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BOARD OF DIRECTORS

Chairman PTCL Board

Azamat Ali Ranjha

Members PTCL Board

Abdulrahim A. Al Nooryani
Dr. Waqar Masood Khan
Rainer Rathgeber
Serkan Okandan
Fadhil Al Ansari
Dr. Daniel Ritz
Sardar Ahmad Nawaz Sukhera
Mudassar Hussain

Company Secretary PTCL

Farah Qamar

CORPORATE INFORMATION

Management

Walid Irshaid

President & Chief Executive Officer

Muhammad Nehmatullah Toor

Chief Financial Officer (CFO)

Syed Mazhar Hussain

Chief Human Resource Officer (CHRO)

Muhammad Nasrullah

Chief Business Operations Officer (CBOO)

Hamid Farooq

Chief Business Development Officer (CBDO)

Furqan Habib Qureshi

Chief Marketing Officer (CMO)

Kamal Ahmed

Chief Digital & Corporate Services Officer (CDCSO)

Tariq Salman

Chief Technical Officer (CTO)

Raed Yousef Ali Abdel Fattah

Chief Information Officer (CIO)

Jamal Abdalla Salim Hussain Al Suwaidi

Chief Procurement Officer (CPO)

Muhammad Shehzad Yousuf

Chief Internal Auditor (CIA)

Sikandar Naqi

Chief Special Project Officer (CSPO)

Company Secretary

Farah Qamar

EVP (Legal)

Zahida Awan

Bankers

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al Habib Limited

The Bank of Punjab

Citibank Limited

Dubai Islamic Bank

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

Industrial & Commercial Bank China

JS Bank Limited

MCB Bank Limited

Meezan Bank Limited

National Bank of Pakistan

NIB Bank Limited

Silkbank Limited

SME Bank Limited

Standard Chartered Bank (Pakistan) Limited

Sindh Bank Limited

Soneri Bank Limited

United Bank Limited

Registered Office

PTCL Headquarters,

Sector G-8/4,

Islamabad-44000, Pakistan.

Tel: +92-51-2263732 & 34

Fax: +92-51-2263733

E-mail: company.secretary@ptcl.net.pk

Web: www.ptcl.com.pk

Auditors

A.F. Ferguson & Co.

Chartered Accountants

Share Registrar

M/s FAMCO Associates (Pvt.) Limited

8-F, Next to Hotel Faran, Nursery,

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

Karachi.

Tel: +92-21-34380101-2

Fax: +92-21-34380106

E-mail: info.shares@famco.com.pk

DIRECTORS' REPORT

The Directors of Pakistan Telecommunication Company Limited (PTCL) are pleased to present to the shareholders the unaudited financial information of the Company for the nine months period ended 30th September 2014.

In September 2014, a fire destroyed certain network assets at one of PTCL's exchanges. Initial estimation of the loss of assets destroyed has been incorporated in the financial information under review. It is pertinent to mention, that based upon robust network capability of your Company as well as relentless efforts of PTCL's dedicated staff, services to our esteemed customers were restored in the shortest possible time.

1. FINANCIAL PERFORMANCE

PTCL's revenue of Rs 62.6 billion during the period under review increased by 3% over the same period last year mainly on account of strong performance in Broadband segment which registered 24% increase in the subscriber base of wireless and wireline broadband services. Similarly fixed voice service customer base registered 4% growth during the period. Incorporation of initial estimation of the loss of assets destroyed by fire, nevertheless, decreased PTCL's profitability by 6%.

The PTCL Group profitability during the period, however, remained subdued mainly due to cost of license fee for 3G as well as emanating bank borrowings by Ufone (the 100% owned subsidiary of PTCL) as the 3G/4G era commenced in Pakistan during the period.

2. PRODUCTS AND SERVICES

Your Company retained its competitive edge by continuing to introduce innovative products and take pioneering measures to meet expectations of its diversified customer base composed of retail households, corporate enterprises and other telecom operators and carriers.

Foremost of these measures were the 'Broadband 4Mbps for All' as well as 'Charji EVO' campaigns launched for wireline and wireless customers respectively. Similarly, the 'Smart TV' service was further enriched. As a result of these measures, significant growth was achieved in subscribers' base.

a. Broadband

Based upon its strong network capabilities as well as country-wide presence, your Company leads the Broadband market in Pakistan. During the period, various new products and services were introduced with the objective to provide reliable and faster, yet affordable, Broadband connectivity to our esteemed subscribers.

Fixed-Wireline

Adhering to your Company's resolve to introduce world-class Broadband services in Pakistan, PTCL launched, 'Broadband 4Mbps for All' promotion on 23rd March 2014. Under the promotion, all existing 1Mbps and 2Mbps Regular/Student broadband users with feasible lines were upgraded to 4Mbps without any extra charge for the prescribed limited time period. This milestone heralded the beginning of PTCL's march towards offering high bandwidth services to our valued customers and formed a significant strategic initiative to make our services competitive and affordable. Additionally, high speed offering will enable customers to avail multi-play services in the future on our wireline broadband network. As expected, customers' retention rate on the higher package after the trial period is quite encouraging.

DIRECTORS' REPORT

EVO - 3G Wireless Broadband

The brand of 'EVO' – PTCL's 3G enabled wireless broadband service, has become synonymous to high-speed wireless broadband internet in Pakistan. Based upon perpetual innovation and introduction of high speed products, the 'EVO' segment continued to grow during the period - both in terms of subscriber base as well as the revenues. The most significant landmark was the launch of high speed 'Charji EVO' service providing ultrafast connectivity up to 36 Mbps, the fastest wireless broadband service in Pakistan. The new high-speed service was initially launched in Karachi, Lahore, Islamabad and Rawalpindi with plans to introduce it in other cities in near future. 'Charji EVO' has received positive response from the market despite the launch of 3G and 4G services by mobile operators. As such, this high-end product is positioned to effectively meet the 3G/4G competition in wireless broadband services from mobile operators.

b. Voice

Fixed landline voice demonstrated growth in customer base, which increased by 4% during the period with net addition of over 100K subscribers. As a result, revenues from the landline services remained stable. Wireless voice services i.e. V-Fone, however, continued to show a slowdown in demand and lower revenues than the corresponding period last year.

c. Smart TV

Your Company's Smart TV service continues to grow at fast pace. During the period, its customer base increased by 50%. The growth is made feasible because of enrichment in the contents as new products roll out.

PTCL video services established a partnership with 'Spell Movies' to strengthen its video library to provide high quality content experience to the customers. A partnership agreement with industry's renowned sports content provider, 'TEN Sports' was also executed.

In line with the international trends, OTT (Over-The-Top) services were also launched thus enabling multi-screen TV viewing in Pakistan. Accordingly, the customers can watch their favorite live TV programs and on-demand contents on personalized screens without any restriction of being limited to their premises. PTCL also finalized the deal to become partner of Dailymotion in Pakistan with its cache established in PTCL's network to promote Pakistan's content and content providers on Dailymotion – one of the largest video platforms in the world. To enrich the contents further, your Company also commenced 'PTCL Icflix' – a multi-screen service with intelligent streaming feature. PTCL Smart TV android box was launched which combines the benefit of PTCL Smart TV with internet browser and android functionality.

d. Carrier Services and International Business

PTCL is the only unified service provider in Pakistan serving all segments of customers. Based upon its expanded and resilient network capabilities, your Company provides diversified services to other telecom operators and carriers as well. During the period, PTCL remained focused to enhance its products portfolio to meet effectively the emerging needs of communication service providers. The dynamic business strategy to fully capitalize on the current as well as foreseeable opportunities in the industry is the guideline in this respect.

PTCL also maintained its leadership position as being the preferred LDI (Long Distance International) carrier in domestic market as well as neighboring countries for international

DIRECTORS' REPORT

traffic and media provisioning. Consequently, international transit traffic continued to increase with aggregation for various regional countries. Your Company's investment in 4th Submarine Cable viz. Asia-Africa-Europe-1, (AAE1) is under progress and is likely to be completed by mid of 2016.

3. SUPPORT FUNCTIONS

a. Network Infrastructure

To enable uninterrupted and smooth delivery of high-speed Broadband services, both for wireline and wireless customer segments, as well as to seize the opportunities of high data traffic being offered through introduction of 3G/4G services in Pakistan, your Company continued to enhance its network infrastructure capabilities encompassing all the network elements – access, metro, aggregation, transmission and core.

For the "Broadband 4Mbps for All" initiative, more than 250K broadband ports were added by deploying MSAG (Multi Services Access Gateways) nodes nearer to the customer premises. Seventy five (75) new transmission nodes were also added in the metro aggregation network to strengthen our backhaul network capability. The addition not only ensures high-speed data connection at committed rates but also allows PTCL to offer our services to various CMOs (Cellular Mobile Operators) for their 3G network demands. Existing backhauling of DSLAM (Digital Subscriber Line Access Multiplexer) was augmented with the addition of interface boards, while expansion in metro Ethernet nodes supported to backhaul increased MSAGs' traffic.

Similarly, for the high speed 'Charji EVO' wireless broadband service, available in convenient dongles and Mi-Fi clouds, initially introduced in four major cities, the relevant network infrastructure was further strengthened by adding the required equipment at various BTS (Base Transceiver Station) sites. The new technology, therefore, enabled provision of ultrafast uninterrupted connectivity at speeds up to 36 Mbps, making it the fastest wireless broadband in Pakistan. It is planned to expand 'Charji EVO' service to other parts of the country in near future. The dongles and Mi-Fi clouds have the ability to fall back to Rev A or Rev B network in case the customer uses the 'Charji EVO' device in a city other than the four cities where the service has been launched.

Your Company also further expanded its long-haul transmission capabilities. 62 x 10 Gbps capacity was added to carry the increased traffic streams from access layers up to the backbone network, with the objective to provide uninterrupted internet connectivity to our valued customers. Beside lambdas addition, the entire DWDM (Dense Wave Division Multiplexing) infrastructure was expanded from 40 to 80 Gbps capacity footprint.

To meet the emerging demand of growing internet traffic in coming years, your Company participated in the consortium to lay down the "Asia-Africa-Europe-1", a new international submarine cable. This high capacity cable will further augment PTCL's capacity to meet expected higher traffic demands in foreseeable future. Also, capability of the PIE (Pakistan Internet Exchange) and MMBB (Multimedia Broadband) core networks was increased by adding new nodes and expansion in the core and edge routers.

To meet the requirements of one of the CMOs for its 3G rollout, PTCL did a major network expansion. In this regard, selected hub sites were up-graded for the backhaul traffic on fiber in 10 major cities along with expansion of the inter-MSC (Mobile Switching Centre) traffic routes.

DIRECTORS' REPORT

Besides, to ensure uninterrupted service delivery to our customers during power outages, various measures were implemented. These measures encompass fast charging battery solution at BTS and MSAG sites, ATS (Auto Transfer Switch) panel deployment and periodic replacement of backup batteries on outdoor cabinets as well as indoor sites.

b. Customer Care

Your Company continued its endeavors to attain higher levels of customer satisfaction. Towards this end, various customer care initiatives were rolled out during the period under review.

With the objective to establish stronger relationship with our customers, a KYC (Know your Customer) plan was implemented. The first output of KYC initiative was to send birthday and anniversary greetings, which were received by customers with delightful surprise. Through Net Promoter Score, customer satisfaction levels were gauged which helped to identify areas of further improvement. Telesales through contact centers helped to increase the subscribers' base. To ensure timely bill delivery, a sizeable customer base is being facilitated through 'E-Bill' and SMS alert services.

The initiative of on-line real-time collection of customers' bills was further strengthened by addition of more banks and financial institutions thus ensuring that a sizeable part of the collection is realized through this modern mode with timely update of customers' record.

It is also pertinent to mention that the vigilance and agility of PTCL's staff ensured that service to our valued customers continued uninterrupted during the fire incident in Lahore.

Through these customer care initiatives, higher retention of customers was achieved thus delivering growth in subscribers and revenues.

c. Corporate Social Responsibility (CSR)

PTCL continued to provide timely assistance to calamity-stricken communities in their hour of need. For the relief and rehabilitation of drought-stricken people in Thar as well as IDPs (Internally Displaced Persons) from the NWA (North Waziristan Agency), food items as well as medicines and Mobile Medical Units to these areas were provided. Employees also contributed generously for this cause through monetary assistance.

Your Company also attained 'Green Office' certification from Worldwide Foundation for Nature (WWF) – the leading international nature conservation organization – for implementation of 'Green Office Program' at PTCL's offices. PTCL also organized an 'Eco-Hike and Tree Plantation Drive' in Islamabad along with the launching of a tree plantation drive in collaboration with CDA (Capital Development Authority) to underline PTCL's 'Go Green' vision.

Further, to provide opportunity and exposure to the unemployed youth of Pakistan as well as to build a sound talent pool database for PTCL, the second batch of 400 interns including engineers, IT, and business graduates joined PTCL for a rigorous year of on-the-job trainings, hands-on functional experience, career development programs, live projects and job rotations under the auspices of PTCL's Triple E Internship Program. To empower youth of the country through learning and development initiatives, PTCL also collaborated with ILM (Illuminating Learning Movement) organization.

DIRECTORS' REPORT

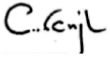
d. Human Resources

During the period under review, your Company continued to strengthen skill sets of its dedicated employees through various initiatives.

Some of these initiatives include introduction of top leadership development programs focused around corporate governance and change management; enhancement of employees' satisfaction through e-facilitation employee portal; introduction of a series of staff engagement contests and welfare activities pertaining to saving schemes and further improvement in employees' performance management system. PTCL provided its workforce with online access to HR best practices, systems, solutions and software that helps to communicate business strategy and to create and monitor individual performance goals.

The management and employees of PTCL remain committed to provide quality service at competitive prices through concentrated efforts for achieving increased revenue, enhanced customer satisfaction and improved shareholders' value.

On behalf of the Board,



Azmat Ali Ranjha
Chairman



Walid Irshaid
President & Chief Executive Officer

Islamabad: 16th October 2014



**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

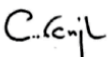
AS AT SEPTEMBER 30, 2014 (UN-AUDITED)

	Note	September 30, 2014	December 31, 2013
		(Un-Audited)	(Audited)
(Rupees in '000)			
EQUITY AND LIABILITIES			
Equity			
Share capital and reserves			
Share capital		51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,449,615	2,958,336
General reserve		30,500,000	30,500,000
Unappropriated profit		15,375,179	16,324,138
		48,324,794	49,782,474
Unrealized gain on available for sale investments		221,772	89,785
		99,546,566	100,872,259
Liabilities			
Non-current liabilities			
Long term security deposits		541,530	529,358
Deferred income tax		3,553,527	3,749,739
Employees' retirement benefits		29,788,119	33,050,773
Deferred government grants		6,399,171	5,123,099
		40,282,347	42,452,969
Current liabilities			
Trade and other payables		41,836,398	38,583,250
TOTAL EQUITY AND LIABILITIES		181,665,311	181,908,478

Contingencies and commitments

7

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



Chairman

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2014 (UN-AUDITED)

	Note	September 30, 2014	December 31, 2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Fixed assets			
Property, plant and equipment	5	91,743,074	87,219,249
Intangible assets		4,948,597	5,157,172
		96,691,671	92,376,421
Long term investments		7,791,296	7,791,296
Long term loans and advances	6	5,345,667	6,784,020
Investment in finance lease		38,516	38,781
		109,867,150	106,990,518
Current Assets			
Stores, spares and loose tools		3,179,157	3,675,314
Trade debts		17,619,621	18,596,301
Loans and advances	6	5,120,070	6,541,852
Investment in finance lease		13,967	12,927
Accrued interest		429,263	667,024
Recoverable from tax authorities		11,493,626	15,586,424
Receivable from the Government of Pakistan		2,164,072	2,164,072
Prepayments and other receivables		809,570	910,116
Short term investments		23,760,596	22,405,669
Cash and bank balances		7,208,219	4,358,261
		71,798,161	74,917,960
TOTAL ASSETS		181,665,311	181,908,478



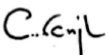
President & CEO

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS

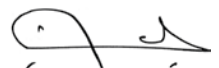
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

Note	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
(Rupees in '000)				
Revenue - net	19,718,219	20,521,200	62,567,307	60,498,856
Cost of services	(14,141,957)	(13,653,850)	(41,643,506)	(40,002,300)
Gross profit	5,576,262	6,867,350	20,923,801	20,496,556
Administrative and general expenses	(2,415,692)	(2,456,161)	(7,531,230)	(6,783,601)
Selling and marketing expenses	(955,755)	(849,829)	(2,529,720)	(2,259,151)
	(3,371,447)	(3,305,990)	(10,060,950)	(9,042,752)
Operating profit	2,204,815	3,561,360	10,862,851	11,453,804
Other income	8 1,074,293	1,059,579	3,654,454	3,089,884
Finance costs - net	12,880	(19,648)	(271,892)	(264,307)
(Loss) / gain on disposal of property, plant and equipment	-	-	(19,393)	5,548
Loss of assets destroyed due to fire	5.3 (776,297)	-	(776,297)	-
Profit before tax	2,515,691	4,601,291	13,449,723	14,284,929
Provision for income tax				
- Current	(809,302)	(1,950,839)	(4,903,615)	(4,767,590)
- Deferred	38,150	340,385	196,212	(232,135)
	(771,152)	(1,610,454)	(4,707,403)	(4,999,725)
Profit for the period	1,744,539	2,990,837	8,742,320	9,285,204
Earnings per share - basic and diluted (Rupees)	0.34	0.59	1.71	1.82

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



Chairman



President & CEO

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

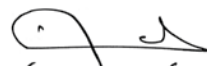
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(Rupees in '000)			
Profit for the period	1,744,539	2,990,837	8,742,320	9,285,204
Other comprehensive gain for the period				
Items that may be reclassified subsequently to profit and loss:				
Unrealized gain arising during the period	71,876	21,121	148,832	61,174
Gain on disposal transferred to income for the period	(3,042)	-	(16,845)	(49,295)
Unrealised gain on available for sale investments - net of tax	68,834	21,121	131,987	11,879
Total comprehensive income for the period	1,813,373	3,011,958	8,874,307	9,297,083

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



Chairman



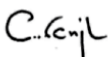
President & CEO

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Note	Nine months ended	
		September 30, 2014	September 30, 2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	9	28,911,357	25,001,546
Long term security deposits		12,173	6,350
Payment to			
Pakistan Telecommunication Employees' Trust (PTET)		(6,300,000)	(6,774,000)
Employees' retirement benefits paid		(703,276)	(575,448)
Income tax paid		(810,818)	(1,124,394)
Net cash inflows from operating activities		21,109,436	16,534,054
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(14,894,857)	(9,857,917)
Acquisition of intangible assets		(218,361)	(399,570)
Proceeds from disposal of property, plant and equipment		38,723	5,804
Investment in finance lease		5,790	-
Long term loans and advances		(1,354,040)	(47,907)
Return on long term loans and short term investments		3,099,679	2,170,185
Government grants received		1,549,389	833,171
Dividend received		10,000	-
Repayments of long term loans		4,125,000	1,375,000
Net cash outflows from investing activities		(7,638,677)	(5,921,234)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(9,265,874)	(4,532,047)
Net increase in cash and cash equivalents		4,204,885	6,080,773
Cash and cash equivalents at the beginning of the period		26,763,930	13,947,547
Cash and cash equivalents at the end of the period	10	30,968,815	20,028,320

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



Chairman



President & CEO

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

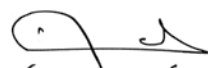
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	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 (Restated)		
	(Rupees in '000)						
Balance as at January 01, 2013	37,740,000	13,260,000	2,678,728	30,500,000	12,498,296	51,789	96,728,813
Total comprehensive income for the period							
Profit for the period	-	-	-	-	9,285,204	-	9,285,204
Other comprehensive income	-	-	-	-	-	11,879	11,879
Transfer to insurance reserve	-	-	279,608	-	(279,608)	-	-
Interim dividend for the year ended December 31, 2013 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	279,608	-	3,905,596	11,879	4,197,083
Balance as at September 30, 2013	37,740,000	13,260,000	2,958,336	30,500,000	16,403,892	63,668	100,925,896
Total comprehensive (loss) / income for the period							
Profit for the period	-	-	-	-	3,410,929	-	3,410,929
Other comprehensive (loss) / income	-	-	-	-	(3,490,683)	26,117	(3,464,566)
	-	-	-	-	(79,754)	26,117	(53,637)
Balance as at December 31, 2013	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 period							
Profit for the period	-	-	-	-	8,742,320	-	8,742,320
Other comprehensive income	-	-	-	-	-	131,987	131,987
Transfer to insurance reserve	-	-	267,576	-	(267,576)	-	-
Utilization of insurance reserve	-	-	(776,297)	-	776,297	-	-
Final dividend for the year ended December 31, 2013 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
Interim dividend for the year ended December 31, 2014 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	(508,721)	-	(948,959)	131,987	(1,325,693)
Balance as at September 30, 2014	37,740,000	13,260,000	2,449,615	30,500,000	15,375,179	221,772	99,546,566

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



Chairman



President & CEO

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

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

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

2. STATEMENT OF COMPLIANCE

This condensed interim financial information of the Company for the nine months ended September 30, 2014 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and judgments made by the management in the preparation of this condensed interim financial information are the same as those used in the preparation of audited financial statements of the Company for the year ended December 31, 2013.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted in the preparation of this condensed interim financial information are consistent with those followed in the preparation of the Company's audited financial statements for the year ended December 31, 2013.

	Note	September 30,	December 31,
		2014	2013
		(Un-Audited)	(Audited)
(Rupees in '000)			
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	79,802,199	78,951,084
Capital work-in-progress		11,940,875	8,268,165
		91,743,074	87,219,249

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Note	September 30, 2014	December 31, 2013
		(Un-Audited)	(Audited)
(Rupees in '000)			
5.1 Operating fixed assets			
Opening net book amount		78,951,084	74,262,561
Additions during the period / year at cost	5.2	11,222,147	16,849,872
		90,173,231	91,112,433
Disposals during the period / year - at net book amount		(58,117)	(256)
Depreciation for the period / year		(9,536,618)	(12,001,093)
Impairment for the period / year		-	(160,000)
Destroyed due to fire	5.3	(776,297)	-
		(10,371,032)	(12,161,349)
Closing net book amount		79,802,199	78,951,084
5.2 Detail of additions during the period / year:			
Freehold land		-	4,160
Buildings on freehold land		51,198	348,318
Lines and wires		2,483,160	3,450,147
Apparatus, plant and equipment		8,372,530	12,123,970
Office equipment		6,372	32,592
Computer equipment		190,297	475,279
Furniture and fittings		7,994	32,402
Vehicles		110,596	123,927
Submarine cables		-	259,077
		11,222,147	16,849,872

5.3 The amount denotes initial estimation of loss of assets due to fire at Egerton road exchange, Lahore on September 28, 2014. The final assessment of the loss is under process.

6. LONG TERM LOANS AND ADVANCES

These include unsecured loans of Rs 4,375,000 thousand (December 31, 2013: Rs 8,500,000 thousand) to Pak Telecom Mobile Limited (PTML), a wholly owned subsidiary of the Company, under subordinated debt agreements. These loans are recoverable in eight equal quarterly installments commencing after a grace period of 3 to 4 years maturing latest by November 2015 and carrying mark-up at the rate of three month KIBOR plus 82 to 180 basis points.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There has been no material change in contingencies as disclosed in the last audited financial statements of the Company for the year ended December 31, 2013, except the followings:

- For the tax year 2008, taxation officer amended the assessment under section 122(5A) and disallowed certain expenses with tax demand of Rs 7,818 thousand. Besides the rectification application, the Company has also filed an appeal before Commissioner Inland Revenue (CIR- Appeals) which is pending for disposal.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

- (b) For the tax year 2010, taxation officer disallowed certain expenses under section 122(5A) and created tax demand of Rs 4,866,554 thousand. Besides the rectification application filed, the Company also filed an appeal before CIR- Appeals which is pending for disposal.
- (c) Based on an audit of the FED / sales tax records for the year 2008-09, tax authorities raised a demand of Rs 787,358 thousand on the premise of disallowance of input tax. The Company's appeal against the decision of CIR - Appeals is pending before ATIR.
- (d) The Company has filed appeal before the Customs Appellate Tribunal against the decisions of the Collector Customs imposing additional duties and other taxes amounting to Rs 1,686,409 thousand. The Company also obtained stay order from the Honorable Sindh High Court against the said decision. Further, appeal against the additional demand of duties and taxes amounting to Rs 117,000 thousand are being filed by the Company before relevant Appellate fora.
- (e) With reference to ongoing litigation at various courts in Pakistan regarding pension increases and pertinent medical allowance cases, the Supreme Court of Pakistan suspended the operation of the related order passed by the divisional bench of Islamabad High Court by granting the stay order. Based on the advice from its legal counsel, management is confident that the matter would eventually be settled in the Company's favour and hence no provision has been recorded.

7.2 Commitments, in respect of contracts for capital expenditure amount to Rs 7,689,595 thousand (December 31, 2013: Rs 10,184,640 thousand).

	Three months ended		Nine months ended	
	September 30, 2014 (Un-Audited)	September 30, 2013 (Un-Audited)	September 30, 2014 (Un-Audited)	September 30, 2013 (Un-Audited)
	(Rupees in '000)			
8. OTHER INCOME				
Mark up on long term loans	140,524	265,573	529,618	833,802
Return on bank deposits	741,680	409,659	2,183,469	1,189,065
Others	192,089	384,347	941,367	1,067,017
	1,074,293	1,059,579	3,654,454	3,089,884

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Nine months ended	
	September 30, 2014	September 30, 2013
	(Un-Audited)	(Un-Audited)
	(Rupees in '000)	
9. CASH GENERATED FROM OPERATIONS		
Profit before tax	13,449,723	14,284,929
Adjustments for non-cash charges and other items:		
Depreciation and amortization	9,963,554	9,402,913
Impairment	-	160,000
Provision for obsolete stores, spares and loose tools	-	90,732
Provision against doubtful trade debts	1,569,926	1,541,919
Employees' retirement benefits	4,112,077	3,101,396
Loss / (gain) on disposal of property, plant and equipment	19,393	(5,548)
Loss of assets due to fire	776,297	-
Return on bank deposits	(2,183,469)	(1,189,065)
Imputed interest on long term loans	69,557	139,906
Imputed interest on finance lease	(6,565)	-
Markup on long term loans	(529,618)	(833,802)
Gain on disposal of available for sale investments	(16,845)	(49,295)
Dividend Income	(10,000)	-
Amortization of government grants	(273,317)	(210,377)
	26,940,713	26,433,708
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	496,157	(1,319,737)
Trade debts	(593,247)	(7,340,681)
Loans and advances	38,687	(217,687)
Prepayments and other receivables	81,476	195,149
	23,073	(8,682,956)
Increase in current liabilities:		
Trade and other payables	1,947,571	7,250,794
	28,911,357	25,001,546
10. CASH AND CASH EQUIVALENTS		
Short term investments	23,760,596	11,814,922
Cash and bank balances	7,208,219	8,213,398
	30,968,815	20,028,320

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

		Nine months ended	
		September 30, 2014	September 30, 2013
		(Un-Audited)	(Un-Audited)
		(Rupees in '000)	
11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES			
Relationship with the Company	Nature of transaction		
i. Shareholders	Technical services assistance fee - note 11.1	2,033,979	1,987,098
ii. Subsidiary	Sale of goods and services	4,555,700	3,920,972
	Purchase of goods and services	2,556,263	2,394,252
	Mark up on long term loans	529,618	833,802
iii. Associated undertakings	Sale of goods and services	12,149	1,783,869
	Purchase of goods and services	1,106,711	1,160,725
iv. Employees' retirement benefit plans	Contribution to Pakistan Telecommunication Employees' Trust (PTET)	6,300,000	6,774,000
v. Employees' contribution plan	Payment to PTCL employees on behalf of GPF Trust	64,926	13,301
vi. Other related parties	Charges under license obligation	1,381,173	1,067,077
vii. Directors, Chief Executive and Executives	Fee and remuneration including benefits and perquisites	1,230,154	1,052,430
		September 30, 2014	December 31, 2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
Period-end balances			
Receivables from related parties			
	Long-term loans to subsidiary	4,375,000	8,500,000
	Trade debts		
	- Subsidiary	401,024	1,572,243
	- Associated undertakings	-	59,678
	- The Government of Pakistan and its related entities	1,652,080	1,768,148
	Accrued interest receivable		
	- Subsidiary	94,987	167,456
	Other receivables		
	- Subsidiary	700	332,017
	- Associated undertakings	74,959	75,876
	- PTCL Employees' GPF Trust	137,381	107,349
	- Pakistan Telecommunication Employees' Trust (PTET)	144,205	118,209
	Advance to associates	17,629	18,718

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	September 30, 2014	December 31, 2013
	(Un-Audited)	(Audited)
	(Rupees in '000)	
Payables to related parties		
Trade creditors		
- Subsidiary	500,767	989,114
- Associated undertakings	340,625	522,118
- The Government of Pakistan and its related entities	3,591,199	8,371,083
Security deposits from subsidiary	3,623	3,623
Retention money payable to associated undertaking	52	4,103
Technical services assistance fee payable to Etisalat	626,795	652,061
Pakistan Telecommunication Employees' Trust (PTET)	8,593,706	13,381,633

11.1 This represents the Company's share of fee payable to Emirates Telecommunication Corporation (Etisalat) under an agreement for technical services at the rate of 3.5% of Pakistan Telecommunication Group's consolidated revenue.

12. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Trade debts presented in the statement of financial position include aggregate receivable of Rs 6,907,571 thousand (December 31, 2013: Rs 7,991,017 thousand) set off against aggregate payable of Rs 3,980,845 thousand (December 31, 2013: Rs 5,383,315 thousand).

Trade and other payables presented in the statement of financial position include aggregate payable of Rs 7,775,668 thousand (December 31, 2013: Rs 10,143,887 thousand) set off against aggregate receivable of Rs 5,334,238 thousand (December 31, 2013: Rs 7,678,683 thousand).

13. DATE OF AUTHORIZATION FOR ISSUE OF CONDENSED INTERIM FINANCIAL INFORMATION


This condensed interim financial information for the nine months ended September 30, 2014 was authorized for issue by the Board of Directors of the Company on October 16, 2014.

14. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.



Chairman



President & CEO



**CONDENSED INTERIM
CONSOLIDATED
FINANCIAL INFORMATION**
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

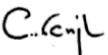
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2014 (UN-AUDITED)

	Note	September 30, 2014	December 31, 2013
		(Un-Audited)	(Audited)
(Rupees in '000)			
EQUITY AND LIABILITIES			
Equity			
Share capital and reserves			
Share capital		51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,449,615	2,958,336
General reserve		30,500,000	30,500,000
Unappropriated profit		32,954,323	34,815,636
		65,903,938	68,273,972
Unrealized gain on available for sale investments		222,087	89,785
		117,126,025	119,363,757
Liabilities			
Non-current liabilities			
Long term loans from banks		12,000,000	-
Liability against assets subject to finance lease		47,326	58,438
License fee payable		27,425,778	93,847
Long term security deposits		1,493,641	1,494,253
Deferred income tax		12,935,868	14,864,399
Employees' retirement benefits		30,072,009	33,320,384
Deferred government grants		6,399,171	5,123,099
Long term vendor liability		14,670,093	6,584,473
		105,043,886	61,538,893
Current liabilities			
Trade and other payables		53,308,554	49,435,746
Interest accrued		648,525	120,251
Short term running finance		-	605,487
Current portion of:			
Liability against assets subject to finance lease		31,977	31,977
License fee payable		4,486,444	51,151
Long term vendor liability		5,235,685	6,109,004
Unearned income		2,596,185	2,432,129
		66,307,370	58,785,745
TOTAL EQUITY AND LIABILITIES		288,477,281	239,688,395

Contingencies and commitments

7

The annexed notes 1 to 13 form an integral part of these condensed consolidated interim financial statements.



Chairman

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2014 (UN-AUDITED)

	Note	September 30, 2014	December 31, 2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Fixed assets			
Property, plant and equipment	5	165,127,750	156,428,185
Intangible assets	6	43,632,884	6,191,581
		208,760,634	162,619,766
Long term investments		109,259	109,259
Long term loans and advances		5,243,257	3,955,888
Investment in finance lease		38,516	38,781
		214,151,666	166,723,694
Current assets			
Stores, spares and loose tools		3,179,157	3,675,813
Stock in trade		164,327	453,665
Trade debts		17,980,899	17,864,435
Loans and advances		1,556,082	1,387,119
Deposits		96,196	78,809
Investment in finance lease		13,967	12,927
Accrued interest		373,289	509,512
Recoverable from tax authorities		13,285,639	15,861,583
Receivable from the Government of Pakistan		2,164,072	2,164,072
Prepayments and other receivables		3,256,866	2,782,281
Short term investments		24,105,762	22,950,405
Cash and bank balances		8,149,359	5,224,080
		74,325,615	72,964,701
TOTAL ASSETS		288,477,281	239,688,395



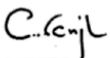
President & CEO

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS

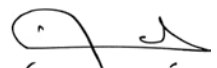
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
(Rupees in '000)				
Revenue - net	30,789,287	34,841,176	99,298,480	100,278,643
Cost of services	(22,135,003)	(23,109,653)	(65,085,482)	(64,606,807)
Gross profit	8,654,284	11,731,523	34,212,998	35,671,836
Administrative and general expenses	(4,882,606)	(2,513,720)	(14,688,919)	(11,080,195)
Selling and marketing expenses	(2,262,464)	(4,555,054)	(6,919,024)	(8,482,066)
	(7,145,070)	(7,068,774)	(21,607,943)	(19,562,261)
Operating profit	1,509,214	4,662,749	12,605,055	16,109,575
Other income	1,046,844	934,815	3,515,121	3,322,474
Finance costs	(2,038,893)	(381,439)	(3,283,274)	(2,162,682)
Gain on disposal of property, plant and equipment	25,060	8,705	55,969	60,381
Loss of assets destroyed due to fire	(776,297)	-	(776,297)	-
Profit / (loss) before tax	(234,072)	5,224,830	12,116,574	17,329,748
Provision for income tax				
- Current	(844,514)	(2,027,417)	(6,217,083)	(5,723,832)
- Deferred	671,166	217,086	1,930,475	(327,335)
	(173,348)	(1,810,331)	(4,286,608)	(6,051,167)
Profit / (loss) for the period	(407,420)	3,414,499	7,829,966	11,278,581
Earnings per share - basic and diluted (Rupees)	(0.08)	0.67	1.54	2.21

The annexed notes 1 to 13 form an integral part of these condensed consolidated interim financial statements.



Chairman



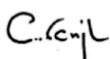
President & CEO

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(Rupees in '000)			
Profit / (loss) for the period	(407,420)	3,414,499	7,829,966	11,278,581
Other comprehensive gain for the period				
Items that may be reclassified subsequently to profit and loss:				
Unrealized gain arising during the period	72,101	21,121	149,147	61,174
Gain on disposal transferred to income for the period	(3,042)	-	(16,845)	(49,295)
Unrealised gain on available for sale investments - net of tax	69,059	21,121	132,302	11,879
Total comprehensive income / (loss) for the period	(338,361)	3,435,620	7,962,268	11,290,460

The annexed notes 1 to 13 form an integral part of these condensed consolidated interim financial statements.



Chairman



President & CEO

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

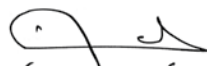
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Note	Nine months ended	
		September 30, 2014	September 30, 2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	8	41,217,775	41,021,943
Long term security deposits		(612)	33,543
Payment to			
Pakistan Telecommunication Employees' Trust (PTET)		(6,300,000)	(6,774,000)
Employees' retirement benefits paid		(784,684)	(617,818)
Finance costs paid		(2,289,716)	(2,042,626)
Income tax paid		(3,639,195)	(1,210,088)
Net cash inflows from operating activities		28,203,568	30,410,954
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(28,558,106)	(19,219,162)
Acquisition of intangible assets		(39,604,723)	(598,566)
Proceeds from disposal of property, plant and equipment		276,854	106,879
Investment in finance lease		5,790	-
Long term loans and advances		(1,356,926)	254,211
Return on long term loans and short term investments		2,468,839	2,486,508
Government grants received		1,549,389	833,172
Dividend received		10,000	-
Net cash outflows from investing activities		(65,208,883)	(16,136,958)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan received		12,000,000	-
Long term loan paid		-	(20,500,000)
PTA license fee payable		31,767,224	(49,275)
Long term vendor liability		7,212,301	(664,494)
Dividend paid		(9,265,874)	(4,532,047)
Liability against assets subject to finance lease		(22,213)	(23,415)
Net cash inflows / (outflows) from financing activities		41,691,438	(25,769,231)
Net increase / (decrease) in cash and cash equivalents		4,686,123	(11,495,235)
Cash and cash equivalents at the beginning of the period		27,568,998	37,656,842
Cash and cash equivalents at the end of the period	9	32,255,121	26,161,607

The annexed notes 1 to 13 form an integral part of these condensed consolidated interim financial statements.



Chairman



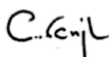
President & CEO

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

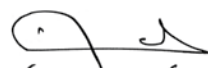
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	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 (Restated)		
(Rupees in '000)							
Balance as at January 01, 2013	37,740,000	13,260,000	2,678,728	30,500,000	27,936,755	51,789	112,167,272
Total comprehensive income for the period							
Profit for the period	-	-	-	-	11,278,581	-	11,278,581
Other comprehensive income	-	-	-	-	-	11,879	11,879
Transfer to insurance reserve	-	-	279,608	-	(279,608)	-	-
Interim dividend for the year ended December 31, 2013 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	279,608	-	5,898,973	11,879	6,190,460
Balance as at September 30, 2013	37,740,000	13,260,000	2,958,336	30,500,000	33,835,728	63,668	118,357,732
Total comprehensive (loss) / income for the period							
Profit for the period	-	-	-	-	4,474,194	-	4,474,194
Other comprehensive (loss) / income	-	-	-	-	(3,494,286)	26,117	(3,468,169)
	-	-	-	-	979,908	26,117	1,006,025
Balance as at December 31, 2013	37,740,000	13,260,000	2,958,336	30,500,000	34,815,636	89,785	119,363,757
Total comprehensive income for the period							
Profit for the period	-	-	-	-	7,829,966	-	7,829,966
Other comprehensive income	-	-	-	-	-	132,302	132,302
Transfer to insurance reserve	-	-	267,576	-	(267,576)	-	-
Utilization of insurance reserve	-	-	(776,297)	-	776,297	-	-
Final dividend for the year ended December 31, 2013 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
Interim dividend for the year ended December 31, 2014 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	(508,721)	-	(1,861,313)	132,302	(2,237,732)
Balance as at September 30, 2014	37,740,000	13,260,000	2,449,615	30,500,000	32,954,323	222,087	117,126,025

The annexed notes 1 to 13 form an integral part of these condensed consolidated interim financial statements.



Chairman



President & CEO

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

1. CONSTITUTION AND OWNERSHIP

The condensed consolidated interim financial information of the Pakistan Telecommunication Company Limited and its subsidiaries ("the Group") comprises of the financial information of:

Pakistan Telecommunication Company Limited (PTCL)

Pakistan Telecommunication Company Limited (the Holding Company) was incorporated in Pakistan on December 31, 1995 and commenced business on January 1, 1996. The Holding Company, which is listed on Karachi, Lahore and Islamabad stock exchanges, was established to undertake the telecommunication business formerly carried on by Pakistan Telecommunication Corporation (PTC). PTC's business was transferred to the Holding Company on January 1, 1996 under the Pakistan Telecommunication (Re-organization) Act, 1996, on which date, the Holding Company took over all the properties, rights, assets, obligations and liabilities of PTC, except those transferred to the National Telecommunication Corporation (NTC), the Frequency Allocation Board (FAB), the Pakistan Telecommunication Authority (PTA) and the Pakistan Telecommunication Employees' Trust (PTET). The registered office of the Holding Company is situated at PTCL Headquarters, G-8/4, Islamabad.

The Holding 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.

Pak Telecom Mobile Limited (PTML)

PTML was incorporated in Pakistan on July 18, 1998, as a public limited company to provide cellular mobile telephony services in Pakistan. PTML commenced its commercial operations on January 29, 2001, under the brand name of Ufone. It is a wholly owned subsidiary of PTCL. The registered office of PTML is situated at Ufone Tower, Jinnah Avenue, Blue Area, Islamabad.

U Microfinance Bank Limited (U Bank)

The Holding Company acquired 100% ownership of U Microfinance Bank Limited (U Bank) on August 30, 2012 to offer services of digital commerce and branchless banking. U Bank was incorporated on October 29, 2003 as a public limited company. The registered office of U Bank is situated at Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad

2. STATEMENT OF COMPLIANCE

This condensed consolidated interim financial information of the Group for the nine months period ended September 30, 2014 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed consolidated interim financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and judgements made by the management in the preparation of this condensed consolidated interim financial information are the same as those used in the preparation of annual audited consolidated financial statements of the Group for the year ended December 31, 2013.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted in the preparation of this condensed consolidated interim financial information are consistent with those followed in the preparation of the consolidated annual audited financial statements for the year ended December 31, 2013.

	Note	September 30, 2014	December 31, 2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	145,630,855	142,821,939
Capital work-in-progress		19,496,895	13,606,246
		165,127,750	156,428,185

5.1 Operating fixed assets

Opening net book amount		142,821,939	135,226,656
Addition during the period / year at cost		22,667,456	31,756,934
		165,489,395	166,983,590
Disposal during the period / year - at net book amount		(220,884)	(117,034)
Depreciation for the period / year		(18,861,360)	(23,884,617)
Impairment for the period / year		-	(160,000)
Destroyed due to fire	5.2	(776,297)	-
		(19,858,541)	(24,161,651)
Closing net book amount		145,630,854	142,821,939

5.2 The amount denotes initial estimation of loss of assets due to fire at Egerton road exchange, Lahore on September 28, 2014. The final assesment of the loss is under process.

	Note	September 30, 2014	December 31, 2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
6. INTANGIBLE ASSETS			
Opening net book value		6,191,581	3,936,746
Addition during the period / year - at cost	6.1	39,604,723	3,086,810
		45,796,304	7,023,556
Amortization for the period / year		(2,163,420)	(831,975)
Closing net book value		43,632,884	6,191,581

6.1 During the year, PTML acquired license for 3G cellular operations throughout Pakistan. Additions include aggregate cost of Rs. 14,604,000 thousand for acquisition of this license from Pakistan Telecommunication Authority (PTA), to be amortized over the license term of 15 years commencing from May 21, 2014.

The PTML license for 2G cellular operations throughout Pakistan was also renewed during the year effective from April 8, 2014. Additions include aggregate cost of Rs 24,143,000 thousand for renewal of 2G license from PTA, to be amortized over the license term of 15 years.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There has been no material change in contingencies as disclosed in the last audited financial statements of the Group for the year ended December 31, 2013, except the followings:

- (a) For the tax year 2008, taxation officer amended the assessment of PTCL under section 122(5A) and disallowed certain expenses with tax demand of Rs 7,818 thousand. Besides the rectification application, the Company has also filed an appeal before Commissioner Inland Revenue (CIR- Appeals) which is pending for disposal.
- (b) For the tax year 2010, taxation officer disallowed certain expenses of PTCL under section 122(5A) and created tax demand of Rs 4,866,554 thousand. Besides the rectification application filed, PTCL also filed an appeal before CIR- Appeals which is pending for disposal.
- (c) Based on an audit of the FED / sales tax records of PTCL for the year 2008-09, tax authorities raised a demand of Rs 787,358 thousand on the premise of disallowance of input tax. The Company's appeal against the decision of CIR - Appeals is pending before Appellate Tribunal Inland Revenue (ATIR).
- (d) PTCL has filed appeal before the Customs Appellate Tribunal against the decisions of the Collector Customs imposing additional duties and other taxes amounting to Rs 1,686,409 thousand. PTCL also obtained stay order from the Honorable Sindh High Court against the said decision. Further, appeal against the additional demand of duties and taxes amounting to Rs 117,000 thousand are being filed by the Company before relevant Appellate fora.
- (e) With reference to ongoing litigation at various courts in Pakistan regarding pension increases and pertinent medical allowance cases, the Supreme Court of Pakistan suspended the operation of the related order passed by the divisional bench of Islamabad High Court by granting the stay order. Based on the advice from its legal counsel, management is confident that the matter would eventually be settled in the PTCL's favour and hence no provision has been recorded.
- (f) In relation to Federal Excise Duty on technical services fee to Etisalat, PTML has received show cause notices for tax years 2012 and 2013 against which the Islamabad High Court has granted stay in favor of the PTML.
- (g) The taxation authorities have raised demand amounting to Rs 1,378,000 thousand against PTML which represents the amount of advance income tax paid by PTML under section 148 at import stage on the premise that such tax paid fall under final tax regime. PTML has claimed adjustment of this amount against its tax liability for tax years 2008 to 2013. PTML is of the view that these demands are not based on sound principles as the Company is subject to normal tax regime since its inception and the equipment imported is used in-house for provision of telecom services and not sold as commercial importer to derive income. The Company has obtained stay order from Islamabad High Court and is contesting the matter with taxation authorities at appellate forum.
- (h) Letters of guarantee have been issued in favour of PTA by PTML for USD 16.530 million (equivalent Rs. 1,632,000 thousand) in relation to the performance of the Company's obligation stipulated under the license agreements of 2G and 3G services.

7.2 Commitments

Commitments in respect of contracts for capital expenditure amount to Rs. 20,762,596 thousand (December 31, 2013: Rs. 17,657,353 thousand).

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Nine months ended	
	September 30, 2014	September 30, 2013
	(Un-Audited)	(Un-Audited)
	(Rupees in '000)	
8. CASH GENERATED FROM OPERATIONS		
Profit before tax	12,116,574	17,329,748
Adjustments for non-cash charges and other items:		
Depreciation and amortization	21,024,780	18,595,051
Impairment	-	160,000
Provision for doubtful trade debts and other receivables	1,609,541	1,586,258
Provision for non performing advances	1,528	-
Provision for obsolete stores, spares and loose tools	-	90,732
Provision for stock in trade	-	10,547
Employees' retirement benefits	4,207,764	3,194,839
Imputed interest on long term loans	69,557	139,906
Imputed interest on finance lease	(6,565)	-
Gain on disposal of property, plant and equipment	(55,969)	(60,381)
Gain on disposal of available for sale investments	(16,845)	(49,295)
Loss of assets due to fire	776,297	-
Loss on fair value adjustment for forward exchange contracts	214,802	(216,420)
Unrealized gain on available for sale investments	-	61,174
Dividend income	(10,000)	-
Return on short term investments	(2,183,469)	(2,217,824)
License fee charge for the period	-	19,109
Amortization of government grants	(273,317)	(210,377)
Finance costs	2,829,091	2,162,682
Prior period adjustment	-	(6,776)
	40,303,769	40,588,973
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	496,656	(1,322,481)
Stock in trade	289,338	(151,688)
Trade debts	(1,726,005)	(7,443,793)
Loans and advances	(170,491)	(631,663)
Deposits	(17,387)	295
Prepayments and other receivables	(474,585)	(177,512)
	(1,602,474)	(9,726,842)
Increase / (decrease) in current liabilities:		
Trade and other payables	2,352,424	9,651,876
Unearned income	164,056	507,936
	2,516,480	10,159,812
	41,217,775	41,021,943

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Nine months ended	
	September 30, 2014	September 30, 2013
	(Un-Audited)	(Un-Audited)
	(Rupees in '000)	
9. CASH AND CASH EQUIVALENTS		
Short term investments	24,105,762	16,134,156
Cash and bank balances	8,149,359	10,027,451
	32,255,121	26,161,607

10. SEGMENT INFORMATION

For Management purposes, the Group is organised into two operating segments i.e. fixed line communications (Wire line) and wireless communications (Wireless). The reportable operating segments derive their revenue primarily from voice, data and other services.

10.1 Segment information for the reportable segments is as follows:

	Note	Wire line	Wireless	Total
		(Rupees in '000)		
Nine months period ended Sep. 30, 2014				
Segment revenue		55,894,940	49,352,267	105,247,207
Inter segment revenue	10.1.1	(4,555,700)	(1,393,027)	(5,948,727)
Revenue from external customers		51,339,240	47,959,240	99,298,480
Segment results		4,850,257	2,979,710	7,829,966
Nine months period ended Sep. 30, 2013				
Segment revenue		55,629,585	50,964,282	106,593,867
Inter segment revenue	10.1.1	(3,920,972)	(2,394,252)	(6,315,224)
Revenue from external customers		51,708,613	48,570,030	100,278,643
Segment results		6,826,438	4,452,143	11,278,581
As at September 30, 2014 (Un-Audited)				
Segment assets		154,115,782	134,361,499	288,477,281
Segment liabilities		81,562,303	89,788,953	171,351,256
As at December 31, 2013 (Audited)				
Segment assets		152,509,735	87,178,660	239,688,395
Segment liabilities		80,264,007	40,060,631	120,324,638

10.1.1 Inter segment revenues are eliminated on consolidation.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

			Nine months ended	
			September 30, 2014	September 30, 2013
			(Un-Audited)	(Un-Audited)
			(Rupees in '000)	
11. TRANSACTIONS WITH RELATED PARTIES				
Relationship with the Group	Nature of transaction			
i.	Shareholders	Technical services fee	3,476,891	3,471,418
ii.	Associated undertakings	Purchase of goods and services	1,171,483	1,236,270
		Sale of goods and services	99,816	1,835,195
		Prepaid rent	150,003	116,667
iii.	Employees' benefit plans	PTCL Contribution to Pakistan Telecommunication Employees' Trust (PTET)	6,300,000	6,774,000
		PTML Gratuity Fund	61,178	63,763
iv.	Employees' contribution plans	PTCL Payment to PTCL employees' on behalf of GPF Trust	64,926	13,301
		PTML Provident Fund	82,906	76,199
		U Bank Provident Fund	3,915	1,562
v.	Other related parties	PTCL Charges under license obligation	1,381,173	1,067,077
		PTML Expenses reimbursed to Pakistan MNP Database (Guarante) Limited	35,175	13,400
vi.	Directors, Chief Executive and Executives	Fees and remuneration including benefits and perquisites	1,781,315	1,087,526
			September 30, 2014	December 31, 2013
			(Un-Audited)	(Audited)
			(Rupees in '000)	
Period-end balances				
Receivables from related parties				
Trade debts				
		- Associated undertakings	86,605	179,313
		- The Government of Pakistan and its related entities	1,652,080	1,768,148
Other receivables				
		- Associated undertakings	74,959	75,876
		- PTCL Employees' GPF Trust	137,381	107,349
		- Pakistan Telecommunication Employees' Trust (PTET)	144,205	151,542
		- Pakistan MNP Database (Guarantee) Limited	12,495	9,500
		- Advances to Associates	17,629	18,718

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

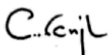
	September 30, 2014	December 31, 2013
	(Un-Audited)	(Audited)
	(Rupees in '000)	
PTML		
- Long term loans to executive and key management personnel	196,251	86,816
Payables to related parties		
Trade creditors		
- Associated Undertakings	434,533	650,045
- The Government of Pakistan and its related entities	3,591,199	8,371,083
- Technical services fee payable to Etisalat	1,076,933	1,124,997
- Retention money payable to associated undertaking	52	4,103
PTCL		
- Pakistan Telecommunication Employees' Trust (PTET)	8,593,706	13,381,633
PTML		
- Gratuity Fund	62,716	73,703
- Provident Fund	19,826	20,019
- Remuneration - Executive and key management personnel	-	1,579
U Bank		
- Provident Fund	-	532

12. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL INFORMATION

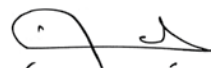
This condensed consolidated interim financial information for the nine months period ended September 30, 2014 was authorised for issue by the Board of Directors of the Holding Company on October 16, 2014.

13. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.



Chairman



President & CEO