at consumer side.

While PTCL continues to be the only unified service provider in Pakistan serving needs of all segments of customers, progression in telecom technologies has become an integral phenomenon.

The global telecom industry is transforming from minutes to bytes and telecom markets are preparing to embrace the next generation of networks. PTA's plans to issue licenses for third generation (3G) mobile telecom services present challenges and opportunities for PTCL. 3G wireless technologies represents a shift from voice-centric services to multimedia-oriented like video, voice and data services.

The Company is embarking on establishing a digital services portfolio to cater to the new growing demand in the country. In addition, PTCL is initiating a multiyear ambitious project to deploy fiber to the curb and home. This will have a significant positive impact on the customer experience.

PTCL intends to forge ahead with its ambitious plans to expand both wireline and wireless broadband services across the country. Since product bundling remains strategically important and facilitates customers, therefore, the Company will continue and further build upon the current offerings.

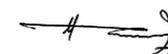
With the 3G auction around the corner, 2014 is a year of enormous opportunities for the telecom sector of Pakistan. We believe that the PTCL Group is most strategically positioned to gain the maximum benefit from these opportunities.

## 9. ACKNOWLEDGEMENTS

The Board of Directors of the Company would like to thank all our customers, suppliers, contractors, service providers, stakeholders and shareholders for their continued support.

We would also like to appreciate the hard work, diligence and dedicated efforts of our employees across the country which enabled the Company to successfully face the challenges of a highly competitive operating environment. We would also like to express our special thanks to the Government of Pakistan and Etisalat Group for their continued support and encouragement in striving to achieve the objective of enhancing shareholders' value.

On behalf of the Board of Directors



**Akhlaq Ahmad Tarar**  
Chairman PTCL Board



**Walid Irshaid**  
President & Chief Executive Officer

Abu Dhabi: February 02, 2014

## Composition of Audit Committee

*Chairman*  
**Serkan Okandan**

*Members*  
**Abdulrahim A. Al Nooryani**  
**Yasir Qadir**  
**Javier Garcia**

*Secretary*  
**Farah Qamar**

### Attendance of PTCL Board Members

Total 04 Meetings of the Audit Committee were held during the Financial Year ended December 31, 2013

| S # | Name of Board Member      | Meetings Attended |
|-----|---------------------------|-------------------|
| 1.  | Serkan Okandan            | 04                |
| 2.  | Abdulrahim A. Al Nooryani | 04                |
| 3.  | Kamran Ali                | 04                |

### Functions of Audit Committee

Assists the Board of Directors in approving Company's financial statements and appointment of External Auditors. Reviews the scope of internal control, monitors statutory compliances, determines the appropriate measures to safeguard Company's assets, evaluates placement / borrowing of funds and accordingly recommends the policies / suggestions to the Board. It also ensures the coordination between the internal and external auditors of the Company.

## Composition of Human Resource Committee

*Chairman*  
**Abdulrahim A. Al Nooryani**

*Members*  
**Fadhil Al-Ansari**  
**Amjad Ali Khan**  
**Serkan Okandan**  
**Dr. Daniel Ritz**  
**Yasir Qadir**

*Secretary*  
**Farah Qamar**

### Attendance of PTCL Board Members

Total 04 Meetings of the HR & R Committee were held during the Financial Year ended December 31, 2013

| S # | Name of Board Member      | Meetings Attended |
|-----|---------------------------|-------------------|
| 1.  | Abdulrahim A. Al Nooryani | 04                |
| 2.  | Fadhil Al Ansari          | 04                |
| 3.  | Serkan Okandan            | 04                |
| 4.  | Dr. Daniel Ritz           | 04                |
| 5.  | Jamil Ahmed Khan          | 03                |
|     | Amjad Ali Khan            | 01                |
| 6.  | Kamran Ali                | 03                |
|     | Yasir Qadir               | 01                |

### Functions of Human Resource Committee

Reviews and recommends development and maintenance of long term HR policies, effective employees development programs, appropriate compensation and benefit plans and good governance model in line with statutory requirements and best practices of corporate governance. It ensures that the governance and HR policies & procedures are aligned with the strategic vision and core objectives of the Company. It also provides leadership and guidance for the organizational transformation required to achieve Company's corporate objectives.

## Attendance of PTCL Board Members

Total 06 Board meetings were held during the financial year.

| S # | Name of Board Member  | Meetings Attended |
|-----|---|-------------------|
|     | Dr. Zafar Iqbal Qadir<br>Chairman PTCL Board<br>(Resigned in April 2013)  | 1                 |
|     | Shahid Rashid<br>Chairman PTCL Board<br>(Resigned in July 2013)           | 1                 |
| 1.  | Kamran Ali Qureshi<br>Chairman PTCL Board<br>(Resigned in September 2013) | 1                 |
|     | Akhlaq Ahmad Tarar<br>Chairman PTCL Board<br>(Appointed during the year)  | 3                 |
| 2.  | Abdulrahim A. Al Nooryani   | 6                 |
|     | Abdul Wajid Rana<br>(Resigned in April 2013)                              | 1                 |
| 3.  | Nasir Mahmood Khan Khosa<br>(Resigned in July 2013)                       | 1                 |
|     | Dr. Waqar Masood Khan<br>(Appointed during the year)                      | 4                 |
| 4.  | Jamal Saif Al Jarwan  | 6                 |
| 5.  | Serkan Okandan  | 6                 |
| 6.  | Fadhil Al Ansari  | 6                 |
| 7.  | Dr. Daniel Ritz   | 6                 |
|     | Jamil Ahmed Khan<br>(Resigned in December 2013)                           | 2                 |
| 8.  | Amjad Ali Khan<br>(Appointed during the year)                             | 1                 |
|     | Kamran Ali<br>(Resigned in December 2013)                                 | 5                 |
| 9.  | Yasir Qadir<br>(Appointed during the year)                                | 1                 |



# Enriching Vision

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Foreseeing the future, we revolutionize the TV screen by making high quality digital viewing available everywhere. Now every TV can be a smart TV!

# Statement of Compliance with the Code of Corporate Governance

## For the year ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of the Karachi, Islamabad & Lahore Stock Exchanges Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in following manner:

1. The Board of Directors ("the Board") comprises of nine Members. Pursuant to the provisions of the Share Purchase Agreement effected as per provisions of the Privatization Commission Ordinance, 2000, between Government of Pakistan (GoP) and the Strategic Investor, as well as under the Articles of Association of the Company, the GoP nominates four (04) Members on the Board of the Company while Etisalat International Pakistan (EIP)-Strategic Investor nominates five (05) Members. The afore-said constitution of PTCL Board is covered under the proviso to the clause of CCG titled 'Composition of the Board'. PTCL is also exempt from the provisions contained in Section 178 of the Companies Ordinance, 1984 in terms of Section 37 of the Pakistan Telecommunication (Re-organization) Act, 1996.
2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurring on the Board on February 13, April 13 & 14, July 16, September 26, and December 17, 2013 were filled up by the Directors within 30 days thereof.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executives have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the period one training program on corporate governance was arranged for the Directors in UAE. However, no certification under Directors' Training Program was arranged during the period under review.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. However, there were no new appointments of CFO, Company Secretary and Head of Internal Audit during the period under review.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of four members and all Directors who are members including the Chairman of the Committee are non-executive Directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. Six (06) Directors of the Board are members of this committee and all of them including the Chairman of the committee are non-executive Directors.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'Closed Period', prior to the announcement of interim/final results was determined and intimated to Directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



Islamabad;  
February 02, 2014

**Walid Irshaid**  
President & Chief Executive Officer

# Auditors' Review Report to the Members

## On Statement of Compliance with Best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pakistan Telecommunication Company Limited (the Company) to comply with the Listing Regulations of the Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors (the Board) of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an

effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Code requires the Company to place before the audit committee and upon recommendation of the audit committee, before the Board for their review and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board upon recommendation of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2013.



**A.F. Ferguson & Co.**  
Chartered Accountants  
Islamabad

Dated: February 02, 2014

**Engagement Partner:**  
S. Haider Abbas



# Enriching Possibilities

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Inspired by power of freedom, EVO Tab brings the world to your finger tips. Staying connected with life empowers our customers to be on top of the world.

