AUDITORS' REPORT
TO THE MEMBERS

We have audited the annexed statement of financial position of Pakistan Telecommunication Company Limited (the Company) as at December 31, 2015 and the related statement of profit and loss, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year 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, statement of profit and loss 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 year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year 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 profit and loss, 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, 2015 and of the profit, total comprehensive income, its cash flows and changes in equity for the year 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.

Emphasis of Matter paragraph

We draw attention to note 12.12 to the financial statements, which describes the position related to the review petitions filed by the Company, Pakistan Telecommunication Employees Trust and the Federal Government before the Supreme Court of Pakistan against its order dated June 12, 2015. Our opinion is not qualified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended December 31, 2014 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion and added an emphasis of matter paragraph on the uncertainty of outcome of the law suits filed against the Company vide their report dated February 10, 2015.

Deloitte Yousuf Adil

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner: Asad Ali Shah

Karachi: February 10, 2016

STATEMENT OF
FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	Note	2015 Rs '000	2014 Rs '000
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital	6	51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,416,078	2,196,770
General reserve		30,500,000	30,500,000
Unappropriated profit		2,302,282	8,117,782
		35,218,360	40,814,552
Unrealized gain on available for sale investments		-	329,039
		86,218,360	92,143,591
Liabilities			
Non-current liabilities			
Long term security deposits	7	552,122	549,256
Deferred income tax	8	5,754,847	2,676,026
Employees retirement benefits	9	32,111,859	33,011,258
Deferred government grants	10	8,926,403	6,848,180
		47,345,231	43,084,720
Current liabilities			
Trade and other payables	11	46,814,183	44,345,349
Total equity and liabilities		180,377,774	179,573,660
Contingencies and commitments	12		

The annexed notes 1 to 47 are an integral part of these financial statements.

Chairman

	Note	2015 Rs '000	2014 Rs '000
Assets			
Non-current assets			
Fixed assets			
Property, plant and equipment	13	94,912,046	94,452,061
Intangible assets	14	2,539,060	4,826,422
		97,451,106	99,278,483
Long term investments	15	7,977,300	7,791,296
Long term loans and advances	16	2,261,126	2,794,106
Investment in finance lease	17	96,113	84,398
		107,785,645	109,948,283
Current assets			
Stores, spares and loose tools	18	2,940,425	2,872,542
Trade debts	19	14,304,039	15,758,805
Loans and advances	20	1,593,099	4,136,133
Investment in finance lease	17	52,255	28,305
Accrued interest	21	128,174	344,801
Recoverable from tax authorities	22	18,179,032	16,366,457
Receivable from the Government of Pakistan	23	2,164,072	2,164,072
Prepayments and other receivables	24	4,982,082	4,994,327
Short term investments	25	26,038,803	18,441,389
Cash and bank balances	26	2,210,148	4,518,546
		72,592,129	69,625,377
Total assets		180,377,774	179,573,660

President & CEO

STATEMENT OF
PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rs '000	2014 Rs '000
Revenue	27	75,751,975	81,512,598
Cost of services	28	(53,783,589)	(55,682,723)
Gross profit		21,968,386	25,829,875
Administrative and general expenses	29	(9,782,258)	(9,857,639)
Selling and marketing expenses	30	(3,514,400)	(3,290,137)
Voluntary separation scheme cost	31	-	(8,174,536)
		(13,296,658)	(21,322,312)
Operating profit		8,671,728	4,507,563
Other income	32	4,917,762	4,706,389
Finance costs	33	(317,376)	(295,193)
Loss of property, plant and equipment due to fire	13.4	-	(907,230)
Profit before tax		13,272,114	8,011,529
Provision for income tax	34	(4,512,519)	(2,804,035)
Profit for the year		8,759,595	5,207,494
Earnings per share - basic and diluted (Rupees)	35	1.72	1.02

The annexed notes 1 to 47 are an integral part of these financial statements.

Chairman

President & CEO

STATEMENT OF
COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
Profit for the year	8,759,595	5,207,494
Other comprehensive loss for the year		
Items that will not be reclassified to profit and loss:		
Remeasurement loss on employees retirement benefits	(2,361,452)	(6,023,357)
Tax effect of remeasurement loss on employees retirement benefits	755,665	2,047,941
	(1,605,787)	(3,975,416)
Items that may be subsequently reclassified to profit and loss:		
Gain on available for sale investments arising during the year	-	274,981
Gain on disposal transferred to income for the year	(329,039)	(35,727)
Unrealised gain on available for sale investments - net of tax	(329,039)	239,254
Other comprehensive loss for the year- net of tax	(1,934,826)	(3,736,162)
Total comprehensive income for the year	6,824,769	1,471,332

The annexed notes 1 to 47 are an integral part of these financial statements.

Chairman

President & CEO

STATEMENT OF
CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rs '000	2014 Rs '000
Cash flows from operating activities			
Cash generated from operations	37	36,557,686	38,548,190
Payment to Pakistan Telecommunication Employees Trust (PTET)		(6,120,992)	(12,551,507)
Employees retirement benefits paid		(1,832,857)	(1,055,098)
Payment of voluntary separation scheme cost		(783,691)	(8,422,813)
Long term security deposits		2,866	19,898
Income tax paid		(2,938,974)	(2,157,850)
Net cash inflows from operating activities		24,884,038	14,380,820
Cash flows from investing activities			
Capital expenditure		(14,488,326)	(20,938,960)
Acquisition of intangible assets		(380,500)	(246,373)
Proceeds from disposal of property, plant and equipment		145,976	38,768
Short term investments		(11,011,392)	(12,000,000)
Finance lease		(40,325)	(74,432)
Long term loans and advances		522,717	1,007,682
Receipts against loan to Pakistan Telecom Mobile Limited (PTML)		3,000,000	5,500,000
Return on long term loans and short term investments		2,308,431	4,064,490
Government grants received		2,606,362	2,106,683
Long term investment in U Microfinance Bank Limited (Ubank)		(100,000)	-
Long term investment in DVCOM Data (Pvt) Limited - (DVCOM)		(1,000)	-
Long term investment - Smart Sky (Pvt) Limited		(100,000)	-
Dividend income on long term investment		10,000	10,000
Net cash outflows from investing activities		(17,528,057)	(20,532,142)
Cash flows from financing activities			
Dividend paid		(13,078,357)	(9,652,673)
Net decrease in cash and cash equivalents		(5,722,376)	(15,803,995)
Cash and cash equivalents at the beginning of the year		10,959,935	26,763,930
Cash and cash equivalents at the end of the year	38	5,237,559	10,959,935

The annexed notes 1 to 47 are an integral part of these financial statements.

Chairman

President & CEO

STATEMENT OF
CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	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 January 01, 2014	37,740,000	13,260,000	2,958,336	30,500,000	16,324,138	89,785	100,872,259
Total comprehensive income for the year							
Profit for the year	-	-	-	-	5,207,494	-	5,207,494
Other comprehensive (loss) / income	-	-	-	-	(3,975,416)	239,254	(3,736,162)
	-	-	-	-	1,232,078	239,254	1,471,332
Transfer to insurance reserve	-	-	267,576	-	(267,576)	-	-
Utilization of insurance reserve	-	-	(1,029,142)	-	1,029,142	-	-
Final dividend for the year ended December 31, 2013 - Re. 1.00 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
Interim dividend for the year ended December 31, 2014 - Re. 1.00 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	(761,566)	-	(9,438,434)	-	(10,200,000)
Balance as at December 31, 2014	37,740,000	13,260,000	2,196,770	30,500,000	8,117,782	329,039	92,143,591
Total comprehensive income for the year							
Profit for the year	-	-	-	-	8,759,595	-	8,759,595
Other comprehensive loss	-	-	-	-	(1,605,787)	(329,039)	(1,934,826)
	-	-	-	-	7,153,808	(329,039)	6,824,769
Transfer to insurance reserve	-	-	219,308	-	(219,308)	-	-
Final dividend for the year ended December 31, 2014 - Rs. 1.50 per share	-	-	-	-	(7,650,000)	-	(7,650,000)
Interim dividend for the year ended December 31, 2015 - Re. 1.00 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	219,308	-	(12,969,308)	-	(12,750,000)
Balance as at December 31, 2015	37,740,000	13,260,000	2,416,078	30,500,000	2,302,282	-	86,218,360

The annexed notes 1 to 47 are an integral part of these financial statements.

Chairman

President & CEO

1. The Company and its operations

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

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

2. Statement of compliance

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, amendments and interpretations:

a) The following standards and amendments to published accounting standards were effective during the year and have been adopted by the Company:

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations (Amendments)	July 01, 2014
IFRS 8	Operating Segments (Amendments)	July 01, 2014
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 10	Consolidated Financial Statements (Amendments)	January 01, 2014
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 01, 2014
IFRS 13	Fair Value Measurement	January 01, 2013
IFRS 13	Fair Value Measurement (Amendments)	July 01, 2014
IAS 1	Presentation of Financial Statements (Amendments)	July 01, 2014
IAS 16	Property, Plant and Equipment (Amendments)	July 01, 2014
IAS 19	Employee Benefits (Amendments)	July 01, 2014
IAS 24	Related Party Disclosures (Amendments)	July 01, 2014
IAS 27	Separate Financial Statements	January 01, 2013
IAS 27	Separate Financial Statements (Amendments)	January 01, 2014
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IAS 38	Intangible Assets (Amendments)	July 01, 2014
IAS 40	Investment Property (Amendments)	July 01, 2014

b) The following 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	July 01, 2009
IFRS 9	Financial Instruments	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2018

c) The following standards and amendments to published accounting standards were not effective during the year and have not been early adopted by the Company:

		Effective date (annual periods beginning on or after)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	January 01, 2016
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 01, 2016
IFRS 10	Consolidated Financial Statements (Amendments)	January 01, 2016
IFRS 11	Joint Arrangements (Amendments)	January 01, 2016
IFRS 12	Disclosure of interests in Other Entities (Amendments)	January 01, 2016
IAS 1	Presentation of Financial Statements (Amendments)	January 01, 2016
IAS 16	Property, Plant and Equipment (Amendments)	January 01, 2016
IAS 19	Employee Benefits (Amendments)	January 01, 2016
IAS 27	Separate Financial Statements (Amendments)	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 01, 2016
IAS 34	Interim Financial Reporting (Amendments)	January 01, 2016
IAS 38	Intangible Assets (Amendments)	January 01, 2016

The management anticipates that adoption of above standards and amendments in future periods will have no material impact on the Company's financial statements other than in presentation / disclosure.

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, accumulating compensated absences plans and benevolent grants (note 5.20) requires the use of certain assumptions related to future periods, including increase in future salary / pension / medical costs, expected long-term returns on plan assets and the discount rate used to discount future cash flows to present values.

(b) Provision for income tax

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 5.19) 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) Other 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 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 end of the year exchange rates, are charged to income for the year.

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 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 to 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, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of that asset. All other borrowing costs are charged to income for the 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 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 estimates.

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.

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 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 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 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 year.

The amortization on licenses acquired during the 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 specified in note 14, and is charged to income for the year. Costs associated with maintaining computer software, are recognized as an expense as and when incurred.

The amortization on computer software acquired during the 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 Investment in finance lease

Leases in which the Company transfers substantially all the risk and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. Receivable is recognized at an amount equal to the present value of minimum lease payments.

5.13 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 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 year.

5.14 Stores, spares and loose tools

These are stated at the lower of cost and net realizable value. Cost is determined using the weighted 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.

5.15 Trade debts

Trade debts are carried at their original invoice amounts, less any estimates made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off as per Company policy.

5.16 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 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 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 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.

(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 year.

Investments in equity instruments that do not have a quoted market price in active market and whose fair value cannot be reliably measured, are measured at cost.

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 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.

5.17 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.

5.18 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable, for the provision of telecommunication, broadband and related services in the ordinary course of the 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.

(iii) Dividend income

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

5.19 Taxation

The tax expense for the year comprises of current and deferred income tax, and is recognized in income for the 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.

5.20 Employees retirement benefits

The Company provides 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. In line with the Trust's earnings for a year, the board of trustees approves a profit rate for payment to the members. The approved profit rate for Financial Year 2015 was 12% (December 31, 2014: 12%) per annum. The Company contributes to the fund, the differential, if any, of the interest paid / credited for the year and the income earned on the investments made by the Trust.

(b) Defined benefit plans

The Company provides the following defined benefit plans:

(i) Pension plans

The Company accounts for an approved funded pension plan operated 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 operates an unfunded pension scheme for employees recruited on a regular basis, on or after January 01, 1996.

(ii) Gratuity plan

The Company operates an approved funded gratuity plan for its New Terms and Conditions (NTC) 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. Accumulated leaves can be encashed at the end of the employees service, based on the latest drawn gross salary as per Company policy.

(v) Benevolent grants

The Company pays prescribed benevolent grants to eligible employees / retirees and their heirs.

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.

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, 2015. 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 denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized through other comprehensive income for the year except remeasurement gains and losses arising on compensated absences which are recognized in statement of profit and loss.

6. Share capital

6.1 Authorized share capital

2015 (Number of shares '000)	2014 (Number of shares '000)		2015 Rs '000	2014 Rs '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

2015 (Number of shares '000)	2014 (Number of shares '000)		2015 Rs '000	2014 Rs '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, 2015, 599,541 thousand (December 31, 2014: 599,537 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.

7. Long term security deposits

These represent non interest bearing security deposits received from the customers of the Company, including security deposits of Rs 3,623 thousand (December 31, 2014: Rs 3,623 thousand) from Pak Telecom Mobile Limited (PTML), a related party. The Company has adjusted / paid a sum of Rs 45,871 thousand (December 31, 2014: Rs 9,852 thousand) to it's customers during the year against their balances.

	Note	2015 Rs '000	2014 Rs '000
8. Deferred income tax			
The liability for deferred taxation comprises of timing differences relating to			
Accelerated tax depreciation / amortization		11,195,565	12,271,858
Provision for obsolete stores and receivables		(2,757,579)	(2,674,992)
Remeasurements of employees retirement benefits		(2,683,139)	(6,920,840)
		5,754,847	2,676,026
The gross movement in the deferred tax liability during the year is as follows			
Balance at beginning of the year		2,676,026	3,749,739
Tax (credit) / charge recognized in profit and loss	34	(751,772)	974,228
Tax (credit) recognized in other comprehensive income		(755,665)	(2,047,941)
Tax credit realised in other comprehensive income		4,586,258	-
Balance at end of the year		5,754,847	2,676,026
9. Employees retirement benefits			
Liabilities for pension obligations			
Funded	9.1	11,972,112	12,250,956
Unfunded	9.1	2,847,299	2,013,560
		14,819,411	14,264,516
Gratuity - funded	9.1	(48,667)	895,383
Accumulating compensated absences - unfunded	9.1	1,549,917	1,403,240
Post retirement medical facility- unfunded	9.1	12,402,849	13,258,545
Benevolent grants - unfunded	9.1	3,388,349	3,189,574
		32,111,859	33,011,258

9.1 The latest actuarial valuations of the Company's defined benefit plans, were conducted at December 31, 2015 using the projected unit credit method. Details of obligations for defined benefit plans are as follows:

		Pension				Gratuity		Accumulating compensated absences		Post-retirement medical facility		Benevolent grants		Total	
		Funded		Unfunded		Funded	Unfunded	Unfunded		Unfunded		Unfunded			
		2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
a)	The amounts recognized in the statement of financial position:														
	Present value of defined benefit obligations	103,806,320	96,252,022	2,847,299	2,013,560	995,288	895,383	1,549,917	1,403,240	12,402,849	13,258,545	3,388,349	3,189,574	124,990,022	117,012,324
	Fair value of plan assets -note 9.2	(91,834,208)	(84,001,066)	-	-	(1,043,955)	-	-	-	-	-	-	-	(92,878,163)	(84,001,066)
	Liability at end of the year	11,972,112	12,250,956	2,847,299	2,013,560	(48,667)	895,383	1,549,917	1,403,240	12,402,849	13,258,545	3,388,349	3,189,574	32,111,859	33,011,258
b)	Changes in the present value of defined benefit obligations:														
	Balance at beginning of the year	96,252,022	86,244,688	2,013,560	1,741,300	895,383	700,863	1,403,240	1,157,458	13,258,545	12,635,982	3,189,574	3,433,537	117,012,324	105,913,828
	Current service cost	666,878	515,920	136,725	120,832	122,658	134,252	76,308	69,003	91,125	138,551	42,573	42,754	1,136,267	1,021,312
	Interest expense	11,392,036	9,971,176	251,006	208,452	99,005	79,326	157,427	132,260	1,627,826	1,488,143	355,111	400,651	13,882,411	12,280,008
	Actuarial (gain) / loss	-	-	-	-	-	-	-	323,799	-	-	-	-	-	323,799
	(Gains) / losses on settlement	-	3,449,657	-	268,967	-	117,034	-	112,750	-	187,486	-	(72,662)	-	4,063,232
		12,058,914	13,936,753	387,731	598,251	221,663	330,612	233,735	637,812	1,718,951	1,814,180	397,684	370,743	15,018,678	17,688,351
	Remeasurements:														
	(Gain) / loss from changes in														
	Demographic assumptions	-	5,216,396	-	81,803	-	-	-	-	-	1,018,905	-	(271,387)	-	6,045,717
	Financial assumptions	-	310,866	-	66,455	-	-	-	-	-	7,677	-	138	-	385,136
	Experience (gains) / losses	2,007,006	703,659	457,027	(72,412)	(52,814)	98,475	(18,446)	-	(2,102,766)	(1,223,245)	4,396	(153,899)	294,403	(647,422)
		2,007,006	6,230,921	457,027	75,846	(52,814)	98,475	(18,446)	-	(2,102,766)	(196,663)	4,396	(425,148)	294,403	5,783,431
	VSS Settlement	-	(3,857,232)	-	(393,441)	-	(154,947)	-	(281,450)	-	(525,369)	-	-	-	(5,212,439)
	Benefits paid	(6,511,622)	(6,303,108)	(11,019)	(8,396)	(68,944)	(79,620)	(68,612)	(110,580)	(471,881)	(469,585)	(203,305)	(189,558)	(7,335,383)	(7,160,847)
	Balance at end of the year	103,806,320	96,252,022	2,847,299	2,013,560	995,288	895,383	1,549,917	1,403,240	12,402,849	13,258,545	3,388,349	3,189,574	124,990,022	117,012,324

	Pension				Gratuity		Accumulating compensated absences		Post-retirement medical facility		Benevolent grants		Total	
	Funded		Unfunded		Funded	Unfunded	Unfunded		Unfunded		Unfunded			
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
c) Charge for the year:														
Profit and Loss:														
Current service cost	666,878	515,920	136,725	120,832	122,658	134,252	76,308	69,003	91,125	138,551	42,573	42,754	1,136,267	1,021,312
Net Interest expense	1,125,832	984,406	251,006	208,452	81,849	79,326	157,427	132,260	1,627,826	1,488,143	355,111	400,651	3,599,051	3,293,238
Actuarial (gain) / loss	-	-	-	-	-	-	(18,446)	323,799	-	-	-	-	(18,446)	323,799
(Gains)/losses recognized on settlement	-	3,449,657	-	268,967	-	117,034	-	112,750	-	187,486	-	(72,662)	-	4,063,232
Contribution from employees	-	-	-	-	-	-	-	-	-	-	(21,873)	(26,590)	(21,873)	(26,590)
Contribution from deputationists	(2,001)	(1,397)	-	-	-	-	-	-	-	-	-	-	(2,001)	(1,397)
	1,790,709	4,948,586	387,731	598,251	204,507	330,612	215,289	637,812	1,718,951	1,814,180	375,811	344,153	4,692,998	8,673,594
Other comprehensive income														
Remeasurements:														
Return on plan assets, excluding amounts included in interest income	2,042,432	239,926	-	-	6,171	-	-	-	-	-	-	-	2,048,603	239,926
(Gain) / loss from changes in														
Demographic assumptions	-	5,216,396	-	81,803	-	-	-	-	-	1,018,905	-	(271,387)	-	6,045,717
Financial assumptions	-	310,866	-	66,455	-	-	-	-	-	7,677	-	138	-	385,136
Experience (gains) / losses	2,007,006	703,659	457,027	(72,412)	(52,814)	98,475	-	-	(2,102,766)	(1,223,245)	4,396	(153,899)	312,849	(647,422)
	4,049,438	6,470,847	457,027	75,846	(46,643)	98,475	-	-	(2,102,766)	(196,663)	4,396	(425,148)	2,361,452	6,023,357
	5,840,147	11,419,433	844,758	674,097	157,864	429,087	215,289	637,812	(383,815)	1,617,517	380,207	(80,995)	7,054,450	14,696,951
d) Significant actuarial assumptions at the date of the statement of financial position:														
Discount rate	11.00%	12.25%	11.00%	12.50%	9.50%	11.50%	9.50%	11.50%	11.00%	12.50%	10.50%	11.50%		
Future Salary / medical cost increase	7 to 10%	7 to 11.25%	7 to 10%	7 to 11.50%	8.50%	10.50%	8.50%	10.50%	10.00%	11.50%	-	-		
Future pension increase	7.50%	8.75%	7.50%	9.00%	-	-	-	-	-	-	-	-		
Rate of increase in benevolent grant	-	-	-	-	-	-	-	-	-	-	2.50%	3.50%		
Average duration of the obligation	10 years	10 years	18 years	18 years	6 years	7 years	6 to 9 years	6 to 9 years	15 years	15 years	9 years	9 years		
Expected mortality rate	SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005			
Expected withdrawal rate	Based on experience		Based on experience		Based on experience		Based on experience		Based on experience		Based on experience			

	Defined benefit pension plan Funded		Defined benefit gratuity plan Funded	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
9.2 Changes in the fair value of plan assets				
Balance at beginning of the year	84,001,066	72,863,055	-	-
Interest income	10,266,204	8,986,770	17,156	-
Total payments made to members on behalf of fund	-	-	68,944	-
Return on plan assets, excluding amounts included in interest income	(2,042,432)	(239,926)	(6,171)	-
Contributions made by the Company during the year	6,120,992	12,551,507	1,032,970	-
Benefits paid	(6,511,622)	(10,160,340)	(68,944)	-
Balance at end of the year	91,834,208	84,001,066	1,043,955	-

9.3 Plan assets for funded defined benefit pension plan are comprised as follows:

	2015		2014	
	Rs '000	Percentage	Rs '000	Percentage
Debt instruments - unquoted				
- Special Savings Accounts	68,692,370	74.80	56,762,727	67.57
- Special Savings Certificates	-	-	9,347,455	11.13
- Defense Savings Certificates	1,540,027	1.68	1,370,924	1.63
- Pakistan Investment Bonds	3,040,388	3.31	-	-
	73,272,785	79.79	67,481,106	80.33
Cash and cash equivalents				
- Term deposits	9,744,934	10.61	10,932,345	13.01
- Cash & bank balances	881,181	0.96	1,713,019	2.04
	10,626,115	11.57	12,645,364	15.05
Investment property				
- Telecom tower	6,395,158	6.96	6,294,287	7.49
- Telehouse	1,724,073	1.88	1,710,000	2.04
	8,119,231	8.84	8,004,287	9.53
Fixed assets	6,921	0.01	4,773	0.01
Other assets	21,347	0.02	124,452	0.15
	92,046,399	100.23	88,259,982	105.07
Liabilities				
- Amount due to PTCL	(116)	(0.00)	(4,082,578)	(4.86)
- Accrued & other liabilities	(212,075)	(0.23)	(176,338)	(0.21)
	(212,191)	(0.23)	(4,258,916)	(5.07)
	91,834,208	100.00	84,001,066	100.00

9.4 Plan assets for defined gratuity fund are comprised as follows:

	2015		2014	
	Rs '000	Percentage	Rs '000	Percentage
Term deposit receipt	1,041,633	99.78	-	-
Bank balances	2,322	0.22	-	-
	1,043,955	100.00	-	-

9.5 The expected contributions in the next financial year to be paid to the funded pension plan and funded gratuity plan by the Company is Rs 2,030,520 thousand (December 31, 2014: Rs 1,581,040 thousand) and Rs 114,284 thousand respectively.

9.6 Sensitivity analysis

The calculations of the defined benefits obligation is sensitive to the significant actuarial assumptions set out in note 9.1 (d). The table below summarizes how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in the respective assumptions.

	1% Increase in assumption	1% Decrease in assumption
	Rs '000	Rs '000
Future salary / medical cost		
Pension - funded	1,100,176	(995,205)
Pension - unfunded	315,225	(277,812)
Gratuity - funded	84,138	(74,528)
Accumulating compensated absences - unfunded	154,946	(136,582)
Post-retirement medical facility - unfunded	1,581,383	(1,301,691)
Discount rate		
Pension - funded	(9,481,786)	11,259,416
Pension - unfunded	(496,445)	636,866
Gratuity - funded	(73,257)	84,138
Accumulating compensated absences - unfunded	(134,258)	154,946
Post-retirement medical facility - unfunded	(1,459,299)	1,806,350
Benevolent grants - unfunded	(264,729)	308,923
Future pension increase		
Pension - funded	9,843,392	(8,380,142)
Pension - unfunded	374,161	(344,774)
Benevolent grants		
Benevolent grants - unfunded	271,464	(235,613)

Expected Mortality Rates

	Increase by 1 year	Decrease by 1 year
	Rs '000	Rs '000
Pension - funded	(2,383,472)	2,369,116
Pension - unfunded	(36,685)	35,700
Gratuity - funded	(12,823)	12,479
Accumulating compensated absences - unfunded	(19,970)	19,432
Post-retirement medical facility - unfunded	(344,708)	346,026
Benevolent grants - unfunded	(94,171)	94,531

The above sensitivity analysis are based on changes in assumptions while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognized within the statement of financial position.

9.7 Through its defined benefit pension plans the Company is exposed to a number of actuarial and investment risks, the most significant of which include, interest rate risk, property market risk and longevity risk for pension plan and salary risk for all the plans.

	Note	2015 Rs '000	2014 Rs '000
10. Deferred government grants			
Balance at beginning of the year		6,848,180	5,123,099
Recognised during the year		2,606,362	2,106,683
Amortization for the year	32	(528,139)	(381,602)
Balance at end of the year		8,926,403	6,848,180

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.

	Note	2015 Rs '000	2014 Rs '000
11. Trade and other payables			
Trade creditors	11.1	9,318,684	9,908,502
Accrued liabilities	11.1	19,922,006	20,858,655
Receipts against third party works		1,172,939	1,203,860
Income tax collected from subscribers / deducted at source		97,496	280,092
Sales tax payable		117,019	-
Advances from customers		4,918,955	2,429,086
Technical services assistance fee		4,149,636	633,814
Retention money / payable to contractors and suppliers for fixed assets	11.1	6,526,717	8,115,696
Unclaimed dividend		373,132	701,489
Other liabilities		217,599	214,155
		46,814,183	44,345,349

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

	2015	2014
Pak Telecom Mobile Limited	-	1,084,404
U Microfinance Bank Limited	5,758	7,548
DVCOM Data (Private) Limited	153,000	-
Etisalat - UAE	39,005	130,128
Etisalat - Afghanistan	75,997	48,291
Etihad Etisalat Company	-	19,120
Etisalat - Srilanka	20,279	4,711
Thuraya Satellite Telecommunication Company	17,548	16,040
Etisalat - Nigeria	642	-
Etisalat - Egypt	31	-
Telecom Foundation	64,466	72,753
TF Pipes Limited	2,750	3,187
The Government of Pakistan and its related entities	3,812,018	5,044,143
Retention money/payable to contractors and suppliers for fixed assets		
TF Pipes Limited	1,231	52

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

12. Contingencies and commitments

Contingencies

12.1 Against the decision of Appellate Tribunal Inland Revenue (ATIR) upholding tax authorities' decision to impose 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, Honorable Islamabad High Court remanded the cases back to ATIR with the directions to decide the cases afresh. Accordingly, the stay order earlier granted by the Honorable Islamabad High Court upholds.

12.2 Based on an audit of certain monthly returns of the FED, a demand of Rs 1,289,957 thousand was raised on the premise that the Company did not apportion the input tax between allowable and exempt supplies. The Company is in appeal before the ATIR, which is pending adjudication. Meanwhile, the Honorable Islamabad High Court has granted a stay order in this regard.

12.3 Against the decision of Sindh Revenue Board (SRB) imposing sales tax of Rs. 4,417 million on revenues from international incoming calls for 2012 and 2013, the appeal is pending adjudication before the Commissioner Appeals. Meanwhile, the Honorable Sindh High Court has granted a stay order against the recovery.

12.4 Against the decision of the Customs Appellate Tribunal imposing additional custom duties, a reference as well as writ petition against order passed by the Custom Tribunal is pending before Honorable Sindh High Court. Further, through the petition filed before the Honorable Sindh High Court stay order has been obtained against order of the Tribunal. Sindh High Court has stayed the recovery of the levies amounting to Rs. 932,942 thousand.

12.5 For the tax year 2007, the Company filed an appeal before the ATIR against disallowance of certain expenses by the Taxation Officer with tax impact of Rs 4,887,370 thousand. The ATIR in its judgment endorsed the departmental view regarding satellite charges (tax impact of Rs 80,850 thousand) while judgment on rest of the disallowances is pending. A reference application filed by the Company with the Honorable Islamabad High Court is pending adjudication.

12.6 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 Voluntary Separation Scheme optees, remanded the case back to the Taxation Officer for verification of filing of options before the concerned Commissioners. The Company has also filed a reference application with the Honorable Islamabad High Court, which is pending adjudication.

12.7 For the tax year 2008, the tax authorities filed an appeal before the ATIR against the decision of the Commissioner Inland Revenue (CIR) Appeals allowing certain expenses with tax impact of Rs 2,126,648 thousand.

12.8 For the tax year 2009, the Taxation Officer disallowed certain expenses with tax impact of Rs 3,278,866 thousand, after the order of CIR Appeals. The Company has filed appeal before ATIR and also filed reference applications before the Honorable Islamabad High Court.

12.9 For the tax year 2010, the CIR Appeals allowed certain expenses with tax impact of Rs 3,955,783 thousand. For the other disallowed expenses with tax impact of Rs. 1,251,913 thousand, the appeal is pending before the ATIR.

12.10 For the tax year 2011, taxation officer disallowed certain expenses with tax impact of Rs 3,860,358 thousand, after taking into account the order of CIR Appeals as well as rectification orders. The Company has filed an appeal before ATIR, pending adjudication.

12.11 For the tax year 2014, certain expenses with tax impact of Rs 6,731,145 thousand were allowed by tax authorities subsequent to the decision of CIR Appeals. For the other disallowed expenses (tax impact Rs 1,320,023 thousand), appeal is pending adjudication before CIR Appeals. Meanwhile, the Honorable Islamabad High Court has granted a stay order against the recovery.

12.12 With regard to the appeals filed by the Company before the Honorable Supreme Court of Pakistan against the orders passed by various High Courts, the Honorable Supreme Court of Pakistan dismissed such appeals through announcement of the earlier-reserved order on 12th June, 2015. Based on the directives contained in the said order and the pertinent legal provisions, the Company is evaluating extent of its responsibility vis-à-vis such order. The Company, the Pakistan Telecommunication Employees Trust and the Federal Government have filed Review Petitions before the Apex Court in this regard. Under the circumstances, the management of the Company is of the view, it is not possible at this stage to ascertain the financial obligations, if any, flowing from the Honorable Supreme Court decision which could be disclosed in these financial statements. In the meanwhile, PTET has issued notices to prospective beneficiaries for the determination of their entitlements.

12.13 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. On suspension of these directives by the Honorable Lahore High Court, the Honorable Supreme Court of Pakistan dismissed the pertinent writ petitions by directing Competition Commission of Pakistan (CCP) to decide the case. The Honorable Sindh High Court suspended the adverse decision of CCP and the case is pending for adjudication.

12.14 A total of 1,470 cases (December 31, 2014: 1,635 cases) have been filed against the Company primarily involving subscribers, regulators, retirees and employees. Because of the large number of cases and their uncertain nature, it is not possible to quantify their financial impact at present.

12.15 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	2015 Rs '000	2014 Rs '000
12.16	Bank guarantees and bid bonds issued in favor of:			
	Universal Service Fund (USF) against government grants		5,918,978	5,680,656
	Others		1,214,985	1,042,809
			7,133,963	6,723,465
12.17	Commitments			
	Contracts for capital expenditure		6,050,252	7,281,071
13.	**Property, plant and equipment**			
	Operating fixed assets	13.1	88,231,816	85,072,228
	Capital work in progress	13.7	6,680,230	9,379,833
			94,912,046	94,452,061

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
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
As at January 01, 2014												
Cost	1,637,720	90,026	11,303,488	1,008,671	112,925,682	157,798,812	11,305,616	1,045,360	1,131,464	507,899	1,777,814	300,532,552
Accumulated depreciation and impairment	-	(28,746)	(4,167,012)	(469,202)	(92,643,536)	(116,052,687)	(5,076,929)	(645,688)	(680,175)	(410,109)	(1,407,384)	(221,581,468)
Net book amount	1,637,720	61,280	7,136,476	539,469	20,282,146	41,746,125	6,228,687	399,672	451,289	97,790	370,430	78,951,084
Year ended December 31, 2014												
Opening net book amount	1,637,720	61,280	7,136,476	539,469	20,282,146	41,746,125	6,228,687	399,672	451,289	97,790	370,430	78,951,084
Additions	-	-	153,888	3,107	3,935,385	15,327,396	-	9,781	205,965	13,985	111,786	19,761,293
Disposals												
Cost	-	-	-	-	(143,088)	(170,257)	-	-	-	-	(9,430)	(322,775)
Accumulated depreciation	-	-	-	-	98,388	156,840	-	-	-	-	9,430	264,658
	-	-	-	-	(44,700)	(13,417)	-	-	-	-	-	(58,117)
Loss due to fire - note 13.4												
Cost	-	-	(7,229)	-	(23)	(1,803,411)	-	-	(17,910)	(216)	-	(1,828,789)
Accumulated depreciation	-	-	292	-	3	978,463	-	-	8,760	40	-	987,558
	-	-	(6,937)	-	(20)	(824,948)	-	-	(9,150)	(176)	-	(841,231)
Depreciation charge for the year	-	(1,277)	(283,403)	(25,225)	(3,358,271)	(7,866,921)	(753,745)	(62,349)	(235,250)	(20,752)	(133,608)	(12,740,801)
Net book amount	1,637,720	60,003	7,000,024	517,351	20,814,540	48,368,235	5,474,942	347,104	412,854	90,847	348,608	85,072,228
As at January 01, 2015												
Cost	1,637,720	90,026	11,450,147	1,011,778	116,717,956	171,152,540	11,305,616	1,055,141	1,319,519	521,668	1,880,170	318,142,281
Accumulated depreciation and impairment	-	(30,023)	(4,450,123)	(494,427)	(95,903,416)	(122,784,305)	(5,830,674)	(708,037)	(906,665)	(430,821)	(1,531,562)	(233,070,053)
Net book amount	1,637,720	60,003	7,000,024	517,351	20,814,540	48,368,235	5,474,942	347,104	412,854	90,847	348,608	85,072,228
Year ended December 31, 2015												
Opening net book amount	1,637,720	60,003	7,000,024	517,351	20,814,540	48,368,235	5,474,942	347,104	412,854	90,847	348,608	85,072,228
Additions	-	-	535,913	2,277	5,532,729	9,804,779	498,581	405,539	245,504	48,024	114,583	17,187,929
Disposals - note 13.3												
Cost	(31)	-	(1,474)	(35)	(24,661)	(122,270)	-	-	(553)	-	(21,946)	(170,970)
Accumulated depreciation	-	-	624	13	24,661	92,152	-	-	547	-	21,468	139,465
	(31)	-	(850)	(22)	-	(30,118)	-	-	(6)	-	(478)	(31,505)
Depreciation charge for the year - note 13.5	-	(1,840)	(288,438)	(25,298)	(3,138,328)	(8,754,489)	(1,148,909)	(65,804)	(247,315)	(21,148)	(144,026)	(13,835,595)
Impairment charge - note 13.6	-	-	-	-	-	(161,241)	-	-	-	-	-	(161,241)
Net book amount	1,637,689	58,163	7,246,649	494,308	23,208,941	49,227,166	4,824,614	686,839	411,037	117,723	318,687	88,231,816
As at December 31, 2015												
Cost	1,637,689	90,026	11,984,586	1,014,020	122,226,024	180,835,049	11,804,197	1,460,680	1,564,470	569,692	1,972,807	335,159,240
Accumulated depreciation and impairment	-	(31,863)	(4,737,937)	(519,712)	(99,017,083)	(131,607,883)	(6,979,583)	(773,841)	(1,153,433)	(451,969)	(1,654,120)	(246,927,424)
Net book amount	1,637,689	58,163	7,246,649	494,308	23,208,941	49,227,166	4,824,614	686,839	411,037	117,723	318,687	88,231,816
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.

13.3 Disposals of property, plant and equipment:

	Cost	Accumulated depreciation	Net book amount	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rs '000	Rs '000	Rs '000	Rs '000		
Buildings	(1,509)	637	(872)	-	Write off	
Apparatus, plant and equipment	(87,439)	82,316	(5,123)	96,923	Auction	Various buyers
Vehicles	(21,946)	21,468	(478)	19,662	Auction	Various buyers
Aggregate of others having net book amounts not exceeding Rs 50,000	(25,245)	25,208	(37)	29,391	Auction	Various buyers
	(136,139)	129,629	(6,510)	145,976		
Apparatus, plant and equipment	(34,831)	9,836	(24,995)	-	Transfer to stores	
	(170,970)	139,465	(31,505)	145,976		

	Note	2015 Rs '000	2014 Rs '000
13.4 Loss of property, plant and equipment due to fire			
Operating fixed assets	13.1	-	841,231
Capital work in progress	13.8	-	65,999
		-	907,230

This represents loss of assets due to fire at Edgerton Road Exchange, Lahore on September 28, 2014 against which Insurance reserve was utilized.

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

	Note	2015 Rs '000	2014 Rs '000
Cost of services	28	13,555,658	12,485,985
Administrative and general expenses	29	209,953	191,112
Selling and marketing expenses	30	69,984	63,704
		13,835,595	12,740,801

13.6 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 161,241 thousand (December 31, 2014: Nil). This loss has been included in 'cost of services' in the statement of profit and loss. The impairment charge arose due to malfunctioning of various asset items in apparatus, plant and equipment.

		Note	2015 Rs '000	2014 Rs '000
13.7	Capital work in progress			
	Buildings		407,537	609,123
	Lines and wires		5,405,231	7,245,715
	Apparatus, plant and equipment		335,578	582,538
	Advances to suppliers		524,022	825,086
	Others		7,862	117,371
		13.8	6,680,230	9,379,833
13.8	Movement during the year			
	Balance at beginning of the year		9,379,833	8,268,165
	Additions during the year		14,679,179	21,126,736
	Loss due to fire	13.4	-	(65,999)
	Transfers during the year		(17,378,782)	(19,949,069)
	Balance at end of the year		6,680,230	9,379,833

Addition in Capital work in progress includes an amount of Rs 1,632,968 thousand (December 31, 2014: Rs 1,520,028 thousand), in respect of direct overheads relating to development of assets.

		Note	Licenses and spectrum Rs '000	Computer software Rs '000	Total Rs '000
14.	Intangible assets				
	As at January 01, 2014				
	Cost		6,531,307	951,376	7,482,683
	Accumulated amortization		(2,024,815)	(300,696)	(2,325,511)
	Net book amount		4,506,492	650,680	5,157,172
	Year ended December 31, 2014				
	Opening net book amount		4,506,492	650,680	5,157,172
	Additions		-	246,373	246,373
	Amortization charge for the year		(424,888)	(152,235)	(577,123)
	Net book amount		4,081,604	744,818	4,826,422
	As at January 01, 2015				
	Cost		6,531,307	1,197,749	7,729,056
	Accumulated amortization		(2,449,703)	(452,931)	(2,902,634)
	Net book amount	14.1	4,081,604	744,818	4,826,422
	Year ended December 31, 2015				
	Opening net book amount		4,081,604	744,818	4,826,422
	Additions		98,487	282,013	380,500
	Amortization charge for the year	28	(292,724)	(272,865)	(565,589)
	Derecongnition during the year				
	Cost	14.2	(2,500,000)	-	(2,500,000)
	Accumulated amortization		397,727	-	397,727
			(2,102,273)	-	(2,102,273)
	Net book amount		1,785,094	753,966	2,539,060
	As at December 31, 2015				
	Cost		4,129,794	1,479,762	5,609,556
	Accumulated amortization		(2,344,700)	(725,796)	(3,070,496)
	Net book amount	14.1	1,785,094	753,966	2,539,060

		Note	2015 Rs '000	2014 Rs '000
14.1	Breakup of net book amounts as at year end is as follows:			
	Licenses and spectrum			
	Telecom	14.2	49,867	59,840
	WLL spectrum	14.2	1,566,205	3,942,173
	WLL and LDI Licenses	14.3	166,370	73,757
	IPTV	14.4	2,652	5,834
			1,785,094	4,081,604
	Computer software	14.5		
	SAP - Enterprise Resource Planning (ERP) system		115,337	171,843
	Billing and automation of broadband		-	75,418
	HP OSS		7,991	14,840
	BnCC software		184,150	235,093
	Caller details record collector system		3,810	5,639
	BnCC Oracle system		103,053	150,616
	Customer Relationship Management (CRM)		62,516	91,369
	OEM Comptel software (HP OSS)		259,110	-
	Carrier software license (WLL)		7,070	-
	Kron Licenses		10,929	-
			753,966	744,818
			2,539,060	4,826,422

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. In June 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.

The Company has vacated 1900 MHz spectrum in nine telecom regions acquired from Telecard Limited in September 2013 due to certain conditions mandatory to complete the transaction as stipulated in agreements embodying the commercial arrangement remaining unfulfilled.

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. During the year 2015, PTA allocated additional spectrum for WLL services in Azad Jammu & Kashmir (AJ&K) and Gilgit-Baltistan (GB) for Rs 98,487 thousand. The duration of the License shall be for the remaining period of the existing WLL licenses. The cost of the licenses is being amortized, on a straight line basis, over the period of the licenses.

14.4 IPTV license has been renewed by Pakistan Electronic Media Regulatory Authority 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 Cost of computer software except for SAP-ERP is being amortized, on a straight line basis, over a period of 5 years. Cost of SAP - Enterprise Resource Planning (ERP) system is being amortized, on a straight line basis, over a period of 10 years.

	Note	2015 Rs '000	2014 Rs '000
15. Long term investments			
Investments in subsidiaries and associate	15.1	7,893,400	7,707,396
Other investments	15.2	83,900	83,900
		7,977,300	7,791,296

15.1 Investments in subsidiaries and associate - at cost (unquoted)

	Note	2015 Rs '000	2014 Rs '000
Wholly owned subsidiaries			
Pak Telecom Mobile Limited - Islamabad 650,000,000 (December 31, 2014: 650,000,000) ordinary shares of Rs 10 each Shares held 100% (December 31, 2014: 100%)		6,500,000	6,500,000
U Microfinance Bank Limited - Islamabad 128,571,429 (December 31, 2014: 118,571,429) ordinary shares of Rs 10 each Shares held 100% (December 31, 2014: 100%)		1,283,857	1,183,857
DVCOM Data (Private) Limited - Karachi 10,000 (December 31, 2014: Nil) ordinary shares of Rs 100 each Shares held 100% (December 31, 2014: Nil)		1,000	-
Smart Sky (Private) Limited - Islamabad 10,000,000 (December 31, 2014: Nil) ordinary shares of Rs 10 each Shares held 100% (December 31, 2014: Nil)		100,000	-
		7,884,857	7,683,857
Associate			
TF Pipes Limited - Islamabad 1,658,520 (December 31, 2014: 1,658,520) ordinary shares of Rs 10 each			
Shares held 40% (December 31, 2014: 40%)		23,539	23,539
Less: Impairment loss on investment	15.3	(14,996)	-
		8,543	23,539
		7,893,400	7,707,396

All subsidiaries and associated companies are incorporated in Pakistan

15.2 Other investments

	2015 Rs '000	2014 Rs '000
Available for sale investments - unquoted		
Thuraya Satellite Telecommunication Company - Dubai, UAE 3,670,000 (December 31, 2014: 3,670,000) ordinary shares of AED 1 each	63,900	63,900
Alcatel - Lucent Pakistan Limited - Islamabad 2,000,000 (December 31, 2014: 2,000,000) ordinary shares of Rs 10 each	20,000	20,000
	83,900	83,900

15.3 The carrying value of investment in TF Pipes limited at December 31, 2015 is net of impairment loss of Rs 14,996 thousand due to adverse equity position of the investee.

	Note	2015 Rs '000	2014 Rs '000
16. Long term loans and advances - considered good			
Loans to PTML - unsecured	16.1	-	3,000,000
Loans to employees - secured	16.2.1	529,539	505,699
Imputed interest		(121,996)	(120,514)
	16.2	407,543	385,185
Advances to suppliers against turnkey contracts	16.3	1,950,821	2,488,884
Others		26,639	35,133
		2,385,003	5,909,202
Current portion shown under current assets			
Loans to PTML - unsecured	20	-	(3,000,000)
Loans to employees - secured	20	(123,877)	(115,096)
		2,261,126	2,794,106

16.1 These include unsecured loans of Nil (December 31, 2014: Rs 3,000,000 thousand) to Pak Telecom Mobile Limited (PTML), a wholly owned subsidiary of the Company, under subordinated debt agreements. These loans are recovered in eight equal quarterly installments commencing after a grace period of 3 to 4 years matured in November 2015 and carried mark-up at the rate of three month KIBOR plus 82 to 180 basis points.

The maximum amount of the loan to PTML, outstanding at any time since the date of the previous statement of financial position, was Rs 3,000,000 thousand (December 31, 2014: Rs 8,500,000 thousand).

16.2 These loans and advances are for house building and purchase of vehicles, motor cycles and bicycles. Loans to executive employees of the Company carry interest at the rate of 12% per annum (December 31, 2014: 12% per annum), whereas, loans to employees other than executive 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 retirement benefits of the employees.

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

	As at January 01, 2015	Disbursements	Repayments	Write offs	As at December 31, 2015
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Executives	3,835	200	(1,862)	-	2,173
Other employees	501,864	192,948	(167,446)	-	527,366
	505,699	193,148	(169,308)	-	529,539

	As at January 01, 2014	Disbursements	Repayments	Write offs	As at December 31, 2014
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Executives	2,422	2,235	(822)	-	3,835
Other employees	547,812	193,629	(157,521)	(82,056)	501,864
	550,234	195,864	(158,343)	(82,056)	505,699

	2015 Rs '000	2014 Rs '000
Maximum amount of loan to executives and other employees outstanding at any time during the year		
Executives	3,835	3,840
Other employees	527,366	663,955

16.3 These represent various non interest bearing advances issued to the Company's vendors under turnkey contracts. This includes an advance of Nil (December 31, 2014: Rs 13,669 thousand) given to Telecom Foundation, a related party.

	2015 Rs '000	2014 Rs '000
17. Investment in finance lease		
Gross investment in finance lease	180,116	139,792
Unearned finance income	(31,748)	(27,089)
Present value of minimum lease payments receivable	148,368	112,703
Current portion shown under current assets	(52,255)	(28,305)
	96,113	84,398

17.1 Details of investment in finance lease

	Not later than 1 year Rs '000	Later than 1 year and not later than 5 years Rs '000	Total Rs '000
Gross investment in finance lease	58,526	121,590	180,116
Unearned finance income	(6,271)	(25,477)	(31,748)
Present value of minimum lease payments receivable	52,255	96,113	148,368

This represents motor cycles leased out to employees of the Company. The cost is recoverable in 48 equal monthly installments.

	Note	2015 Rs '000	2014 Rs '000
18. Stores, spares and loose tools			
Stores, spares and loose tools		3,980,323	3,607,672
Provision for obsolescence	18.1	(1,039,898)	(735,130)
		2,940,425	2,872,542
18.1 Provision for obsolescence			
Balance at beginning of the year		735,130	1,257,631
Provision during the year	28	304,768	126,892
		1,039,898	1,384,523
Write off against provision		-	(649,393)
Balance at end of the year		1,039,898	735,130

		Note	2015 Rs '000	2014 Rs '000
19.	**Trade debts - unsecured**			
	Domestic			
	Considered good	19.1	12,455,713	12,175,669
	Considered doubtful		7,327,064	6,741,057
			19,782,777	18,916,726
	International			
	Considered good	19.2	1,848,326	3,583,136
	Considered doubtful		65,270	65,270
			1,913,596	3,648,406
			21,696,373	22,565,132
	Provision for doubtful debts	19.3	(7,392,334)	(6,806,327)
			14,304,039	15,758,805
19.1	These include amounts due from the following related parties:			
	Pak Telecom Mobile Limited		333,757	636,307
	U Microfinance Bank Limited		837	691
	The Government of Pakistan and its related entities		1,573,068	1,404,470
			1,907,662	2,041,468
19.2	These include amounts due from the following related parties:			
	Etisalat - UAE		67,752	9,849
	Etisalat - Afghanistan		24,178	18,549
	Etisalat - Egypt		-	11
	Etihad Etisalat Company		41,126	-
	The Government of Pakistan and its related entities		26,950	88,887
			160,006	117,296

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

		Note	2015 Rs '000	2014 Rs '000
19.3	Provision for doubtful debts			
	Balance at beginning of the year		6,806,327	8,064,891
	Provision for the year	29	2,651,969	2,122,743
			9,458,296	10,187,634
	Write off against provision		(2,065,962)	(3,381,307)
	Balance at end of the year		7,392,334	6,806,327
20.	**Loans and advances - considered good**			
	Current portion of long term loans to PTML	16	-	3,000,000
	Current portion of long term loans to employees	16	123,877	115,096
	Advances to suppliers and contractors	20.1	1,469,222	1,021,037
			1,593,099	4,136,133

20.1 These include Rs 200 thousand (December 31, 2014: Rs 4,274 thousand) to TF Pipes Limited, a related party.

	Note	2015 Rs '000	2014 Rs '000
21. Accrued interest			
Return on bank deposits		72,701	218,287
Mark up on long term loans	21.1	-	67,224
Interest receivable on loans to employees - secured		55,473	59,290
		128,174	344,801

21.1 This represents mark up on loans to PTML, as referred in note 16.1.

	Note	2015 Rs '000	2014 Rs '000
22. Recoverable from tax authorities			
Income tax	22.1	15,362,097	13,101,156
Sales tax		-	451,990
Federal excise duty		3,283,111	3,279,487
Provision for doubtful amount		(466,176)	(466,176)
		2,816,935	2,813,311
		18,179,032	16,366,457

	2015 Rs '000	2014 Rs '000
22.1 Movement in income tax recoverable		
Balance at beginning of the year	13,101,156	12,773,113
Current tax charge for the year	(5,264,291)	(1,829,807)
Income tax paid during the year	2,938,974	2,157,850
Tax effect of prior period re-measurement losses allowed	4,586,258	-
Balance at end of the year	15,362,097	13,101,156

23. 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.

	Note	2015 Rs '000	2014 Rs '000
24. Prepayments and other receivables			
Prepayments			
- Pakistan Telecommunication Authority, a related party		35,856	16,777
- Prepaid rent and others		202,714	168,961
		238,570	185,738
Other receivables - considered good			
Due from related parties:			
- Pak Telecom Mobile Limited		1,708,944	11,257
- Etisalat, UAE		71,305	74,265
- Pakistan Telecommunication Employees Trust		116	4,082,578
- PTCL Employees GPF Trust		6,812	525,377
- Smart Sky (Pvt) Limited		624	-
- DVCOM Data (Pvt) Limited		2,797,673	-
Others		158,038	115,112
		4,743,512	4,808,589
		4,982,082	4,994,327
Considered doubtful		185,239	326,166
Provision for doubtful receivables		(185,239)	(326,166)
		-	-
		4,982,082	4,994,327
25. Short term investments			
Term deposits			
- maturity upto 6 months	25.1	23,011,392	12,000,000
Term deposits			
- maturity upto 3 months	25.1	3,027,411	-
Available for sale investments			
- units of mutual funds	25.2	-	6,441,389
		26,038,803	18,441,389

25.1 Term deposits

	Maturity Upto	2015 Rs '000	2014 Rs '000
Habib Metropolitan Bank Limited	February 16, 2016	3,027,411	-
National Bank of Pakistan	June 22, 2016	22,009,282	-
National Bank of Pakistan	June 23, 2016	1,002,110	-
National Bank of Pakistan	June 24, 2015	-	7,000,000
Allied Bank Limited	June 16, 2015	-	5,000,000
		26,038,803	12,000,000

	2015 Rs '000	2014 Rs '000
25.2 Available for sale investments		
25.2.1 Units of mutual funds		
Units of open-end mutual funds:		
Atlas Money Market Fund Nil (December 31, 2014: 1,273,507) units	-	667,980
IGI Money Market Fund Nil (December 31, 2014: 2,681,795) units	-	282,414
JS Cash Fund Nil (December 31, 2014: 1,217,493) units	-	130,028
Askari Sovereign Cash Fund Nil (December 31, 2014: 1,113,498) units	-	116,688
ABL Cash Fund Nil (December 31, 2014: 81,732,466) units	-	855,256
NAFA Money Market Fund Nil (December 31, 2014: 112,045,716) units	-	1,171,606
MCB Cash Management Optimizer Nil (December 31, 2014: 9,228,481) units	-	962,697
HBL Money Market Fund Nil (December 31, 2014: 4,982,929) units	-	521,577
Faysal Money Market Fund Nil (December 31, 2014: 3,592,948) units	-	378,158
Pakistan Cash Management Fund Nil (December 31, 2014: 4,805,062) units	-	250,636
PIML Daily Reserve Fund Nil (December 31, 2014: 3,313,161) units	-	347,319
PICIC Cash Fund Nil (December 31, 2014: 4,494,073) units	-	470,682
First Habib Cash Fund Nil (December 31, 2014: 2,741,355) units	-	286,348
	-	6,441,389
25.2.2 Movement in available for sale investments during the year:		
Balance at beginning of the year	6,441,389	1,375,632
Additions during the year	1,025,000	5,360,000
Disposals during the year		
Cost	(7,137,350)	(533,497)
Gain on disposal of available for sale investments transferred from other comprehensive income to other income	(329,039)	(35,727)
	(7,466,389)	(569,224)
Unrealized gain transferred to other comprehensive income	-	274,981
Balance at end of the year	-	6,441,389

	Note	2015 Rs '000	2014 Rs '000
26. Cash and bank balances			
Cash in hand		90	1,687
Balances with banks:			
Deposit accounts local currency	26.1	1,673,024	3,564,682
Current accounts			
Local currency		499,275	504,130
Foreign currency (USD 361 thousand (December 31, 2014: USD 4,462 thousand))		37,759	448,047
		537,034	952,177
		2,210,148	4,518,546

26.1 The balances in deposit accounts, carry mark-up ranging between 4% and 6% (December 31, 2014: 5% and 10.45%) per annum.

26.2 Deposit accounts include Rs 152,724 thousand (December 31, 2014: Rs 170,115 thousand) under lien of bank, against letters of guarantees and letters of credits issued on behalf of the Company.

	Note	2015 Rs '000	2014 Rs '000
27. Revenue			
Domestic	27.1	68,081,795	67,364,142
International	27.2	8,025,097	14,438,894
		76,106,892	81,803,036
Discount		(354,917)	(290,438)
		75,751,975	81,512,598

27.1 Domestic revenue is exclusive of Federal Excise Duty / Sales Tax of Rs 6,379,661 thousand (December 31, 2014: Rs 6,510,268 thousand).

27.2 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 3,796,503 thousand (December 31, 2014: Rs 5,532,300 thousand).

	Note	2015 Rs '000	2014 Rs '000
28. Cost of services			
Salaries, allowances and other benefits	28.1	12,507,003	13,062,108
Call centre charges		829,875	739,963
Interconnect costs		2,053,986	2,316,708
Foreign operators costs and satellite charges		7,755,648	9,377,140
Fuel and power		4,521,649	5,879,156
Communication		9,267	13,185
Stores, spares and loose tools consumed		4,315,083	4,210,702
Provision for obsolete stores, spares and loose tools	18.1	304,768	126,892
Rent, rates and taxes		2,149,126	2,013,316
Repairs and maintenance		4,279,720	4,113,525
Printing and stationery		446,436	414,380
Travelling and conveyance		18,073	14,382
Depreciation on property, plant and equipment	13.5	13,555,658	12,485,985
Amortization of intangible assets	14	565,589	577,123
Impairment on property, plant and equipment	13.6	161,241	-
Annual license fee to Pakistan Telecommunication Authority (PTA)		310,467	338,158
		53,783,589	55,682,723

28.1 This includes Rs 3,904,682 thousand (December 31, 2014: Rs 3,835,821 thousand) in respect of employees retirement benefits.

	Note	2015 Rs '000	2014 Rs '000
29. Administrative and general expenses			
Salaries, allowances and other benefits	29.1	1,274,339	1,685,996
Call centre charges		124,481	110,994
Fuel and power		340,327	442,502
Rent, rates and taxes		204,019	187,745
Repairs and maintenance		25,039	24,067
Printing and stationery		6,893	6,398
Travelling and conveyance		144,587	115,055
Technical services assistance fee	29.2	2,478,497	2,667,095
Legal and professional charges		491,622	567,801
Auditors' remuneration	29.3	7,500	10,852
Depreciation on property, plant and equipment	13.5	209,953	191,112
Research and development fund	29.4	326,500	332,075
Provision against doubtful debts	19.3	2,651,969	2,122,743
Provision for impairment in investment	15.3	14,996	-
Postage and courier services		298,186	278,201
Donations		3,535	24,385
Other expenses		1,179,815	1,090,618
		9,782,258	9,857,639

29.1 This includes Rs 397,848 thousand (December 31, 2014: Rs 391,881 thousand) in respect of employees retirement benefits.

29.2 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.

		2015 Rs '000	2014 Rs '000
29.3	Auditors' remuneration		
	Statutory audit, including half yearly review	7,000	7,000
	Tax services	-	3,352
	Out of pocket expenses	500	500
		7,500	10,852

29.4 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% 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.

30. Selling and marketing expenses

	Note	2015 Rs '000	2014 Rs '000
Salaries, allowances and other benefits	30.1	1,250,700	1,306,211
Call centre charges		82,987	73,996
Sales and distribution charges		1,096,091	882,479
Fuel and power		100,481	130,648
Printing and stationery		4,603	4,272
Travelling and conveyance		18,073	14,382
Advertisement and publicity		891,481	814,445
Depreciation on property, plant and equipment	13.5	69,984	63,704
		3,514,400	3,290,137

30.1 This includes Rs 390,468 thousand (December 31, 2014: Rs 382,660 thousand) in respect of employees retirement benefits.

31. Voluntary Separation Scheme Cost

In financial year 2014, 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 December 31, 2014 had been treated as VSS cost. Out of 3,100 employees who opted for the Scheme, 2,462 belonged to pension scheme both funded and unfunded pension scheme and 638 to gratuity scheme. The amount of actuarial gain / loss on settlement for employees who had opted for VSS had been adjusted / charged against the VSS cost. The break-up of the VSS cost is as follows:

	Note	2015 Rs '000	2014 Rs '000
Actuarial loss recognized on settlement		-	4,063,232
Other VSS cost			
Transition pay		-	2,400,853
Early bird bonus		-	568,500
Allowance benefits		-	506,883
Programme bonus		-	375,450
Health Fund		-	60,224
Minimum package Adjustment		-	66,928
Loan write off	31.1	-	102,011
Others		-	30,455
		-	4,111,304
		-	8,174,536

31.1 This includes Rs Nil (December 31, 2014: 10,950) written off against receivables in respect of leased motorcycles.

	Note	2015 Rs '000	2014 Rs '000
32. Other Income			
Income from financial assets:			
Return on bank deposits		1,763,062	2,827,232
Mark up on long term loans		99,108	640,054
Late payment surcharge from subscribers on overdue bills		266,058	282,307
Recovery from written off defaulters		671,809	86,181
Gain on disposal of available for sale investments		558,673	35,727
Dividend income		10,000	10,000
		3,368,710	3,881,501
Gain / (loss) on disposal of property, plant and equipment		222,196	(19,349)
Late delivery charges		1,796	1,751
Amortization of deferred government grants	10	528,139	381,602
Pre-deposit income		490,856	221,063
Others		306,065	239,821
		4,917,762	4,706,389
33. Finance costs			
Bank and other charges		210,207	208,710
Imputed Interest on finance lease		4,660	13,437
Imputed interest on loans to employees		1,481	(4,646)
Exchange loss		101,028	77,692
		317,376	295,193
34. Provision for income tax			
Charge / (credit) for the year			
Current			
- for the year		5,264,291	2,030,833
- for prior year		-	(201,026)
		5,264,291	1,829,807
Deferred			
- for the year		(594,359)	773,202
- for prior year		-	201,026
- due to change in tax rate		(157,413)	-
	8	(751,772)	974,228
		4,512,519	2,804,035

34.1 Reconciliation of effective tax rate

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

	2015 Percentage	2014 Percentage
Applicable tax rate	32.00	33.00
Tax effect of amounts not deductible for tax purposes	1.85	1.82
Tax effect of amounts chargeable to tax at lower rate	(1.04)	(0.16)
Others	1.19	0.34
	2.00	2.00
Average effective tax rate	34.00	35.00

The applicable income tax rate was reduced from 33% to 32% during the year on account of the changes made to the Income Tax Ordinance, 2001 in 2015.

34.2 Tax on items directly credited to other comprehensive income amounting to Rs 755,665 thousand (December 31, 2014: Rs 2,047,941 thousand) represents deferred tax charge in respect of remeasurement loss on defined benefit plans.

35. Earnings per share - basic and diluted

		2015	2014
Profit for the year	Rupees in thousand	8,759,595	5,207,494
Weighted average number of ordinary shares	Numbers in thousand	5,100,000	5,100,000
Earnings per share	Rupees	1.72	1.02

36. 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 14,700,000 thousand (December 31, 2014: Rs 13,700,000 thousand) and Rs 14,800,000 thousand (December 31, 2014: Rs 9,800,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facility availed at the year end is Rs 2,586,074 thousand (December 31, 2014 Rs 9,295,542) and Rs 7,133,964 thousand (December 31, 2014: Rs 6,723,465 thousand) respectively. The letter of guarantee facility is secured by a hypothecation charge over certain assets of the Company, amounting to Rs 23,785,000 thousand (December 31, 2014: Rs 21,383,333 thousand).

	Note	2015 Rs '000	2014 Rs '000
37. Cash generated from operations			
Profit before tax		13,272,114	8,011,529
Adjustments for non-cash charges and other items:			
Depreciation and amortization		14,401,184	13,317,924
Impairment		161,241	-
Provision for obsolete stores, spares and loose tools		304,768	126,892
Provision for doubtful debts		2,651,969	2,122,743
Provision for impairment in investment		14,996	-
Employees retirement benefits		4,692,998	4,610,362
Voluntary separation scheme		-	8,174,536
(Gain) / loss on disposal of property, plant and equipment		(139,469)	19,349
Gain on derecognition of intangible assets		(82,727)	-
Loss of property, plant and equipment due to fire		-	907,230
Return on bank deposits		(1,763,062)	(2,827,232)
Imputed interest on long term loans		1,481	(4,646)
Imputed interest on finance lease		4,660	13,437
Markup on long term loans		(99,108)	(640,054)
Dividend income		(10,000)	(10,000)
Gain on disposal of available for sale investments		(558,673)	(35,727)
Amortization of government grants		(528,139)	(381,602)
		32,324,233	33,404,741
Effect of cash flows due to working capital changes			
Decrease / (increase) in current assets:			
Stores, spares and loose tools		(347,656)	675,880
Trade debts		(1,197,203)	714,753
Loans and advances		(448,185)	(107,404)
Recoverable from tax authorities		565,385	(451,990)
Prepayments and other receivables		12,245	(1,633)
		(1,415,414)	829,606
Increase in current liabilities:			
Trade and other payables		5,648,867	4,313,843
		36,557,686	38,548,190
38. Cash and cash equivalents			
Short term investments	25	3,027,411	6,441,389
Cash and bank balances	26	2,210,148	4,518,546
		5,237,559	10,959,935

39. Capacity

	Access Lines Installed (ALI)		Access Lines In Service (ALIS)	
	2015 Number	2014 Number	2015 Number	2014 Number
Number of lines	10,666,471	9,765,372	4,200,188	4,404,057

ALI represent switching lines. ALI include 247,746 (December 31, 2014: 249,946) and ALIS include 81,275 (December 31, 2014: 80,632) Primary Rate Interface (PRI) and Basic Rate Interface (BRI) respectively. ALI and ALIS also include 4,788,550 (December 31, 2014: 3,923,010) and 1,401,122 (December 31, 2014: 1,428,456) WLL connections, respectively.

40. Remuneration of Directors, Chief Executive Officer and executives

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

	Chairman		Chief Executive Officer		Executives			
					Key management personnel		Other executives	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
Managerial remuneration	-	-	165,712	160,292	205,020	196,989	737,882	666,667
Honorarium	300	300	-	-	-	11,321	11,009	13,263
Bonus	-	-	24,408	23,664	22,367	14,103	86,774	45,111
Retirement benefits	-	-	24,284	23,025	32,100	68,986	114,699	209,275
Housing	-	-	-	-	75,601	71,611	283,677	252,923
Utilities	-	-	-	-	33,569	28,011	69,416	56,218
	300	300	214,404	206,981	368,657	391,021	1,303,457	1,243,457
Number of persons	1	1	1	1	40	46	688	615

The Company also provides free medical and limited residential telephone facilities, to all its Executives, including the Chief Executive Officer. 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 year as fee paid to 9 non executive directors (December 31, 2014: 9 non executive directors), is Rs 56,400 thousand (December 31, 2014: Rs 40,560 thousand) for attending the Board of Directors, and its sub-committee meetings.

41. Rates of exchange

Assets in US dollars have been translated into Rupees at USD 1 = Rs 104.60 (December 31, 2014: USD 1 = Rs 100.40), while liabilities in US dollars have been translated into Rupees at USD 1 = Rs 104.80 (December 31, 2014: USD 100.60).

42. Investment in PTCL Employees GPF Trust

Details of the Company's employees provident fund are given below:

	2015 Rs '000	2014 Rs '000
Total assets	3,570,075	3,886,375
Cost of investments made	3,169,471	3,468,287
Percentage of investments made	88.8	89.2
Fair value of investments	3,367,552	3,591,511

	2015		2014	
	Rs '000	Percentage	Rs '000	Percentage
Break up of investments - at cost				
Mutual Funds	400,000	12.6	400,000	11.6
Pakistan Investment Bonds	2,047,865	64.6	2,047,865	59.0
Term deposits	719,948	22.7	1,012,587	29.2
Interest bearing accounts	1,658	0.1	7,835	0.2
	3,169,471	100.0	3,468,287	100.0

Investments out of the provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

43. Financial risk management

43.1 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.

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) and EURO (EUR). 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:

	2015 Rs '000	2014 Rs '000
USD		
Trade and other payables	(5,557,980)	(5,969,576)
Trade debts	1,913,595	3,648,406
Cash and bank balances	37,759	448,047
Net exposure	(3,606,626)	(1,873,123)
AED		
Trade and other payables	(54,929)	(52,715)
EUR		
Trade and other payables	(1,441)	(1,540)

The following significant exchange rates were applied during the year:

	2015	2014
Rupees per USD		
Average rate	102.88	101.16
Reporting date rate		
Assets	104.60	100.40
Liabilities	104.80	100.60
Rupees per AED		
Average rate	28.01	27.54
Reporting date rate	28.54	27.39
Rupees per EUR		
Average rate	114.20	134.50
Reporting date rate	114.54	122.37

If the functional currency, at the reporting date, had fluctuated by 5% against the USD, AED and EUR with all other variables held constant, the impact on profit after taxation for the year would have been Rs 120,879 thousand (December 31, 2014: Rs 62,640 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.

(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 Nil (December 31, 2014: Rs 6,441,389 thousand) which were subject to price risk.

If redemption price on mutual funds, at the year end date, fluctuate by 5% higher / lower with all other variables held constant, total comprehensive income for the year would have been Nil (December 31, 2014: Rs 322,096 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:

	2015 Rs '000	2014 Rs '000
Financial assets		
Fixed rate instruments:		
Staff loans	529,539	505,699
Short term investments - term deposits	26,038,803	12,000,000
Bank balances - deposit accounts	1,673,024	3,564,682
Floating rate instruments:		
Long term loans - loan to subsidiary	-	3,000,000
	28,241,366	19,070,381

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 at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Nil (December 31, 2014: Rs 31,784 thousand) higher / lower, mainly as a result of higher / lower markup income on floating rate loans / investments.

(b) Credit risk

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

	2015 Rs '000	2014 Rs '000
Long term investments	83,900	83,900
Long term loans and advances	2,261,126	2,794,106
Trade debts	14,304,039	15,758,805
Loans and advances	1,593,099	4,136,133
Accrued interest	128,174	344,801
Other receivables	4,743,512	4,808,589
Short term investments	26,038,803	18,441,389
Bank balances	2,210,058	4,516,859
	51,362,711	50,884,582

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 Nil (December 31, 2014: Rs 3,000,000 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		Rating	2015	2014
	Short term	Long term	Agency	Rs '000	Rs '000
National Bank of Pakistan	A1+	AAA	PACRA	23,618,695	8,729,185
Bank Alfalah Limited	A1+	AA	PACRA	133,145	137,692
MCB Bank Limited	A1+	AAA	PACRA	128,330	309,524
Soneri Bank Limited	A1+	AA-	PACRA	21,360	6,742
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	3,047,165	1,482
The Bank of Punjab	A1+	AA-	PACRA	-	40
NIB Bank Limited	A1+	AA-	PACRA	23,076	15,875
Habib Bank Limited	A-1+	AAA	JCR-VIS	628,061	614,797
Askari Bank Limited	A-1+	AA	JCR-VIS	867	18,095
Allied Bank Limited	A1+	AA+	PACRA	190,059	5,171,139
United Bank Limited	A-1+	AA+	JCR-VIS	2,398	661,679
BankIslami Pakistan Limited	A1	A+	PACRA	1,437	1,408
Bank Al-Habib Limited	A1+	AA+	PACRA	209,817	181,432
Summit Bank Limited	A-1	A	JCR-VIS	34,638	16,682
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	156,731	192,020
HSBC Bank Middle East Limited	P-2	A3	Moody's	1,045	1,365
Sindh Bank Limited	A-1+	AA	JCR-VIS	1	457
SME Bank Limited	B	BB	PACRA	783	178
SilkBank Limited	A-2	A-	JCR-VIS	1,560	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	39,743	30,525
Meezan Bank Limited	A-1+	AA	JCR-VIS	9,950	426,542

	Rating		Rating	2015	2014
	Short term	Long term	Agency	Rs '000	Rs '000
Mutual Funds					
- Atlas Money Market Fund	-	AA+(f)	PACRA	-	667,980
- IGI Money Market Fund	-	AA+(f)	PACRA	-	282,414
- JS Cash Fund	-	AA+(f)	JCR-VIS	-	130,028
- Askari Sovereign Cash Fund	-	AAA(f)	PACRA	-	116,688
- ABL Cash Fund	-	AA(f)	JCR-VIS	-	855,256
- NAFA Money Market Fund	-	AA(f)	PACRA	-	1,171,606
- MCB Cash Management Optimizer	-	AA(f)	PACRA	-	962,697
- HBL Money Market Fund	-	AA(f)	PACRA	-	521,577
- Faysal Money Market Fund	-	AA+(f)	JCR-VIS	-	378,158
- Pakistan Cash Management Fund	-	AAA(f)	PACRA	-	250,636
- PIML Daily Reserve Fund	-	AA+(f)	PACRA	-	347,319
- PICIC Cash Fund	-	AA(f)	PACRA	-	470,682
- First Habib Cash Fund	-	AA(f)	PACRA	-	286,348
				28,248,861	22,958,248

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, 2015:

	Carrying amount Rs '000	Less than one year Rs '000	One to five years Rs '000	More than five years Rs '000
Long term security deposits	552,122	-	552,122	-
Employees retirement benefits	32,111,859	-	-	32,111,859
Trade and other payables	46,814,183	46,814,183	-	-
	79,478,164	46,814,183	552,122	32,111,859

The following are the contractual maturities of financial liabilities as at December 31, 2014:

	Carrying amount Rs '000	Less than one year Rs '000	One to five years Rs '000	More than five years Rs '000
Long term security deposits	549,256	-	549,256	-
Employees retirement benefits	33,011,258	-	-	33,011,258
Trade and other payables	44,345,349	44,345,349	-	-
	77,905,863	44,345,349	549,256	33,011,258

43.2 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.

	Available for sale		Loans and receivables		Total	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
43.3 Financial instruments by categories						
Financial assets as per statement of financial position						
Long term other investments	83,900	83,900	-	-	83,900	83,900
Long term loans and advances	-	-	2,261,126	2,794,106	2,261,126	2,794,106
Trade debts	-	-	14,304,039	15,758,805	14,304,039	15,758,805
Loans and advances	-	-	1,593,099	4,136,133	1,593,099	4,136,133
Accrued interest	-	-	128,174	344,801	128,174	344,801
Receivable from the Government of Pakistan	-	-	2,164,072	2,164,072	2,164,072	2,164,072
Other receivables	-	-	4,743,512	4,808,589	4,743,512	4,808,589
Short term investments	-	6,441,389	26,038,803	12,000,000	26,038,803	18,441,389
Cash and bank balances	-	-	2,210,148	4,518,546	2,210,148	4,518,546
	83,900	6,525,289	53,442,973	46,525,052	53,526,873	53,050,341

	Liabilities at fair value through profit and loss		Other financial liabilities		Total	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
Financial liabilities as per statement of financial position						
Long term security deposits	-	-	552,122	549,256	552,122	549,256
Employees retirement benefits	-	-	32,111,859	33,011,258	32,111,859	33,011,258
Trade and other payables	-	-	46,814,183	44,345,349	46,814,183	44,345,349
	-	-	79,478,164	77,905,863	79,478,164	77,905,863

43.4 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.

44. 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, DVCOM Data (Private) Limited, Smart Sky (Private) Limited associate T.F. Pipes Limited, Directors, Chief Executive Officer, key management personnel and employee funds are also related parties of the Company. The remuneration of the Directors, Chief Executive Officer and Executives is given in note 40 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 year:

Shareholders
- The Government of Pakistan
- Etisalat International Pakistan

Subsidiaries
- Pak Telecom Mobile Limited
- U Microfinance Bank Limited
- DVCOM Data (Private) Limited
- Smart Sky (Private) Limited

Associated undertakings
- Emirates Telecommunication Corporation
- Etisalat - Afghanistan
- Etisalat - Srilanka
- Etisalat - Egypt
- Etisalat - Nigeria
- Etihad Etisalat Company
- Etisalat International Zantel Limited
- Thuraya Satellite Telecommunication Company
- TF Pipes Limited
- Telecom Foundation

Employees retirement benefit plan
- Pakistan Telecommunication Employees Trust
- Pakistan Telecommunication Company Limited Employees Gratuity Fund

Other related parties
- Pakistan Telecommunication Authority
- Universal Service Fund
- National ICT R&D Fund
- Pakistan Electronic Media Regularity Authority
- The Government of Pakistan and its related entities

	2015 Rs '000	2014 Rs '000
Details of transactions with related parties		
Shareholders		
Technical services assistance fee	2,478,497	2,667,095
Subsidiaries		
Sale of goods and services	5,356,418	5,513,721
Purchase of goods and services	3,820,147	3,587,684
Mark up on long term loans	99,108	629,889
Associated undertakings		
Sale of goods and services	1,566,655	26,091
Purchase of goods and services	1,239,494	1,680,698
Employees retirement benefit plans	7,153,952	12,551,507
Other related Parties		
Sale of goods and services	3,833,730	1,482,836
Charge under license obligations	1,768,846	1,769,302

45. Offsetting of financial assets and liabilities

Trade debts presented in the statement of financial position include aggregate receivable of Rs 9,992,194 thousand (December 31, 2014: Rs 7,888,708 thousand) set off against aggregate payable of Rs 7,227,356 thousand (December 31, 2014: Rs 5,480,621 thousand).

Trade and other payables presented in the statement of financial position include aggregate payable of Rs 6,349,434 thousand (December 31, 2014: Rs 8,298,999 thousand) set off against aggregate receivable of Rs 4,382,174 thousand (December 31, 2014: Rs 6,633,920 thousand).

46. Number of employees

	2015 Number	2014 Number
Total number of persons employed at end of the year	18,372	18,332
Average number of employees during the year	18,469	21,293

47. Date of authorization for issue and final dividend

47.1 The Board of Directors in its meeting held on February 10, 2016 has recommended a final dividend of Re 1.00 per share for the year ended December 31, 2015, amounting to Rs 5,100,000 thousand for approval of the members in the forthcoming Annual General Meeting.

47.2 These financial statements were authorized for issue by the Board of Directors of the Company on February 10, 2016.

Chairman

President & CEO

Consolidated Financial Statements

For the year ended December 31, 2015