
Feb
Dec
Oct
Aug
Jun
Apr
Feb
Dec
Oct

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, 2016 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, 2016 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 12.13 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.

Deloitte Yousuf Adil

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner: Rana M. Usman khan

Islamabad
Dated: February 08, 2017

STATEMENT OF
FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital	6	51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,621,288	2,416,078
General reserve		27,497,072	30,500,000
Unappropriated profit		1,894,739	2,302,282
		32,013,099	35,218,360
		83,013,099	86,218,360
Liabilities			
Non-current liabilities			
Long term security deposits	7	553,049	552,122
Deferred income tax	8	4,737,260	5,754,847
Employees retirement benefits	9	24,068,008	32,111,859
Deferred government grants	10	8,594,920	8,926,403
		37,953,237	47,345,231
Current liabilities			
Trade and other payables	11	59,142,912	46,814,183
Total equity and liabilities		180,109,248	180,377,774
Contingencies and commitments	12		

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

Chairman

	Note	2016 Rs '000	2015 Rs '000
Assets			
Non-current assets			
Fixed assets			
Property, plant and equipment	13	94,779,483	94,912,046
Intangible assets	14	2,332,789	2,539,060
		97,112,272	97,451,106
Long term investments	15	7,977,300	7,977,300
Long term loans and advances	16	2,152,757	2,261,126
Investment in finance lease	17	38,513	96,113
		107,280,842	107,785,645
Current assets			
Stores, spares and loose tools	18	2,742,794	2,940,425
Trade debts	19	14,227,974	14,304,039
Loans and advances	20	676,556	1,593,099
Investment in finance lease	17	53,030	52,255
Accrued interest	21	231,902	128,174
Recoverable from tax authorities	22	14,550,698	18,179,032
Receivable from the Government of Pakistan	23	2,164,072	2,164,072
Prepayments and other receivables	24	8,279,236	4,982,082
Short term investments	25	24,000,000	26,038,803
Cash and bank balances	26	5,902,144	2,210,148
		72,828,406	72,592,129
Total assets		180,109,248	180,377,774

President & CEO

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Revenue	27	71,420,100	75,751,975
Cost of services	28	(50,358,343)	(53,783,589)
Gross profit		21,061,757	21,968,386
Administrative and general expenses	29	(8,770,136)	(9,782,258)
Selling and marketing expenses	30	(3,129,868)	(3,514,400)
		(11,900,004)	(13,296,658)
Operating profit		9,161,753	8,671,728
Voluntary separation scheme cost	31	(4,601,379)	-
Other income	32	5,834,131	4,917,762
Finance costs	33	(193,708)	(317,376)
Profit before tax		10,200,797	13,272,114
Provision for income tax	34	(3,366,263)	(4,512,519)
Profit for the year		6,834,534	8,759,595
Earnings per share - basic and diluted (Rupees)	35	1.34	1.72

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, 2016

	2016 Rs '000	2015 Rs '000
Profit for the year	6,834,534	8,759,595
Other comprehensive income for the year		
Items that will not be reclassified to profit and loss:		
Remeasurement gain / (loss) on employees retirement benefits	232,181	(2,361,452)
Tax effect of remeasurement (gain) / loss on employees retirement benefits	(71,976)	755,665
	160,205	(1,605,787)
Items that may be subsequently reclassified to profit and loss:		
Gain on disposal of investment transferred to income for the year	-	(329,039)
Other comprehensive income for the year- net of tax	160,205	(1,934,826)
Total comprehensive income for the year	6,994,739	6,824,769

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, 2016

	Note	2016 Rs '000	2015 Rs '000
Cash flows from operating activities			
Cash generated from operations	37	37,497,687	36,557,686
Payment to Pakistan Telecommunication Employees Trust (PTET)		(11,972,112)	(6,120,992)
Employees retirement benefits paid		(997,164)	(1,832,857)
Payment of voluntary separation scheme		(29,815)	(783,691)
Long term security deposits		927	2,866
Income tax paid - net		(827,492)	(2,938,974)
Net cash inflows from operating activities		23,672,031	24,884,038
Cash flows from investing activities			
Capital expenditure		(13,982,251)	(14,488,326)
Acquisition of intangible assets		(251,892)	(380,500)
Proceeds from disposal of property, plant and equipment		87,090	145,976
Short term investments		(988,608)	(11,011,392)
Finance lease		72,441	(40,325)
Long term loans and advances		66,844	522,717
Receipts against loan to Pakistan Telecom Mobile Limited (PTML)		-	3,000,000
Return on long term loans and short term investments		2,066,874	2,308,431
Government grants received		275,521	2,606,362
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 in Smart Sky (Pvt) Limited		-	(100,000)
Dividend income on long term investments		12,500	10,000
Net cash outflows from investing activities		(12,641,481)	(17,528,057)
Cash flows from financing activities			
Dividend paid		(10,365,965)	(13,078,357)
Net increase / (decrease) in cash and cash equivalents		664,585	(5,722,376)
Cash and cash equivalents at the beginning of the year		5,237,559	10,959,935
Cash and cash equivalents at the end of the year	38	5,902,144	5,237,559

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, 2016

	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, 2015	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 income	-	-	-	-	(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
Total comprehensive income for the year							
Profit for the year	-	-	-	-	6,834,534	-	6,834,534
Other comprehensive income	-	-	-	-	160,205	-	160,205
	-	-	-	-	6,994,739	-	6,994,739
Transfer to insurance reserve	-	-	205,210	-	(205,210)	-	-
Transfer from general reserve	-	-	-	(3,002,928)	3,002,928	-	-
Final dividend for the year ended December 31, 2015 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
Interim dividend for the year ended December 31, 2016 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	205,210	(3,002,928)	(7,402,282)	-	(10,200,000)
Balance as at December 31, 2016	37,740,000	13,260,000	2,621,288	27,497,072	1,894,739	-	83,013,099

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 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

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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

		Effective date (annual periods beginning on or after)
IFRS 1	First-Time Adoption of International Financial Reporting Standards	January 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
IFRS 16	Leases	January 01, 2019

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 12	Disclosure of Interests in Other Entities (Amendments)	January 01, 2017
IAS 7	Statement of Cash Flows (Amendments)	January 01, 2017
IAS 12	Income Taxes (Amendments)	January 01, 2017
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 01, 2018
IAS 40	Investment Property (Amendments)	January 01, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 01, 2018

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, rate of increase in benevolent grant and the discount rates 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 grants

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 provisions.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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 estimate.

5.8 Contingent liabilities

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

5.9 Dividend distribution

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

5.10 Fixed assets

(a) Property, plant and equipment

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

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

(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 2016 was 11.50% (December 31, 2015: 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, 2016. 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

2016 (Number of shares '000)	2015 (Number of shares '000)		2016 Rs '000	2015 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

2016 (Number of shares '000)	2015 (Number of shares '000)		2016 Rs '000	2015 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, 2016, 599,543 thousand (December 31, 2015: 599,541 thousand) "A" class ordinary shares had been exchanged for such vouchers.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2015: Rs 3,623 thousand) from Pak Telecom Mobile Limited (PTML), a related party. The Company has adjusted / paid a sum of Rs 2,100 thousand (December 31, 2015: Rs 45,871 thousand) to its customers during the year against their balances.

	Note	2016 Rs '000	2015 Rs '000
8. Deferred income tax			
The liability for deferred taxation comprises of timing differences relating to:			
Accelerated tax depreciation / amortization		10,204,932	11,195,565
Provision for obsolete stores and receivables		(2,940,357)	(2,757,579)
Remeasurements of employees retirement benefits		(2,527,315)	(2,683,139)
		4,737,260	5,754,847
The gross movement in the deferred tax liability during the year is as follows:			
Balance at beginning of the year		5,754,847	2,676,026
Tax credit recognized in profit and loss	34	(1,089,563)	(751,772)
Tax charge / (credit) recognized in other comprehensive income		71,976	(755,665)
Tax credit realised in other comprehensive income		-	4,586,258
Balance at end of the year		4,737,260	5,754,847
9. Employees retirement benefits			
Liabilities for pension obligations			
Funded	9.1	5,253,506	11,972,112
Unfunded	9.1	3,242,085	2,847,299
		8,495,591	14,819,411
Gratuity - funded	9.1	(106,878)	(48,667)
Accumulating compensated absences - unfunded	9.1	1,430,188	1,549,917
Post retirement medical facility- unfunded	9.1	10,757,583	12,402,849
Benevolent grants - unfunded	9.1	3,491,524	3,388,349
		24,068,008	32,111,859

9.1 The latest actuarial valuations of the Company's defined benefit plans, were conducted at December 31, 2016 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			
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
a) The amounts recognized in the statement of financial position:														
Present value of defined benefit obligations	109,098,686	103,806,320	3,242,085	2,847,299	1,015,885	995,288	1,430,188	1,549,917	10,757,583	12,402,849	3,491,524	3,388,349	129,035,951	124,990,022
Fair value of plan assets -note 9.2	(103,845,180)	(91,834,208)	-	-	(1,122,763)	(1,043,955)	-	-	-	-	-	-	(104,967,943)	(92,878,163)
Liability at end of the year	5,253,506	11,972,112	3,242,085	2,847,299	(106,878)	(48,667)	1,430,188	1,549,917	10,757,583	12,402,849	3,491,524	3,388,349	24,068,008	32,111,859
b) Changes in the present value of defined benefit obligations:														
Balance at beginning 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
Current service cost	713,588	666,878	204,895	136,725	139,787	122,658	61,148	76,308	79,587	91,125	43,575	42,573	1,242,580	1,136,267
Interest expense	11,018,573	11,392,036	312,340	251,006	87,058	99,005	140,628	157,427	1,337,244	1,627,826	344,424	355,111	13,240,267	13,882,411
(Gains) / losses on settlement	1,576,158	-	286,663	-	136,378	-	75,034	-	165,504	-	(48,350)	-	2,191,387	-
	13,308,319	12,058,914	803,898	387,731	363,223	221,663	276,810	233,735	1,582,335	1,718,951	339,649	397,684	16,674,234	15,018,678
Remeasurements:														
(Gains) / losses due to experience adjustments	553,609	2,007,006	(34,909)	457,027	(8,772)	(52,814)	(64,712)	(18,446)	(2,493,922)	(2,102,766)	(20,239)	4,396	(2,068,945)	294,403
VSS settlements	(1,294,606)	-	(358,515)	-	(176,079)	-	(192,580)	-	(241,515)	-	-	-	(2,263,295)	-
Benefits paid	(7,274,956)	(6,511,622)	(15,688)	(11,019)	(157,775)	(68,944)	(139,247)	(68,612)	(492,164)	(471,881)	(216,235)	(203,305)	(8,296,065)	(7,335,383)
Balance at end of the year	109,098,686	103,806,320	3,242,085	2,847,299	1,015,885	995,288	1,430,188	1,549,917	10,757,583	12,402,849	3,491,524	3,388,349	129,035,951	124,990,022

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Pension				Gratuity		Accumulating compensated absences		Post-retirement medical facility		Benevolent grants		Total	
	Funded		Unfunded		Funded	Unfunded	Unfunded		Unfunded		Unfunded			
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
c) Charge for the year:														
Profit and Loss:														
Current service cost	713,588	666,878	204,895	136,725	139,787	122,658	61,148	76,308	79,587	91,125	43,575	42,573	1,242,580	1,136,267
Net Interest expense	658,467	1,125,832	312,340	251,006	(12,118)	81,849	140,628	157,427	1,337,244	1,627,826	344,424	355,111	2,780,985	3,599,051
Actuarial (gain) / loss	-	-	-	-	-	-	(64,712)	(18,446)	-	-	-	-	(64,712)	(18,446)
(Gains) / losses recognized on settlement	1,576,158	-	286,663	-	136,378	-	75,034	-	165,504	-	(48,350)	-	2,191,387	-
Contribution from employees	-	-	-	-	-	-	-	-	-	-	(21,665)	(21,873)	(21,665)	(21,873)
Contribution from deputationists	(2,280)	(2,001)	-	-	-	-	-	-	-	-	-	-	(2,280)	(2,001)
	2,945,933	1,790,709	803,898	387,731	264,047	204,507	212,098	215,289	1,582,335	1,718,951	317,984	375,811	6,126,295	4,692,998
Other comprehensive income														
Remeasurements:														
Return on plan assets, excluding amounts included in interest income	1,751,684	2,042,432	-	-	20,368	6,171	-	-	-	-	-	-	1,772,052	2,048,603
(Gains) / losses due to experience adjustments	553,609	2,007,006	(34,909)	457,027	(8,772)	(52,814)	-	-	(2,493,922)	(2,102,766)	(20,239)	4,396	(2,004,233)	312,849
	2,305,293	4,049,438	(34,909)	457,027	11,596	(46,643)	-	-	(2,493,922)	(2,102,766)	(20,239)	4,396	(232,181)	2,361,452
	5,251,226	5,840,147	768,989	844,758	275,643	157,864	212,098	215,289	(911,587)	(383,815)	297,745	380,207	5,894,114	7,054,450
d) Significant actuarial assumptions at the date of the statement of financial position:														
Discount rate	11.00%	11.00%	11.00%	11.00%	9.50%	9.50%	9.50%	9.50%	11.00%	11.00%	10.50%	10.50%		
Future Salary / medical cost increase	7 to 10%	7 to 10%	7 to 10%	7 to 10%	8.50%	8.50%	8.50%	8.50%	10.00%	10.00%	-	-		
Future pension increase	7.50%	7.50%	7.50%	7.50%	-	-	-	-	-	-	-	-		
Rate of increase in benevolent grant	-	-	-	-	-	-	-	-	-	-	2.50%	2.50%		
Average duration of the obligation	10 years	10 years	18 years	18 years	6 years	6 years	6 to 8 years	6 to 9 years	15 years	15 years	15 years	15 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	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
9.2 Changes in the fair value of plan assets				
Balance at beginning of the year	91,834,208	84,001,066	1,043,955	-
Interest income	10,360,106	10,266,204	99,176	17,156
Total payments made to members on behalf of fund	-	-	157,775	68,944
Return on plan assets, excluding amounts included in interest income	(1,751,684)	(2,042,432)	(20,368)	(6,171)
Contributions made by the Company during the year	11,972,112	6,120,992	-	1,032,970
Benefits paid	(8,569,562)	(6,511,622)	(157,775)	(68,944)
Balance at end of the year	103,845,180	91,834,208	1,122,763	1,043,955

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

	2016		2015	
	Rs '000	Percentage	Rs '000	Percentage
Debt instruments - unquoted				
- Special Savings Accounts	83,863,724	80.75	68,692,370	74.80
- Defense Savings Certificates	1,730,540	1.67	1,540,027	1.68
- Pakistan Investment Bonds	3,042,900	2.93	3,040,388	3.31
	88,637,164	85.35	73,272,785	79.79
Cash and cash equivalents				
- Term deposits	5,019,748	4.83	9,744,934	10.61
- Cash & bank balances	1,856,934	1.79	881,181	0.96
	6,876,682	6.62	10,626,115	11.57
Investment property				
- Telecom tower	6,419,302	6.18	6,395,158	6.96
- Telehouse	1,734,653	1.67	1,724,073	1.88
	8,153,955	7.85	8,119,231	8.84
Fixed assets	7,950	0.01	6,921	0.01
Other assets	1,679,828	1.62	21,347	0.02
	105,355,579	101.45	92,046,399	100.23
Liabilities				
- Amount due to PTCL	(1,308,137)	(1.26)	(116)	0.00
- Accrued & other liabilities	(202,262)	(0.19)	(212,075)	(0.23)
	(1,510,399)	(1.45)	(212,191)	(0.23)
	103,845,180	100.00	91,834,208	100.00

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

	2016		2015	
	Rs '000	Percentage	Rs '000	Percentage
Term deposit receipt	1,117,418	99.52	1,041,633	99.78
Other assets	963	0.09	-	0.00
Bank balances	4,382	0.39	2,322	0.22
	1,122,763	100.00	1,043,955	100.00

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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 1,163,934 thousand and Rs 124,535 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.

	Impact on defined benefit obligation	
	1% Increase in assumption	1% Decrease in assumption
	Rs '000	Rs '000
Future salary / medical cost		
Pension - funded	1,206,543	(1,097,113)
Pension - unfunded	332,719	(293,816)
Gratuity - funded	85,319	(75,671)
Accumulating compensated absences - unfunded	140,020	(123,897)
Post-retirement medical facility - unfunded	1,320,408	(1,092,627)
Discount rate		
Pension - funded	(8,301,525)	9,829,234
Pension - unfunded	(477,698)	602,491
Gratuity - funded	(74,379)	85,319
Accumulating compensated absences - unfunded	(121,786)	140,020
Post-retirement medical facility - unfunded	(1,221,888)	1,503,771
Benevolent grants - unfunded	(267,122)	310,803
Future pension increase		
Pension - funded	8,535,302	(7,289,489)
Pension - unfunded	245,927	(206,413)
Benevolent grants		
Benevolent grants - unfunded	313,247	(269,375)

Expected mortality rates

	Increase by 1 year	Decrease by 1 year
	Rs '000	Rs '000
Pension - funded	(2,504,989)	2,489,901
Pension - unfunded	(41,771)	40,650
Gratuity - funded	(13,088)	12,737
Accumulating compensated absences - unfunded	(18,428)	17,931
Post-retirement medical facility - unfunded	(298,982)	300,125
Benevolent grants - unfunded	(97,039)	97,409

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 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	2016 Rs '000	2015 Rs '000
10. Deferred government grants			
Balance at beginning of the year		8,926,403	6,848,180
Recognised during the year		275,521	2,606,362
Amortization for the year	32	(607,004)	(528,139)
Balance at end of the year		8,594,920	8,926,403

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	2016 Rs '000	2015 Rs '000
11. Trade and other payables			
Trade creditors	11.1	9,727,807	9,318,684
Accrued liabilities	11.1	23,532,610	19,770,664
VSS payable		4,963,083	151,342
Receipts against third party works		1,131,961	1,172,939
Income tax collected from subscribers / deducted at source		214,934	97,496
Sales tax payable		756,881	117,019
Advances from customers		5,409,286	4,918,955
Technical services assistance fee	29.2	8,251,719	4,149,636
Retention money / payable to contractors and suppliers for fixed assets	11.1	4,712,531	6,526,717
Dividend payable / unclaimed dividend		207,167	373,132
Other liabilities		234,933	217,599
		59,142,912	46,814,183
11.1 Trade and other payables include payables to the following related parties:			
Trade creditors			
Pak Telecom Mobile Limited		266,709	-
U Microfinance Bank Limited		4,610	5,758
DVCOM Data (Private) Limited		357,000	153,000
Etisalat - UAE		84,593	39,005
Etisalat - Afghanistan		29,529	75,997
Etisalat - Srilanka		15,551	20,279
Thuraya Satellite Telecommunication Company		3,700	17,548
Etisalat - Nigeria		1,176	642
Etisalat - Egypt		35	31
Telecom Foundation		63,064	64,466
TF Pipes Limited		4,160	2,750
The Government of Pakistan and its related entities		1,273,213	3,812,018
Retention money / payable to contractors and suppliers for fixed assets			
TF Pipes Limited		1,167	1,231

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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. Similarly, against an order of the Punjab Revenue Authority (PRA) for the services sales tax demand of Rs 461,629 thousands on Technical Services Assistance fee assuming that the fee is against franchise arrangement for the period from Oct 2012 to Dec 2014, the appeal is subjudice before the Commissioner-Appeals, and the stay order from the Honorable Lahore High Court is also in place.

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 any coercive action.

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 the 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. The Honorable Sind High Court has stayed the recovery of the levies amounting to Rs 932,942 thousand.

12.5 For the tax year 2007, after allowance of certain expenses by ATIR, an appeal is pending before ATIR for certain other disallowed expenses with tax impact of Rs 27,640 thousand. This is in addition to earlier disallowed expense of satellite charges (tax impact Rs 80,850 thousand) by ATIR for which the reference application filed by the Company is pending adjudication before the Honorable Islamabad High Court.

12.6 For the tax year 2008, 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 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, after appeal effect order issued by taxation officer, tax impact of the disallowed expenses amounted to Rs 1,113,058 thousand. The Company has filed appeal before ATIR and also filed reference application before the Honorable Islamabad High Court.

12.9 For the tax year 2010, 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 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 2013, taxation officer disallowed certain expenses with tax impact of Rs 1,130,787 thousand. The Company has filed an appeal before CIR (Appeals), pending adjudication.

12.12 For the tax year 2014, CIR (Appeals) has remanded back certain expenses earlier disallowed by Assessing Officer with tax impact of Rs 864,692 thousand for de novo consideration.

12.13 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 Petition 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. Further, through a separate order dated 27th May 2016, the Honorable Lahore High Court decided that the pensioners who availed VSS package are not entitled to pension increases announced by the Government of Pakistan.

12.14 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.

12.15 A total of 1,432 cases (December 31, 2015: 1,470 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.

12.16 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	2016 Rs '000	2015 Rs '000
12.17 Bank guarantees and bid bonds issued in favor of:			
Universal Service Fund (USF) against government grants		5,369,370	5,474,006
Others		887,721	592,621
		6,257,091	6,066,627
12.18 Commitments			
Contracts for capital expenditure		4,594,721	6,050,252

13. Property, plant and equipment

	Note	2016 Rs '000	2015 Rs '000
Operating fixed assets	13.1	85,046,586	88,231,816
Capital work in progress	13.6	9,732,897	6,680,230
		94,779,483	94,912,046

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 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												
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 13.4	-	(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 13.5	-	-	-	-	-	(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 January 01, 2016												
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
Year ended December 31, 2016												
Opening 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
Additions	-	-	436,918	2,540	4,491,015	4,594,481	370,493	452,993	243,486	30,743	306,915	10,929,584
Disposals - note 13.3												
Cost	-	-	-	-	(256,071)	(313,053)	-	-	(12,490)	-	(76,109)	(657,723)
Accumulated depreciation	-	-	-	-	210,271	312,099	-	-	12,490	-	61,397	596,257
	-	-	-	-	(45,800)	(954)	-	-	-	-	(14,712)	(61,466)
Depreciation charge for the year - note 13.4	-	(1,277)	(302,122)	(25,398)	(3,137,097)	(8,587,838)	(661,686)	(116,756)	(257,500)	(22,720)	(141,079)	(13,253,473)
Impairment charge - note 13.5	-	-	-	-	(135,960)	(663,915)	-	-	-	-	-	(799,875)
Net book amount	1,637,689	56,886	7,381,445	471,450	24,381,099	44,568,940	4,533,421	1,023,076	397,023	125,746	469,811	85,046,586
As at December 31, 2016												
Cost	1,637,689	90,026	12,421,504	1,016,560	126,460,968	185,116,477	12,174,690	1,913,673	1,795,466	600,435	2,203,613	345,431,101
Accumulated depreciation and impairment	-	(33,140)	(5,040,059)	(545,110)	(102,079,869)	(140,547,537)	(7,641,269)	(890,597)	(1,398,443)	(474,689)	(1,733,802)	(260,384,515)
Net book amount	1,637,689	56,886	7,381,445	471,450	24,381,099	44,568,940	4,533,421	1,023,076	397,023	125,746	469,811	85,046,586
Annual rate of depreciation (%)	-	1 to 3.3	2.5	2.5	7	10 to 20	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		
Line & wire	(256,071)	210,271	(45,800)	31,380	Auction	Various buyers
Apparatus, plant and equipment	(313,053)	312,099	(954)	5,895	Auction	Various buyers
Vehicles	(76,109)	61,397	(14,712)	48,800	Auction	Various buyers
Aggregate of others having net book amounts not exceeding Rs. 50,000	(12,490)	12,490	-	1,015	Auction	Various buyers
	(657,723)	596,257	(61,466)	87,090		

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

	Note	2016 Rs '000	2015 Rs '000
Cost of services	28	12,972,406	13,555,658
Administrative and general expenses	29	210,800	209,953
Selling and marketing expenses	30	70,267	69,984
		13,253,473	13,835,595

13.5 The carrying amount of certain items of apparatus, plant and equipment and lines and wires have been reduced to their recoverable amount through recognition of an impairment loss of Rs 799,875 thousand (December 31, 2015: Rs 161,241 thousand). This loss has been included in 'cost of services' in the statement of profit and loss. The impairment charge arose due to obsolence of WLL asset items in apparatus, plant and equipment and line and wire.

	Note	2016 Rs '000	2015 Rs '000
13.6 Capital work in progress			
Buildings		341,443	407,537
Lines and wires		7,377,479	5,405,231
Apparatus, plant and equipment		1,111,702	335,578
Advances to suppliers		851,470	524,022
Others		50,803	7,862
	13.7	9,732,897	6,680,230
13.7 Movement during the year			
Balance at beginning of the year		6,680,230	9,379,833
Additions during the year		14,102,562	14,679,179
Transfers during the year		(11,049,895)	(17,378,782)
Balance at end of the year		9,732,897	6,680,230

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Addition in capital work in progress includes an amount of Rs 1,473,347 thousand (December 31, 2015: Rs 1,632,968 thousand), in respect of direct overheads relating to development of assets.

	Note	Licenses and spectrum	Computer software	Total
		Rs '000	Rs '000	Rs '000
14. Intangible assets				
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		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		(292,724)	(272,865)	(565,589)
Derecongnition during the year	14.2			
Cost		(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 January 01, 2016				
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
Year ended December 31, 2016				
Opening net book amount		1,785,094	753,966	2,539,060
Additions		-	251,892	251,892
Amortization charge for the year	28	(206,180)	(251,983)	(458,163)
Net book amount		1,578,914	753,875	2,332,789
As at December 31, 2016				
Cost		4,129,794	1,731,654	5,861,448
Accumulated amortization		(2,550,880)	(977,779)	(3,528,659)
Net book amount	14.1	1,578,914	753,875	2,332,789

	Note	2016 Rs '000	2015 Rs '000
14.1 Breakup of net book amounts as at year end is as follows:			
Licenses and spectrum			
Telecom	14.2	39,893	49,867
WLL spectrum	14.2	1,387,207	1,566,205
WLL and LDI License	14.3	151,814	166,370
IPTV	14.4	-	2,652
		1,578,914	1,785,094
Computer software	14.5		
SAP - Enterprise Resource Planning (ERP) system		72,086	115,337
HP OSS		1,142	7,991
BnCC software		158,367	184,150
Caller details record collector system		1,981	3,810
BnCC Oracle system		55,490	103,053
Customer Relationship Management (CRM)		33,662	62,516
OEM Comptel software (HP OSS)		339,701	259,110
Carrier software license (WLL)		6,667	7,070
Kron Licenses		10,308	10,929
Integarted performance management system		74,471	-
		753,875	753,966
		2,332,789	2,539,060

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 On the expiry of the existing IPTV license by Pakistan Electronic Media Regulatory Authority (PEMRA) in November 2016 which was effective from November 02, 2011, at an agreed license fee of Rs 15,910 thousand for a period of 5 years , the license renewal application was duly filed and is under process with the regulator.

14.5 Cost of computer software except for SAP-ERP,Carrier software license and Kron license 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 and Carrier software license and Kron license are being amortized, on a straight line basis, over a period of 15 years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
15. Long term investments			
Investments in subsidiaries and associate	15.1	7,893,400	7,893,400
Other investments	15.2	83,900	83,900
		7,977,300	7,977,300

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

		2016 Rs '000	2015 Rs '000
Wholly owned subsidiaries			
Pak Telecom Mobile Limited - Islamabad 650,000,000 (December 31, 2015: 650,000,000) ordinary shares of Rs 10 each Shares held 100% (December 31, 2015: 100%)		6,500,000	6,500,000
U Microfinance Bank Limited - Islamabad 128,571,429 (December 31, 2015: 128,571,429) ordinary shares of Rs 10 each Shares held 100% (December 31, 2015: 100%)		1,283,857	1,283,857
DVCOM Data (Private) Limited - Karachi 10,000 (December 31, 2015: 10,000) ordinary shares of Rs 100 each Shares held 100% (December 31, 2015: 100%)		1,000	1,000
Smart Sky (Private) Limited - Islamabad 10,000,000 (December 31, 2015: 10,000,000) ordinary shares of Rs 10 each Shares held 100% (December 31, 2015: 100%)		100,000	100,000
		7,884,857	7,884,857
Associate			
TF Pipes Limited - Islamabad 1,658,520 (December 31, 2015: 1,658,520) ordinary shares of Rs 10 each Shares held 40% (December 31, 2015: 40%)		23,539	23,539
Less: Impairment loss on investment		(14,996)	(14,996)
		8,543	8,543
		7,893,400	7,893,400

All subsidiaries and associated companies are incorporated in Pakistan

15.2 Other investments

		2016 Rs '000	2015 Rs '000
Available for sale investments - unquoted			
Thuraya Satellite Telecommunication Company - Dubai, UAE 3,670,000 (December 31, 2015: 3,670,000) ordinary shares of AED 1 each		63,900	63,900
Alcatel - Lucent Pakistan Limited - Islamabad 2,000,000 (December 31, 2015: 2,000,000) ordinary shares of Rs 10 each		20,000	20,000
		83,900	83,900

	Note	2016 Rs '000	2015 Rs '000
16. Long term loans and advances - considered good			
Loans to employees - secured	16.1.1	476,060	529,539
Imputed interest		(107,471)	(121,996)
	16.1	368,589	407,543
Advances to suppliers against turnkey contracts	16.2	1,858,636	1,950,821
Others		21,626	26,639
		2,248,851	2,385,003
Current portion shown under current assets			
Loans to employees - secured	20	(96,094)	(123,877)
		2,152,757	2,261,126

16.1 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 11.50% per annum (December 31, 2015: 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.

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

	As at January 01, 2016	Disbursements	Repayments	Write offs	As at December 31, 2016
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Executives	2,173	200	(1,067)	(249)	1,057
Other employees	527,366	136,121	(135,143)	(53,341)	475,003
	529,539	136,321	(136,210)	(53,590)	476,060

	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

	2016 Rs '000	2015 Rs '000
Maximum amount of loan to executives and other employees outstanding at any time during the year		
Executives	2,173	3,835
Other employees	583,203	527,366

16.2 These represent various non interest bearing advances issued to the Company's vendors under turnkey contracts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

		2016 Rs '000	2015 Rs '000
17.	**Investment in finance lease**		
	Gross investment in finance lease	107,675	180,116
	Imputed interest	(16,132)	(31,748)
	Present value of minimum lease payments receivable	91,543	148,368
	Current portion shown under current assets	(53,030)	(52,255)
		38,513	96,113

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	59,129	48,546	107,675
Imputed interest	(6,099)	(10,033)	(16,132)
Present value of minimum lease payments receivable	53,030	38,513	91,543

This represents motor cycles leased out to employees of the Company. The cost will be recovered in 48 equal monthly installments.

		Note	2016 Rs '000	2015 Rs '000
18.	**Stores, spares and loose tools**			
	Stores, spares and loose tools		4,044,970	3,980,323
	Provision for obsolescence	18.1	(1,302,176)	(1,039,898)
			2,742,794	2,940,425
18.1	**Provision for obsolescence**			
	Balance at beginning of the year		1,039,898	735,130
	Provision during the year	28	262,278	304,768
	Balance at end of the year		1,302,176	1,039,898

	Note	2016 Rs '000	2015 Rs '000
19. Trade debts - unsecured			
Domestic			
Considered good	19.1	12,369,290	12,455,713
Considered doubtful		7,932,382	7,327,064
		20,301,672	19,782,777
International			
Considered good	19.2	1,858,684	1,848,326
Considered doubtful		65,270	65,270
		1,923,954	1,913,596
		22,225,626	21,696,373
Provision for doubtful debts	19.3	(7,997,652)	(7,392,334)
		14,227,974	14,304,039

19.1 These include amounts due from the following related parties:

Pak Telecom Mobile Limited	596,219	333,757
U Microfinance Bank Limited	735	837
The Government of Pakistan and its related entities	1,504,503	1,573,068
	2,101,457	1,907,662

19.2 These include amounts due from the following related parties:

Etisalat - UAE	290,364	67,752
Etisalat - Afghanistan	7,712	24,178
Etihad Etisalat Company	8,126	41,126
The Government of Pakistan and its related entities	17,886	26,950
	324,088	160,006

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

	Note	2016 Rs '000	2015 Rs '000
19.3 Provision for doubtful debts			
Balance at beginning of the year		7,392,334	6,806,327
Provision for the year	29	2,350,210	2,651,969
		9,742,544	9,458,296
Write off against provision		(1,744,892)	(2,065,962)
Balance at end of the year		7,997,652	7,392,334
20. Loans and advances - considered good			
Current portion of long term loans to employees	16	96,094	123,877
Advances to suppliers and contractors	20.1	580,462	1,469,222
		676,556	1,593,099

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

20.1 These include Rs 7,036 thousand (December 31, 2015: Rs 200 thousand) to TF Pipes Limited , a related party.

	Note	2016 Rs '000	2015 Rs '000
21. Accrued interest			
Return on bank deposits		190,893	72,701
Interest receivable on loans to employees - secured		41,009	55,473
		231,902	128,174
22. Recoverable from tax authorities			
Income tax	22.1	11,733,763	15,362,097
Federal excise duty		3,283,111	3,283,111
Provision for doubtful amount		(466,176)	(466,176)
		2,816,935	2,816,935
		14,550,698	18,179,032
22.1 Movement in income tax recoverable			
Balance at beginning of the year		15,362,097	13,101,156
Current tax charge for the year		(4,455,826)	(5,264,291)
Paid during the year		2,493,286	2,938,974
Refunds received during the year		(1,665,794)	-
Tax effect of prior period re-measurement losses allowed		-	4,586,258
Balance at end of the year		11,733,763	15,362,097

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	2016 Rs '000	2015 Rs '000
24. Prepayments and other receivables			
Prepayments			
- Pakistan Telecommunication Authority, a related party		45,692	35,856
- Prepaid rent and others		236,731	202,714
		282,423	238,570
Other receivables - considered good			
Due from related parties:			
- Pak Telecom Mobile Limited		3,427,483	1,708,944
- Etisalat, UAE		71,305	71,305
- Pakistan Telecommunication Employees Trust		1,308,137	116
- PTCL Employees GPF Trust		258,844	6,812
- Smart Sky (Pvt) Limited		-	624
- DVCOM Data (Pvt) Limited		2,698,999	2,797,673
Others		232,045	158,038
		7,996,813	4,743,512
		8,279,236	4,982,082
Considered doubtful		185,239	185,239
Provision for doubtful receivables		(185,239)	(185,239)
		-	-
		8,279,236	4,982,082
25. Short term investments			
Term deposits			
- maturity upto 6 months	25.1	24,000,000	23,011,392
Term deposits			
- maturity upto 3 months	25.1	-	3,027,411
		24,000,000	26,038,803

25.1 Term deposits

	Maturity Upto	2016 Rs '000	2015 Rs '000
National Bank of Pakistan	June 18,2017	20,000,000	-
JS Bank Limited	June 18,2017	3,000,000	-
Tameer Microfinance Bank limited	June 18,2017	500,000	-
Khushhali Microfinance Bank Limited	June 19,2017	500,000	-
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
		24,000,000	26,038,803

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

25.2 Term deposits carry interest rate ranging between 6.30% and 7.05% (December 31, 2015: 7.25% and 7.70%) per annum.

	2016 Rs '000	2015 Rs '000
25.3 Movement in available for sale investments during the year:		
Balance at beginning of the year	-	6,441,389
Additions during the year	-	1,025,000
Disposals during the year		
Cost	-	(7,137,350)
Gain on disposal of available for sale investments transferred from other comprehensive income to other income	-	(329,039)
	-	(7,466,389)
Unrealized gain transferred to other comprehensive income	-	-
Balance at end of the year	-	-

26. Cash and bank balances

	2016 Rs '000	2015 Rs '000
Cash in hand	51	90
Balances with banks:		
Deposit accounts local currency - note 26.1	5,236,722	1,673,024
Current accounts		
Local currency	596,044	499,275
Foreign currency (USD 663 thousand (December 31, 2015: USD 361 thousand))	69,327	37,759
	665,371	537,034
	5,902,144	2,210,148

26.1 The balances in deposit accounts, carry mark-up ranging between 4% and 8.50% (December 31, 2015: 4% and 6%) per annum. This deposit account includes Rs. 530,034 thousand with U Microfinance Bank Limited - a related party.

26.2 Deposit accounts include Nil (December 31, 2015: Rs 152,724 thousand) under lien of bank, against letters of guarantees and letters of credits issued on behalf of the Company.

26.3 Bank balance includes Rs 38,484 thousands (December 31, 2015: Rs. 9,950 thousand) carrying profit at the rate of 4% (December 31, 2015: 4%) per annum from Shariah arrangements.

27. Revenue

	Note	2016 Rs '000	2015 Rs '000
Domestic	27.1	64,672,135	68,081,795
International	27.2	7,004,182	8,025,097
		71,676,317	76,106,892
Discount		(256,217)	(354,917)
		71,420,100	75,751,975

27.1 Domestic revenue is exclusive of Federal Excise Duty / Sales Tax of Rs 5,851,058 thousand (December 31, 2015: Rs 6,379,661 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 3,519,111 thousand (December 31, 2015: Rs 3,796,503 thousand).

	Note	2016 Rs '000	2015 Rs '000
28. Cost of services			
Salaries, allowances and other benefits	28.1	11,998,145	12,507,003
Call centre charges		856,199	829,875
Interconnect costs		2,019,080	2,053,986
Foreign operators costs and satellite charges		6,801,085	7,755,648
Fuel and power		4,194,428	4,521,649
Communication		18,398	9,267
Stores, spares and loose tools consumed		2,818,073	4,315,083
Provision for obsolete stores, spares and loose tools	18.1	262,278	304,768
Rent, rates and taxes		2,483,691	2,149,126
Repairs and maintenance		3,885,784	4,279,720
Printing and stationery		473,808	446,436
Travelling and conveyance		13,441	18,073
Depreciation on property, plant and equipment	13.4	12,972,406	13,555,658
Amortization of intangible assets	14	458,163	565,589
Impairment on property, plant and equipment	13.5	799,875	161,241
Annual license fee to Pakistan Telecommunication Authority (PTA)		303,489	310,467
		50,358,343	53,783,589

28.1 This includes Rs 3,273,934 thousand (December 31, 2015: Rs 3,904,682 thousand) in respect of employees retirement benefits.

	Note	2016 Rs '000	2015 Rs '000
29. Administrative and general expenses			
Salaries, allowances and other benefits	29.1	1,222,491	1,274,339
Call centre charges		128,430	124,481
Fuel and power		315,699	340,327
Rent, rates and taxes		219,814	204,019
Repairs and maintenance		22,734	25,039
Printing and stationery		7,315	6,893
Travelling and conveyance		107,525	144,587
Technical services assistance fee	29.2	2,364,028	2,478,497
Legal and professional charges		386,779	491,622
Auditors' remuneration	29.3	7,500	7,500
Depreciation on property, plant and equipment	13.4	210,800	209,953
Research and development fund	29.4	310,517	326,500
Provision against doubtful debts	29.5	2,132,017	2,651,969
Provision for impairment in investment	15.3	-	14,996
Postage and courier services		282,109	298,186
Donations		390	3,535
Other expenses		1,051,988	1,179,815
		8,770,136	9,782,258

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

29.1 This includes Rs 333,581 thousand (December 31, 2015: Rs 397,848 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.

	2016 Rs '000	2015 Rs '000
29.3 Auditors' remuneration		
Statutory audit, including half yearly review	7,000	7,000
Out of pocket expenses	500	500
	7,500	7,500

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.

29.5 Net of recoveries amounting to Rs 218,193 thousand.

	Note	2016 Rs '000	2015 Rs '000
30. Selling and marketing expenses			
Salaries, allowances and other benefits	30.1	1,199,814	1,250,700
Call centre charges		85,620	82,987
Sales and distribution charges		809,928	1,096,091
Fuel and power		93,210	100,481
Printing and stationery		4,885	4,603
Travelling and conveyance		13,441	18,073
Advertisement and publicity		852,703	891,481
Depreciation on property, plant and equipment	13.4	70,267	69,984
		3,129,868	3,514,400

30.1 This includes Rs 327,393 thousand (December 31, 2015: Rs 390,468 thousand) in respect of employees retirement benefits.

31. Voluntary Separation Scheme Cost

In financial year 2016, 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, 2016 had been treated as VSS cost. Out of 1,842 employees who opted for the Scheme, 1,262 belong to pension scheme both funded and unfunded pension schemes and 580 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	2016 Rs '000	2015 Rs '000
Actuarial loss recognized on settlement		2,191,387	-
Other VSS cost			
Transition pay		1,443,121	-
Early bird / late flight bonuses		358,100	-
Allowance benefits		369,786	-
Programme bonus		73,950	-
Health fund NCPG		55,826	-
Minimum package adjustment		10,293	-
Loans written off	31.1	83,833	-
Others		15,083	-
		2,409,992	-
		4,601,379	-

31.1 This includes Rs 18,036 (December 31, 2015: Nil) written off against receivables in respect of leased motorcycles.

	Note	2016 Rs '000	2015 Rs '000
32. Other income			
Income from financial assets:			
Return on bank deposits	32.1	2,170,602	1,763,062
Mark up on long term loans		-	99,108
Late payment surcharge from subscribers on overdue bills		289,016	266,058
Recovery from written off defaulters		1,274,781	671,809
Gain on disposal of available for sale investments		-	558,673
Dividend income		12,500	10,000
		3,746,899	3,368,710
Gain on disposal of property, plant and equipment		25,624	222,196
Late delivery charges		878,389	1,796
Amortization of deferred government grants	10	607,004	528,139
Pre-deposit income		472,446	490,856
Others		103,769	306,065
		5,834,131	4,917,762

32.1 Return on bank deposits include Rs 3 thousand (December 31, 2015: Rs 25,174 thousand) earned from Shariah arrangments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
33. Finance costs			
Bank and other charges		192,171	210,207
Imputed Interest on finance lease		(15,616)	4,660
Imputed interest on loans to employees		(14,525)	1,481
Exchange loss		31,678	101,028
		193,708	317,376
34. Provision for income tax			
Charge / (credit) for the year			
Current			
- for the year		4,455,826	5,264,291
Deferred			
- for the year		(909,724)	(594,359)
- due to change in tax rate		(179,839)	(157,413)
	8	(1,089,563)	(751,772)
		3,366,263	4,512,519

34.1 Reconciliation of effective tax rate

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

	2016 %	2015 %
Applicable tax rate	31.00	32.00
Tax effect of amounts not deductible for tax purposes	0.26	1.85
Tax effect of amounts chargeable to tax at lower rate	(0.02)	(1.04)
Others	1.76	1.19
	2.00	2.00
Average effective tax rate	33.00	34.00

The applicable income tax rate was reduced from 32% to 31% during the year on account of the changes made to the Income Tax Ordinance, 2001 in 2016.

34.2 Tax on items directly charged / credited to other comprehensive income amounting to Rs 71,976 thousand (December 31, 2015: Rs 755,665 thousand) represents deferred tax charge / credit in respect of remeasurement gain /(loss) on defined benefit plans.

		2016	2015
35. Earnings per share - basic and diluted			
Profit for the year	Rupees in thousand	6,834,534	8,759,595
Weighted average number of ordinary shares	Numbers in thousand	5,100,000	5,100,000
Earnings per share	Rupees	1.34	1.72

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 14,600,000 thousand (December 31, 2015: Rs 14,700,000 thousand) and Rs 17,800,000 thousand (December 31, 2015: Rs 14,800,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facility availed at the year end is Rs 2,459,901 thousand (December 31, 2015: Rs 2,586,074 thousand) and Rs 6,257,091 thousand (December 31, 2015: Rs 6,066,627 thousand) respectively. The letter of guarantee facility is secured by a hypothecation charge over certain assets of the Company, amounting to Rs 26,718,000 thousand (December 31, 2015: Rs 23,785,000 thousand).

	Note	2016 Rs '000	2015 Rs '000
37. Cash generated from operations			
Profit before tax		10,200,797	13,272,114
Adjustments for non-cash charges and other items:			
Depreciation and amortization		13,711,636	14,401,184
Impairment		799,875	161,241
Provision for obsolete stores, spares and loose tools		262,278	304,768
Provision for doubtful debts		2,132,017	2,651,969
Provision for impairment in investment		-	14,996
Employees retirement benefits		3,934,908	4,692,998
Voluntary Separation Scheme		4,601,379	-
Gain on disposal of property, plant and equipment		(25,624)	(139,469)
Gain on derecognition of intangible assets		-	(82,727)
Return on bank deposits		(2,170,602)	(1,763,062)
Imputed interest on long term loans		(14,525)	1,481
Imputed interest on finance lease		(15,616)	4,660
Markup on long term loans		-	(99,108)
Dividend income		(12,500)	(10,000)
Gain on disposal of available for sale investments		-	(558,673)
Amortization of government grants		(607,004)	(528,139)
		32,797,019	32,324,233
Effect of cash flows due to working capital changes			
Decrease / (increase) in current assets:			
Stores, spares and loose tools		(64,647)	(347,656)
Trade debts		(2,274,145)	(1,197,203)
Loans and advances		888,760	(448,185)
Prepayments and other receivables		(1,744,379)	12,245
		(3,194,411)	(1,980,799)
Increase in current liabilities:			
Trade and other payables		7,895,079	6,214,252
		37,497,687	36,557,686
38. Cash and cash equivalents			
Short term investments	25	-	3,027,411
Cash and bank balances	26	5,902,144	2,210,148
		5,902,144	5,237,559

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

39. Capacity

	Access Lines Installed (ALI)		Access Lines In Service (ALIS)	
	2016 Number	2015 Number	2016 Number	2015 Number
Number of lines	7,078,327	10,666,471	3,420,998	4,200,188

ALI represent switching lines. ALI include 237,314 (December 31, 2015: 247,746) and ALIS include 85,066 (December 31, 2015: 81,275) Primary Rate Interface (PRI) and Basic Rate Interface (BRI) respectively. ALI and ALIS also include 1,265,000 (December 31, 2015: 4,788,550) and 867,425 (December 31, 2015: 1,401,122) 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	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
Managerial remuneration	-	-	334,336	165,712	221,266	205,020	791,553	737,882
Honorarium	300	300	-	-	-	-	5,427	11,009
Bonus	-	-	25,056	24,408	22,641	22,367	58,686	86,774
Retirement benefits	-	-	16,353	24,284	31,887	32,100	74,553	114,699
Housing	-	-	6,143	-	82,161	75,601	304,080	283,677
Utilities	-	-	-	-	33,600	33,569	67,518	69,416
	300	300	381,888	214,404	391,555	368,657	1,301,817	1,303,457
Number of persons	1	1	1	1	39	40	716	688

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, 2015: 9 non executive directors), is Rs 55,470 thousand (December 31, 2015: Rs 56,400 thousand) for attending the Board of Directors, and its sub-committee meetings.

The aggregate amount of the remuneration paid to the Chief Executive Officer is inclusive of the amount paid for settlement to the pervious Chief Executive Officer.

41. Rates of exchange

Assets in US dollars have been translated into Rupees at USD 1 = Rs 104.60 (December 31, 2015: USD 1 = Rs 104.60), while liabilities in US dollars have been translated into Rupees at USD 1 = Rs 104.80 (December 31, 2015: USD 104.80).

42. Investment in PTCL Employees GPF Trust

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

	2016 Rs '000	2015 Rs '000
Total assets	3,988,334	3,570,075
Cost of investments made	3,556,491	3,169,471
Percentage of investments made	89.2	88.8
Fair value of investments	3,772,802	3,367,552

	2016		2015	
	Rs '000	Percentage	Rs '000	Percentage
Break up of investments - at cost				
Mutual Funds	400,000	11.3	400,000	12.6
Pakistan Investment Bonds	-	0.0	2,047,865	64.6
Term deposits	2,447,336	68.8	719,948	22.7
Interest bearing accounts	709,155	19.9	1,658	0.1
	3,556,491	100.0	3,169,471	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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

(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:

	2016 Rs '000	2015 Rs '000
USD		
Trade and other payables	(4,158,004)	(5,557,980)
Trade debts	1,923,954	1,913,596
Cash and bank balances	69,327	37,759
Net exposure	(2,164,723)	(3,606,625)
AED		
Trade and other payables	(53,258)	(54,929)
EUR		
Trade and other payables	(2,799)	(1,441)

The following significant exchange rates were applied during the year:

	2016	2015
Rupees per USD		
Average rate	104.66	102.88
Reporting date rate		
Assets	104.60	104.60
Liabilities	104.80	104.80
Rupees per AED		
Average rate	28.51	28.01
Reporting date rate	28.53	28.54
Rupees per EUR		
Average rate	115.75	114.20
Reporting date rate	110.32	114.54

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 74,396 thousand (December 31, 2015: Rs 120,879 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.

At the year end the Company is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market prices.

(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:

	2016 Rs '000	2015 Rs '000
Financial assets		
Fixed rate instruments:		
Staff loans	476,060	529,539
Short term investments - term deposits	24,000,000	26,038,803
Bank balances - deposit accounts	5,236,722	1,673,024
	29,712,782	28,241,366

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.

(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:

	2016 Rs '000	2015 Rs '000
Long term loans and advances	2,152,757	2,261,126
Investment in finance lease	91,543	148,368
Trade debts	14,227,974	14,304,039
Loans and advances	676,556	1,593,099
Accrued interest	231,902	128,174
Other receivables	7,996,813	4,743,512
Short term investments	24,000,000	26,038,803
Bank balances	5,902,093	2,210,058
	55,279,638	51,427,179

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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	2016	2015
	Short term	Long term	Agency	Rs '000	Rs '000
National Bank of Pakistan	A1+	AAA	PACRA	20,454,881	23,618,695
Bank Alfalah Limited	A1+	AA	PACRA	91,331	133,145
MCB Bank Limited	A1+	AAA	PACRA	33,352	128,330
Soneri Bank Limited	A1+	AA-	PACRA	23,794	21,360
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	85,354	3,047,165
NIB Bank Limited	A1+	AA-	PACRA	32,528	23,076
Habib Bank Limited	A-1+	AAA	JCR-VIS	576,778	628,061
Askari Bank Limited	A1+	AA+	PACRA	-	867
Allied Bank Limited	A1+	AA+	PACRA	67,683	190,059
United Bank Limited	A-1+	AAA	JCR-VIS	3,252,260	2,398
BankIslami Pakistan Limited	A1	A+	PACRA	2,090	1,437
Bank Al-Habib Limited	A1+	AA+	PACRA	-	209,817
Summit Bank Limited	A-1	A-	JCR-VIS	1,972	34,638
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	110,713	156,731
HSBC Bank Middle East Limited	P-2	A3	Moody's	-	1,045
JS Bank Limited	A1+	A+	PACRA	3,000,000	-
Sindh Bank Limited	A-1+	AA	JCR-VIS	158	1
SME Bank Limited	B	B	PACRA	44	783
Silkbank Limited	A-2	A-	JCR-VIS	12,137	1,560
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	50,338	39,743
Meezan Bank Limited	A-1+	AA	JCR-VIS	38,484	9,950
U Microfinance Bank Limited - A related party	A-2	A-	JCR-VIS	530,034	-
Khushhali Microfinance Bank Limited	A-1	A+	JCR-VIS	1,026,441	-
Tameer Microfinance Bank limited	A-1	A+	JCR-VIS	511,721	-
				29,902,093	28,248,861

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, 2016:

	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	553,049	-	553,049	-
Employees retirement benefits	24,068,008	-	-	24,068,008
Trade and other payables	59,142,912	59,142,912	-	-
	83,763,969	59,142,912	553,049	24,068,008

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

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.

43.3 Financial instruments by categories

	Available for sale		Loans and receivables		Total	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
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	-	-	2,152,757	2,261,126	2,152,757	2,261,126
Investment in finance lease	-	-	91,543	148,368	91,543	148,368
Trade debts	-	-	14,227,974	14,304,039	14,227,974	14,304,039
Loans and advances	-	-	676,556	1,593,099	676,556	1,593,099
Accrued interest	-	-	231,902	128,174	231,902	128,174
Receivable from the Government of Pakistan	-	-	2,164,072	2,164,072	2,164,072	2,164,072
Other receivables	-	-	7,996,813	4,743,512	7,996,813	4,743,512
Short term investments	-	-	24,000,000	26,038,803	24,000,000	26,038,803
Cash and bank balances	-	-	5,902,144	2,210,148	5,902,144	2,210,148
	83,900	83,900	57,443,761	53,591,341	57,527,661	53,675,241

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Liabilities at fair value through profit and loss		Other financial liabilities		Total	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
Financial liabilities as per statement of financial position						
Long term security deposits	-	-	553,049	552,122	553,049	552,122
Employees retirement benefits	-	-	24,068,008	32,111,859	24,068,008	32,111,859
Trade and other payables	-	-	58,010,951	45,641,244	58,010,951	45,641,244
	-	-	82,632,008	78,305,225	82,632,008	78,305,225

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 Regulatory Authority
- Related entities of the Government of Pakistan

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Rs '000	2015 Rs '000
Details of transactions with related parties		
Shareholders		
Technical services assistance fee	2,364,028	2,478,497
Subsidiaries		
Sale of goods and services	5,055,966	5,356,418
Purchase of goods and services	3,773,720	3,820,147
Return on deposit	33,264	-
Other income	11,213	-
Mark up on long term loans	-	99,108
Associated undertakings		
Sale of goods and services	1,716,653	1,566,655
Purchase of goods and services	1,030,170	1,239,494
Employees retirement benefit plans	11,972,112	7,153,962
Other related parties		
Sale of goods and services	1,473,171	3,833,730
Charge under license obligations	1,671,720	1,768,846

45. Offsetting of financial assets and liabilities

	Gross amount subject to setoff Rs '000	Offset Rs '000	Net amount Rs '000	Amount not in scope of offsetting Rs '000	Net as per statement of financial position Rs '000
As at December 31, 2016					
Trade debts	9,834,579	(7,632,437)	2,202,142	20,023,484	22,225,626
Trade creditors	(8,725,718)	7,632,437	(1,093,281)	(8,634,526)	(9,727,807)
As at December 31, 2015					
Trade debts	13,055,868	(10,291,030)	2,764,838	18,931,535	21,696,373
Trade creditors	(12,141,271)	10,291,030	(1,850,241)	(7,468,443)	(9,318,684)

46. Number of employees

	2016 Number	2015 Number
Total number of persons employed at end of the year	16,404	18,372
Average number of employees during the year	18,251	18,469

47. Date of authorization for issue

These financial statements were authorized for issue by the Board of Directors of the Company on February 08, 2017.

Chairman

President & CEO

Consolidate Financial Statements


Series 2
5.00
8.00

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Pakistan Telecommunication Company Limited ("the Holding Company") and its subsidiary companies as at December 31, 2016 and the related consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary companies. The consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary companies as at December 31, 2016, and the results of their operations for the year then ended.

Emphasis of Matter Paragraph

We draw attention to note 18.13 to the consolidated financial statements, which describes the position related to the review petitions filed by the Holding 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.

Deloitte Yousuf Adil

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner: Rana M. Usman Khan

Islamabad
Dated: February 08, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital	6	51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,621,288	2,416,078
General reserve		27,497,072	30,500,000
Unappropriated profit		7,047,199	12,668,976
		37,165,559	45,585,054
Statutory and other reserves		20,096	2,007
Unrealized gain on available for sale investments		1,063	(995)
		88,186,718	96,586,066
Liabilities			
Non-current liabilities			
Long term loans from banks	7	26,136,667	20,975,000
Customers deposits	16	2,400,425	106,308
Liability against assets subject to finance lease	8	1,888	25,293
License fee payable	9	11,228,196	19,818,874
Long term security deposits	10	1,493,177	1,576,434
Deferred income tax	11	9,562,487	12,379,290
Employees retirement benefits	12	24,121,967	32,173,440
Deferred government grants	13	11,570,655	9,497,840
Long term vendor liability	14	28,987,270	24,639,049
		115,502,732	121,191,528
Current liabilities			
Trade and other payables	15	71,463,996	59,189,010
Customers deposits	16	5,179,565	959,008
Interest accrued		580,142	554,585
Short term running finance	17	-	427,428
Current portion of:			
Long term loans from banks	7	838,333	25,000
Liability against assets subject to finance lease	8	34,401	31,977
License fee payable	9	4,504,874	7,584,902
Long term vendor liability	14	9,679,951	2,163,554
Unearned income		4,113,549	3,231,768
		96,394,811	74,167,232
Total equity and liabilities		300,084,261	291,944,826

Contingencies and commitments 18

The annexed notes 1 to 55 are an integral part of these consolidated financial statements.

Chairman

	Note	2016 Rs '000	2015 Rs '000
Assets			
Non-current assets			
Fixed assets			
Property, plant and equipment	19	170,800,044	170,289,008
Intangible assets	20	37,111,800	40,326,443
		207,911,844	210,615,451
Long term investments	21	101,224	92,443
Long term loans and advances	22	2,200,034	2,359,788
Investment in finance lease	23	38,513	96,113
		210,251,615	213,163,795
Current assets			
Stores, spares and loose tools	24	2,742,794	2,940,425
Stock in trade	25	174,351	248,586
Trade debts	26	15,008,567	15,549,034
Loans and advances	27	6,282,398	2,643,569
Investment in finance lease	23	53,030	52,255
Accrued interest	28	727,644	221,179
Recoverable from tax authorities	29	19,257,011	22,487,465
Receivable from the Government of Pakistan	30	2,164,072	2,164,072
Deposits, prepayments and other receivables	31	6,267,181	2,770,718
Short term investments	32	28,380,131	26,569,286
Cash and bank balances	33	8,775,467	3,134,442
		89,832,646	78,781,031
Total assets		300,084,261	291,944,826

President & CEO

CONSOLIDATED STATEMENT OF
PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Revenue	34	117,202,376	118,561,034
Cost of services	35	(86,693,235)	(88,054,308)
Gross profit		30,509,141	30,506,726
Administrative and general expenses	36	(17,286,850)	(18,291,409)
Selling and marketing expenses	37	(7,111,055)	(8,209,247)
		(24,397,905)	(26,500,656)
Operating profit		6,111,236	4,006,070
Voluntary separation scheme cost	38	(4,601,379)	-
Other income	39	6,379,225	5,230,068
Finance costs	40	(3,628,626)	(5,218,817)
		4,260,456	4,017,321
Share of profit / (loss) from associate		8,781	(2,343)
Profit before tax		4,269,237	4,014,978
Provision for income tax	41	(2,646,390)	(2,146,512)
Profit for the year		1,622,847	1,868,466
Earnings per share - basic and diluted (Rupees)	42	0.32	0.37

The annexed notes 1 to 55 are an integral part of these consolidated financial statements.

Chairman

President & CEO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Rs '000	2015 Rs '000
Profit for the year	1,622,847	1,868,466
Other comprehensive income for the year		
Items that will not be reclassified to consolidated statement of profit and loss:		
Remeasurement gain / (loss) on employees retirement benefits	254,384	(2,336,488)
Tax effect of remeasurement (gain) / loss on employees retirement benefits	(78,637)	748,176
	175,747	(1,588,312)
Items that may be subsequently reclassified to consolidated statement of profit and loss:		
Gain on available for sale investments arising during the year	2,940	13,083
Gain on disposal of investment transferred to income for the year	-	(358,014)
	2,940	(344,931)
Tax effect of gain on available for sale investments	(882)	-
Unrealised gain on available for sale investments - net of tax	2,058	(344,931)
Other comprehensive income for the year - net of tax	177,805	(1,933,243)
Total comprehensive income for the year	1,800,652	(64,777)

The annexed notes 1 to 55 are an integral part of these consolidated financial statements.

Chairman

President & CEO

CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Cash flows from operating activities			
Cash generated from operations	44	55,129,279	53,777,056
Employees retirement benefits paid		(1,064,256)	(1,999,659)
Payment of voluntary separation scheme		(29,815)	(783,691)
Payment made to Pakistan Telecommunication Employees Trust (PTET)		(11,972,112)	(6,120,992)
Finance cost paid		(3,597,830)	(5,124,436)
Long term security deposits		(83,257)	84,024
Income tax paid - net		(2,763,030)	(4,251,572)
Net cash inflows from operating activities		35,618,979	35,580,730
Cash flows from investing activities			
Capital expenditure		(30,679,273)	(28,308,213)
Acquisition of intangible assets		(354,985)	(3,242,849)
Proceeds from disposal of property, plant and equipment		317,537	300,025
Short term investments		(1,638,608)	(11,361,392)
Long term loans and advances		108,478	585,142
Investment in finance lease		54,405	(40,325)
Return on long term loans and short term investments		1,927,160	2,218,941
Government grants received		2,803,653	3,177,799
Dividend income on long term investments		12,500	10,000
Net cash outflows from investing activities		(27,449,133)	(36,660,872)
Cash flows from financing activities			
Long term loans - net		5,975,000	6,000,000
License fee		(11,670,706)	(2,595,947)
Customers deposits		2,294,117	-
Long term vendor liability		11,864,618	4,055,063
Liability against assets subject to finance lease		(26,220)	(28,106)
Dividend paid		(10,365,965)	(13,078,357)
Net cash outflows from financing activities		(1,929,156)	(5,647,347)
Net increase / (decrease) in cash and cash equivalents		6,240,690	(6,727,489)
Cash and cash equivalents at the beginning of the year		5,914,908	12,642,397
Cash and cash equivalents at the end of the year	45	12,155,598	5,914,908

The annexed notes 1 to 55 are an integral part of these consolidated financial statements.

Chairman

President & CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	Issued, subscribed and paid-up capital		Revenue reserves					
	Class 'A'	Class 'B'	Insurance reserve	General reserve	Unappropriated profit	Statutory and other reserves	Unrealized gain on available for sale investments	Total
	(Rupees in '000)							
Balance as at January 01, 2015	37,740,000	13,260,000	2,196,770	30,500,000	25,360,137	-	343,936	109,400,843
Total comprehensive income for the year								
Profit for the year	-	-	-	-	1,868,466	-	-	1,868,466
Other comprehensive income	-	-	-	-	(1,588,312)	-	(344,931)	(1,933,243)
	-	-	-	-	280,154	-	(344,931)	(64,777)
Transfer to insurance reserve	-	-	219,308	-	(219,308)	-	-	-
Transfer to statutory and other reserves	-	-	-	-	(2,007)	2,007	-	-
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	-	(12,971,315)	2,007	-	(12,750,000)
Balance as at December 31, 2015	37,740,000	13,260,000	2,416,078	30,500,000	12,668,976	2,007	(995)	96,586,066
Total comprehensive income for the year								
Profit for the year	-	-	-	-	1,622,847	-	-	1,622,847
Other comprehensive Income	-	-	-	-	175,747	-	2,058	177,805
	-	-	-	-	1,798,594	-	2,058	1,800,652
Transfer to insurance reserve	-	-	205,210	-	(205,210)	-	-	-
Transfer from general reserve	-	-	-	(3,002,928)	3,002,928	-	-	-
Transfer to statutory and other reserves	-	-	-	-	(18,089)	18,089	-	-
Final dividend for the year ended December 31, 2015 - Re. 1.00 per share	-	-	-	-	(5,100,000)	-	-	(5,100,000)
Interim dividend for the year ended December 31, 2016 - Re. 1.00 per share	-	-	-	-	(5,100,000)	-	-	(5,100,000)
	-	-	205,210	(3,002,928)	(7,420,371)	18,089	-	(10,200,000)
Balance as at December 31, 2016	37,740,000	13,260,000	2,621,288	27,497,072	7,047,199	20,096	1,063	88,186,718

The annexed notes 1 to 55 are an integral part of these consolidated financial statements.

Chairman

President & CEO

1. Legal status and nature of business

1.1 Constitution and ownership

The consolidated financial statements of the Pakistan Telecommunication Company Limited and its subsidiaries (the Group) comprise of the financial statements of:

Pakistan Telecommunication Company Limited (PTCL)

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

Pak Telecom Mobile Limited (PTML)

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

U Microfinance Bank Limited (U Bank)

The Holding Company acquired 100% ownership of 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 Jinnah Super Market F-7 Markaz, Islamabad.

DVCOM DATA (PRIVATE) LIMITED (DVCOM Data)

The Holding Company acquired 100% ownership of DVCOM Data effective from April 01, 2015. The company has a Wireless Local Loop (WLL) license of 1900 MHz spectrum in nine telecom regions of Pakistan. The registered office of the company is located at PTCL Head Quarters South, Hatim Alvi Road, Clifton Karachi.

Smart Sky (Private) Limited (Smart Sky)

Smart Sky was incorporated in Pakistan on October 12, 2015 as a private limited company to provide Direct-to-Home (DTH) television services throughout the country under the license from Pakistan Electronic Media Regulatory Authority (PEMRA). Auction for DTH license was held on 23 November 2016, in which the company had actively participated. PEMRA has announced the three winning companies of DTH licenses. Later on, the Honorable Lahore High Court has declared whole process of DTH auction as null and void and advised PEMRA to restart the whole process. Smart Sky is a wholly owned subsidiary of PTCL. The registered office of the company is located at PTCL Headquarters, G-8/4, Islamabad.

1.2 Activities of the Group

The Group principally provides telecommunication and broadband internet services in Pakistan. PTCL owns and operates telecommunication facilities and provides domestic and international telephone services throughout Pakistan. PTCL has also been licensed to provide such services to territories in Azad Jammu and Kashmir and Gilgit-Baltistan. PTML provides cellular mobile telephony services throughout Pakistan and Azad Jammu and Kashmir. Principal business of the U Bank, incorporated under Microfinance Institutions Ordinance, 2001, is to provide nationwide microfinance and branchless banking services.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. Statement of compliance

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

These financial statements are the consolidated financial statements of the Group. In addition to these consolidated financial statements, the Holding Company and subsidiary companies (PTML, U Bank, DVCOM Data and Smart Sky) prepare separate statutory financial statements while DVCOM Data also prepares special purpose financial statements for twelve months period to December 31, for the purpose of these consolidated financial statements.

2.1 Adoption of new and revised standards, ammendments and interpretations:

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

		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

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	January 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
IFRS 16	Leases	January 01, 2019

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

		Effective date (annual periods beginning on or after)
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 01, 2017
IAS 7	Statement of Cash Flows (Amendments)	January 01, 2017
IAS 12	Income Taxes (Amendments)	January 01, 2017
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 01, 2018
IAS 40	Investment Property (Amendments)	January 01, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 01, 2018

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

3. Basis of preparation

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

4. Critical accounting estimates and judgments

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

(a) Provision for employees retirement benefits

The actuarial valuation of pension, gratuity, medical, accumulating compensated absences and benevolent grant plans (note 5.28) 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, rate of increase in benevolent grant and the discount rates used to discount future cash flows to present values.

(b) Provision for income tax

The Group recognizes income tax provisions using estimates based upon expert opinions of its tax and legal advisors. Differences, if any, between the recorded income tax provision and the Group's tax liability, are recorded on the final determination of such liability. Deferred income tax (note 5.27-b) is calculated at the rates that are expected to apply to the period when these temporary differences reverse, based on tax rates that have been enacted or substantively enacted, by the date of the consolidated statement of financial position.

(c) Recognition of government grants

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

(d) Useful life and residual value of fixed assets

The Group reviews the useful lives and residual values of fixed assets (note 5.14) on a regular basis. Any change in estimates may affect the carrying amounts of the respective items of property, plant and

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 regular 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) Provision against advances

U Bank maintains a provision against advances as per the requirements of the Prudential Regulations (the Regulations) for microfinance banks and assesses the adequacy of provision against delinquent portfolio. Any change in the criteria / rate for provision may affect the carrying amount of the advances with a corresponding effect on the mark-up / interest carried and provision charged.

(h) Provisions and contingent liabilities

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

5. Summary of significant accounting policies

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

5.1 Consolidation

a) Subsidiaries

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

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

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

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

b) Associates

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

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

Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of profit and loss.

5.2 Functional and presentation currency

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

5.3 Foreign currency transactions and translations

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

5.4 Insurance reserve

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

5.5 Statutory reserve

In compliance with the requirements of the Regulation R-4, U Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of U Bank. However, thereafter, the contribution is reduced to 5% of the profit after tax.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

5.6 Government grants

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

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

5.7 Contributions

In compliance with the requirements of the section 19 of the microfinance institution ordinance 2001, U Bank contributes 5% of annual profit after tax to the Depositors Protection Fund.

5.8 Borrowings and borrowing costs

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

Borrowing costs, which are directly attributable to the acquisition and construction of a qualifying asset, 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.

5.9 Trade and other payables

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

5.10 Customers deposits

Customers deposits with U Bank are initially recorded at the amounts of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the consolidated statement of profit and loss over the year.

5.11 Provisions

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

5.12 Contingent liabilities

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

5.13 Dividend distribution

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

5.14 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 5.8) that are directly attributable to the acquisition of the asset.

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

Capital work in progress is stated at cost less impairment value, if any. It consists of expenditure incurred 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 in note 19.1.

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.

Assets subject to finance lease are stated at the lower of present value of minimum lease payments at inception of the lease period and their fair value less accumulated impairment losses and accumulated depreciation at the annual rates specified in note 19.1. The outstanding obligation under finance lease less finance charges allocated to future periods is shown as liability. Finance charges are calculated at interest rates implicit in the lease and are charged to the consolidated statement of profit and loss in the year in which these are incurred.

(b) Intangible assets

i) Goodwill

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

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

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

(ii) Licenses

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

(iii) Computer software

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

5.15 Impairment of non financial assets

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

5.16 Stores, spares and loose tools

Store, spares and loose tools 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 consolidated statement of financial position.

5.17 Stock in trade

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

5.18 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 Group policy.

5.19 Financial instruments

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument and de-recognized when the Group loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. 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 Group classifies its financial assets in the following categories: fair value through profit or loss, held-to-maturity investments, loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset.

(i) Fair value through profit or loss

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

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

(ii) Held-to-maturity

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

(iii) Loans and receivables

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

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

(iv) Available for sale

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

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

(b) **Impairment**

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

(c) **Financial liabilities**

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Fair value through profit or loss

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

Financial liabilities at fair value through profit or loss are carried in the consolidated statement of financial position at their fair value, with changes 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.

(d) Offsetting of financial assets and liabilities

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

5.20 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. These are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in fair value of derivative financial instruments is recognised as income or expense in the consolidated statement of profit and loss.

5.21 Cash and cash equivalents

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

5.22 Cash reserve

In compliance with the requirements of the Regulation R-3A, U Bank maintains a cash reserve equivalent to not less than 5% of its deposits (including demand and time deposits with the tenure of less than 1 year) in a current account open with the State Bank of Pakistan or its agent.

5.23 Statutory liquidity requirement

In compliance with the requirements of the Regulation 3B, U Bank maintains liquidity equivalent to at least 10% of its total demand liabilities and time liabilities with tenure of less than one year in the form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan Sukuk Bonds. Treasury Bills and Pakistan Investment Bonds held under depositor protection fund are excluded for the purposes of determining liquidity.

5.24 Sale and purchase agreements

Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) is included in lending to financial institutions. The difference between sale and repurchase / purchase and resale price is recognised as return / markup expensed and earned respectively. Repo and reverse repo balances are reflected under borrowings from and lending to financial institutions respectively.

5.25 Revenue recognition

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

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

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

(i) Rendering of telecommunication services

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

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

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

(a) Wireline and wireless services

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

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

(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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

(ii) Income on bank deposits

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

(iii) Dividend income

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

(iv) Mark-up / return on investments

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

(v) Mark-up / return on advances

Mark-up / return on advances is recognized on accrual / time proportion basis, except for income, if any, which warrants suspension in compliance with the Regulations. Mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Loan processing fee is recognized as income on the approval of loan application of borrowers.

(vi) Income from interbank deposits

Income from interbank deposits in saving accounts is recognized in the consolidated statement of profit and loss as it accrues using the flat interest method.

(vii) Fee, commission and other income

Fee, commission and other income is recognized when earned.

5.26 Operating lease

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

5.27 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 income tax

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

(b) Deferred income tax

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

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

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

5.28 Employees retirement benefits

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

The main features of these benefits provided by the Group in PTCL and its subsidiaries - PTML and U Bank are as follows:

PTCL

(a) PTCL Employees GPF Trust

The Company operates an approved funded provident plan covering its permanent employees. For the purpose 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. Profit rate for financial year 2016 is 11.5% (December 31, 2015: 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

(i) Pension plans

PTCL 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. PTCL also operates an unfunded pension scheme for employees recruited on a regular basis, on or after January 01, 1996.

(ii) Gratuity plan

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

(iii) Medical benefits plan

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

(iv) Accumulating compensated absences

PTCL 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

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

The liability recognized in the consolidated statement of financial position in respect of defined benefit plans, is the present value of the defined benefit obligations at the date of the consolidated 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, 2016. The present value of a defined benefit obligation is determined, by discounting the estimated future cash outflows, using the interest rates of high quality corporate bonds that are nominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. 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 accumulated compensated absences which are recognized in consolidated statement of profit and loss.

PTML

(i) Gratuity plan

A funded gratuity scheme, a defined benefit plan, for all permanent employees. Annual contributions to the gratuity fund are based on actuarial valuation by independent actuary. Gratuity shall be equivalent to one month last drawn basic salary for each year of service in excess of six months. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Pakistan Rupees (Rs) and have terms to maturity approximating to the terms of the related liability.

(ii) Provident fund

Approved contributory provident fund, a defined contribution plan, for all permanent employees, and for which, contributions are charged to the consolidated statement of profit and loss.

(iii) Accumulating compensated absences

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

U Bank

(i) Gratuity plan

U Bank operates a defined benefit gratuity scheme for all its regular employees. Gratuity equivalent to one month basic salary for each completed year of service is paid to entitled employees, if the period of their service is three years or above.

(ii) Provident fund

U Bank operates a funded provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by employees at the rate of 8% of the basic salary of the employees. The Bank's contribution is charged to profit and loss account.

5.29 Operating segments

Operating segments are reported in a manner consistent with the internal reporting of the Group in note 51 to the consolidated financial statements.

5.30 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.

6. Share capital

6.1 Authorized share capital

2016	2015		2016	2015
(Number of shares '000)			Rs '000	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

2016	2015		2016	2015
(Number of shares '000)			Rs '000	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 the Holding Company, under the Pakistan Telecommunication (Re-organization) Act, 1996, as referred to in note 1.1.

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

6.5 The Government of Pakistan, through an "Offer for Sale" document, dated July 30, 1994, issued to its domestic investors, a first tranche of vouchers exchangeable for "A" class ordinary shares of the Holding Company. Subsequently, through an Information Memorandum dated September 16, 1994, a second tranche of vouchers was issued to international investors, also exchangeable, at the option of the voucher holders, for "A" class ordinary shares or Global Depository Receipts (GDRs) representing "A" class ordinary shares of the Holding Company. Out of 3,774,000 thousand "A" class ordinary shares, vouchers against 601,084 thousand "A" class ordinary shares were issued to the general public. Till December 31, 2016: 599,543 thousand (December 31, 2015: 599,541 thousand) "A" class ordinary shares had been exchanged for such vouchers.

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

7. Long term loans from banks

These represent secured loans from following banks;

	Annual mark-up rate (Kibor plus 3-month Kibor)	Repayment commencement date		Quarterly / semi annual repayment installments	Outstanding loan balance	
		Interest	Principal	Note	2016 Rs '000	2015 Rs '000
Allied Bank Limited	0.25%	July 2014	July 2017	12	1,000,000	1,000,000
United Bank Limited	0.25%	July 2014	July 2016	16	975,000	1,000,000
MCB Bank Limited	0.25%	July 2014	July 2017	12	1,000,000	1,000,000
MCB Bank Limited	0.25%	July 2014	July 2018	12	4,000,000	4,000,000
Faysal Bank Limited	0.25%	July 2014	July 2018	12	2,000,000	2,000,000
NIB Bank Limited	0.40%	-	-	-	-	1,000,000
Bank Al-Habib Limited	0.25%	July 2014	July 2018	12	1,000,000	1,000,000
Bank Alfalah Limited	0.25%	July 2014	July 2018	12	1,000,000	1,000,000
Allied Bank Limited	0.25%	March 2015	March 2019	12	2,000,000	2,000,000
United Bank Limited	0.25%	March 2015	March 2019	12	1,000,000	1,000,000
Meezan Bank Limited	0.25%	August 2015	August 2019	12	2,000,000	2,000,000
Habib Bank Limited - Islamic Banking	0.25%	September 2015	September 2019	12	2,000,000	2,000,000
Dubai Islamic Bank Limited	0.25%	October 2015	October 2019	12	1,000,000	1,000,000
Habib Bank Limited - Islamic Banking	0.25%	March 2016	March 2020	12	1,000,000	1,000,000
United Bank Limited	0.25%	May 2016	May 2020	12	2,000,000	-
Allied Bank Limited	0.25%	May 2016	May 2020	12	3,000,000	-
United Bank Limited	0.25%	July 2014	July 2018	12	1,000,000	-
				7.1	25,975,000	21,000,000
United Bank Limited	1.50% 6-Month Kibor	March 2017	-		100,000	-
Pak Oman Investment Co. Limited	2.00%	April 2016	April 2017	5	500,000	-
Bank Alfalah Limited	1.50%	September 2016	September 2017	5	300,000	-
United Bank Limited	1.50%	December 2016	December 2017		100,000	-
					1,000,000	-
					26,975,000	21,000,000
Less current portion thereof					838,333	25,000
					26,136,667	20,975,000

7.1 An amount of Rs. 25,975,000 thousand (December 31, 2015: Rs. 21,000,000 thousand) is secured by way of first charge ranking pari passu by way of hypothecation over all present and future movable equipment and other assets (excluding land, building and licenses) of PTML.

8. Liability against assets subject to finance lease

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

	Note	2016 Rs '000	2015 Rs '000
Minimum lease payments due			
Not later than 1 year		37,982	36,538
Later than 1 year and not later than 5 years		2,513	34,405
Gross obligation under finance lease		40,495	70,943
Finance charges allocated to future periods		(4,206)	(13,673)
Net obligation under finance lease		36,289	57,270
Due within one year		(34,401)	(31,977)
		1,888	25,293
The present value of finance lease liabilities is as follows:			
Not later than 1 year		34,401	31,977
Later than 1 year and not later than 5 years		1,888	25,293
		36,289	57,270

9. License fee payable

	Note	2016 Rs '000	2015 Rs '000
Interest bearing	9.1	-	6,183,200
Non interest bearing	9.2	15,733,070	21,220,576
		15,733,070	27,403,776
Current portion thereof		(4,504,874)	(7,584,902)
		11,228,196	19,818,874

9.1 Interest bearing

	Note	2016 Rs '000	2015 Rs '000
Gross amount payable	9.1.1	-	6,183,200
Current portion thereof		-	(1,545,800)
		-	4,637,400

9.1.1 During the year, remaining amount of 3G license fee has been paid in full.

9.2 Non Interest bearing

	2016 Rs '000	2015 Rs '000
Gross amount payable	18,298,080	24,449,840
Imputed deferred Interest	(2,565,010)	(3,229,264)
Present value of obligation	15,733,070	21,220,576
Current portion thereof	(4,504,874)	(6,039,102)
	11,228,196	15,181,474

The PTML's license for 2G cellular operations throughout Pakistan excluding Azad Jammu & Kashmir (AJK) and Gilgit - Baltistan (GB), was renewed during 2014 at a fee of USD 291 million. Under the terms of license, the amount will be paid in installments over a period of 12.5 years. This liability payable in Pak Rupee equivalent is stated at its amortized cost using dollar discount rate of 3.62%.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

10. Long term security deposits

These represent non-interest bearing security deposits received from distributors, franchisees and customers that are refundable on termination of the relationship with the Group. The Holding Company has paid / adjusted a sum of Rs 2,100 thousand (December 31, 2015: Rs 45,871 thousand) to its customers during the current year against their balances.

	Note	2016 Rs '000	2015 Rs '000
11. Deferred income tax			
The liability for deferred taxation comprises of timing differences relating to:			
Accelerated tax depreciation and amortization		19,251,936	21,040,173
Provision against stock, stores and receivables		(3,048,365)	(2,837,676)
Remeasurement of employees retirement benefits		(2,520,257)	(2,682,741)
License fee payable		-	(174,428)
Unused tax losses		(3,780,206)	(2,937,245)
Tax credits in respect of minimum tax		(25,234)	(9,382)
Surplus on revaluation of available for sale securities		455	-
Others		(315,842)	(19,411)
		9,562,487	12,379,290
The gross movement in the deferred tax liability during the year is as follows:			
Balance as at beginning of the year		12,379,290	12,658,200
Tax credit recognized in profit and loss		(2,896,322)	(4,108,544)
Tax charge / (credit) recognized in other comprehensive income		78,637	(748,176)
Tax credit realised in other comprehensive income		-	4,586,258
Tax charge / (credit) recognized on available for sale investment		882	(8,448)
Balance as at end of the year		9,562,487	12,379,290
12. Employees retirement benefits			
Pension			
Funded - PTCL	12.1	5,253,506	11,972,112
Unfunded - PTCL	12.1	3,242,085	2,847,299
		8,495,591	14,819,411
Gratuity Funded - PTCL, PTML and U Bank	12.1	(52,919)	12,914
Accumulating compensated absences - PTCL and PTML	12.1	1,430,188	1,549,917
Post retirement medical facility - PTCL	12.1	10,757,583	12,402,849
Benevolent grants - PTCL	12.1	3,491,524	3,388,349
		24,121,967	32,173,440

12.1 The latest actuarial valuations of the Group's defined benefit plans, were conducted at December 31, 2016 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			
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
a) The amounts recognized in the consolidated statement of financial position:														
Present value of defined benefit obligations	109,098,686	103,806,320	3,242,085	2,847,299	1,527,885	1,509,573	1,430,188	1,549,917	10,757,583	12,402,849	3,491,524	3,388,349	129,547,951	125,504,307
Fair value of plan assets - note 12.2	(103,845,180)	(91,834,208)	-	-	(1,580,804)	(1,496,659)	-	-	-	-	-	-	(105,425,984)	(93,330,867)
Liability at end of the year	5,253,506	11,972,112	3,242,085	2,847,299	(52,919)	12,914	1,430,188	1,549,917	10,757,583	12,402,849	3,491,524	3,388,349	24,121,967	32,173,440
b) Changes in the present value of defined benefit obligations:														
Balance at beginning of the year	103,806,320	96,252,022	2,847,299	2,013,560	1,509,573	1,411,529	1,549,917	1,403,240	12,402,849	13,258,545	3,388,349	3,189,574	125,504,307	117,528,470
Current service cost	713,588	666,878	204,895	136,725	218,431	208,811	61,148	76,308	79,587	91,125	43,575	42,573	1,321,224	1,222,420
Interest expense	11,018,573	11,392,036	312,340	251,006	131,853	151,071	140,628	157,427	1,337,244	1,627,826	344,424	355,111	13,285,062	13,934,477
Actuarial (gain)	-	-	-	-	-	-	(64,712)	(18,446)	-	-	-	-	(64,712)	(18,446)
(Gain) / losses on settlement	1,576,158	-	286,663	-	136,378	-	75,034	-	165,504	-	(48,350)	-	2,191,387	-
	13,308,319	12,058,914	803,898	387,731	486,662	359,882	212,098	215,289	1,582,335	1,718,951	339,649	397,684	16,732,961	15,138,451
Remeasurements:														
(Gains) / losses due to experience adjustment	553,609	2,007,006	(34,909)	457,027	1,052	(94,537)	-	-	(2,493,922)	(2,102,766)	(20,239)	4,396	(1,994,409)	271,126
VSS settlement	(1,294,606)	-	(358,515)	-	(176,079)	-	(192,580)	-	(241,515)	-	-	-	(2,263,295)	-
Benefits paid	(7,274,956)	(6,511,622)	(15,688)	(11,019)	(293,323)	(167,301)	(139,247)	(68,612)	(492,164)	(471,881)	(216,235)	(203,305)	(8,431,613)	(7,433,740)
Balance at end of the year	109,098,686	103,806,320	3,242,085	2,847,299	1,527,885	1,509,573	1,430,188	1,549,917	10,757,583	12,402,849	3,491,524	3,388,349	129,547,951	125,504,307

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Pension				Gratuity		Accumulating compensated absences		Post-retirement medical facility		Benevolent grants		Total	
	Funded		Unfunded		Funded		Unfunded		Unfunded		Unfunded			
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
c) Charge for the year														
Profit and loss:														
Current service cost	713,588	666,878	204,895	136,725	218,431	208,811	61,148	76,308	79,587	91,125	43,575	42,573	1,321,224	1,222,420
Net interest expense	658,467	1,125,832	312,340	251,006	(9,089)	133,915	140,628	157,427	1,337,244	1,627,826	344,424	355,111	2,784,014	3,651,117
Actuarial (gain)	-	-	-	-	-	-	(64,712)	(18,446)	-	-	-	-	(64,712)	(18,446)
(Gain) / losses recognized on settlement	1,576,158	-	286,663	-	136,378	-	75,034	-	165,504	-	(48,350)	-	2,191,387	-
Contribution from employees	-	-	-	-	-	-	-	-	-	-	(21,665)	(21,873)	(21,665)	(21,873)
Contribution from deputationist	(2,280)	(2,001)	-	-	-	-	-	-	-	-	-	-	(2,280)	(2,001)
	2,945,933	1,790,709	803,898	387,731	345,720	342,726	212,098	215,289	1,582,335	1,718,951	317,984	375,811	6,207,968	4,831,217
Other comprehensive income														
Remeasurements:														
Return on plan assets, excluding amounts included in interest income	1,751,684	2,042,432	-	-	(11,659)	22,930	-	-	-	-	-	-	1,740,025	2,065,362
(Gains) / losses due to experience adjustment	553,609	2,007,006	(34,909)	457,027	1,052	(94,537)	-	-	(2,493,922)	(2,102,766)	(20,239)	4,396	(1,994,409)	271,126
	2,305,293	4,049,438	(34,909)	457,027	(10,607)	(71,607)	-	-	(2,493,922)	(2,102,766)	(20,239)	4,396	(254,384)	2,336,488
	5,251,226	5,840,147	768,989	844,758	335,113	271,119	212,098	215,289	(911,587)	(383,815)	297,745	380,207	5,953,584	7,167,705
d) Significant actuarial assumptions at the date of consolidated statement of financial position:														
Discount rate	11.00%	11.00%	11.00%	11.00%	9.50%	9.50%	9.50%	9.50%	11.0%	11.00%	10.50%	10.50%		
Future salary / medical cost increase	7 to10%	7 to10%	7 to10%	7 to10%	8.50%	8.50%	8.5%	8.5%	10.0%	10%	-	-		
Future pension increase	7.50%	7.50%	7.5%	7.50%	-	-	-	-	-	-	-	-		
Rate of increase in benevolent grants	-	-	-	-	-	-	-	-	-	-	2.50%	2.5%		
Average duration of obligation	10 year s	10 years	18 years	18 years	11.72 years	10.97 years	6 to 8 years	6 to 9 years	15 years	15 years	15 years	15 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		Total plan assets	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
12.2 Changes in the fair value of plan assets						
Balance at beginning of the year	91,834,208	84,001,066	1,496,659	408,492	93,330,867	84,409,558
Interest income	10,360,106	10,266,204	141,203	65,393	10,501,309	10,331,597
Total payment made to members on behalf of fund	-	-	157,775	71,791	157,775	71,791
Return on plan assets excluding amounts included in interest income	(1,751,684)	(2,042,432)	11,659	(22,930)	(1,740,025)	(2,065,362)
Contributions made by the Group during the year	11,972,112	6,120,992	66,831	1,141,214	12,038,943	7,262,206
Benefits paid	(8,569,562)	(6,511,622)	(293,323)	(167,301)	(8,862,885)	(6,678,923)
Balance at end of the year	103,845,180	91,834,208	1,580,804	1,496,659	105,425,984	93,330,867

12.3 Plan assets for funded defined pension plan comprise of the following:

	2016		2015	
	Rs '000	Percentage	Rs '000	Percentage
Debt instruments - unquoted				
- Special saving accounts	83,863,724	80.76	68,692,370	74.80
- Defense saving certificates	1,730,540	1.67	1,540,027	1.68
- Pakistan Investment Bonds	3,042,900	2.93	3,040,388	3.31
	88,637,164	85.36	73,272,785	79.79
Cash and cash equivalents				
- Term deposits	5,019,748	4.83	9,744,934	10.61
- Cash and Bank balances	1,856,934	1.79	881,181	0.96
	6,876,682	6.62	10,626,115	11.57
Investment property				
- Telecom tower	6,419,302	6.18	6,395,158	6.96
- Telehouse	1,734,653	1.67	1,724,073	1.88
	8,153,955	7.85	8,119,231	8.84
Fixed assets	7,950	0.01	6,921	0.01
Other assets	1,679,828	1.61	21,347	0.02
	105,355,579	101.45	92,046,399	100.23
Liabilities				
Amount due to PTCL	(1,308,137)	(1.26)	(116)	0.00
Accrued & other liabilities	(202,262)	(0.19)	(212,075)	(0.23)
	(1,510,399)	(1.45)	(212,191)	(0.23)
	103,845,180	100.00	91,834,208	100.00

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

12.4 Plan assets for defined gratuity fund comprise of the following:

	2016		2015	
	Rs '000	Percentage	Rs '000	Percentage
Units of mutual funds	262,480	16.60	207,395	13.86
Term deposit receipts	1,117,417	70.70	1,171,199	78.25
Fixed deposit receipts	109,778	6.94	64,204	4.29
Other assets	19,299	1.22	-	0.00
Bank balances	71,830	4.54	53,861	3.60
	1,580,804	100.00	1,496,659	100.00

12.5 During the next financial year, the minimum expected contribution to be paid to the funded pension plan and funded gratuity plan by the Group is Rs 1,163,934 thousand and Rs 124,535 thousand respectively.

12.6 Sensitivity analysis

The calculations of the defined benefit obligations is sensitive to the significant actuarial assumptions set out in note 12.1. The table below summarizes how the defined benefit obligations at the end of the reporting period would have increased / (decreased) as a result of change in the respective assumptions.

	Impact on defined benefit obligation	
	1% Increase in assumption	1% Decrease in assumption
	Rs '000	Rs '000
Future salary / medical cost		
Pension - funded	1,206,543	(1,097,113)
Pension - unfunded	332,719	(293,816)
Gratuity - funded	140,049	(120,278)
Accumulating compensated absences - unfunded	140,020	(123,897)
Post-retirement medical facility - unfunded	1,320,408	(1,092,627)
Discount rate		
Pension - funded	(8,301,525)	9,829,234
Pension - unfunded	(477,698)	602,491
Gratuity - funded	(119,125)	139,965
Accumulating compensated absences - unfunded	(121,786)	140,020
Post-retirement medical facility - unfunded	(1,221,888)	1,503,771
Benevolent grants - unfunded	(267,122)	310,803
Future pension		
Pension - funded	8,535,302	(7,289,489)
Pension - unfunded	245,927	(206,413)
Benevolent grants		
Benevolent grants - unfunded	313,247	(269,375)

Expected mortality rates

	Increase by 1 year	Decrease by 1 year
	Rs '000	Rs '000
Pension - funded	(2,504,989)	2,489,901
Pension - unfunded	(41,771)	40,650
Gratuity - funded	(13,088)	12,737
Accumulating compensated absences - unfunded	(18,428)	17,931
Post-retirement medical facility - unfunded	(298,982)	300,125
Benevolent grants - unfunded	(97,039)	97,409

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 liability recognized within the consolidated statement of financial position.

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

	Note	2016 Rs '000	2015 Rs '000
13. Deferred government grants			
Balance at beginning of the year		9,497,840	6,848,180
Recognized during the year		2,803,653	3,177,799
Amortization for the year	39	(730,838)	(528,139)
Balance at end of the year		11,570,655	9,497,840

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

14. Long term vendor liability

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

	Note	2016 Rs '000	2015 Rs '000
Obligation under acceptance of bills of exchange	14.1	27,965,304	17,458,282
Other accrued liabilities		10,701,917	9,344,321
		38,667,221	26,802,603
Current portion thereof		(9,679,951)	(2,163,554)
		28,987,270	24,639,049

14.1 These include liability of Rs 9,874,145 thousand (December 31, 2015: Rs 7,769,994 thousand) carrying interest in the range of 5.40% to 5.90% per annum (December 31, 2015: 5.92% to 6.79% per annum).

NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
15. Trade and other payables			
Trade creditors	15.1	11,207,133	10,998,951
Accrued liabilities		33,688,268	29,678,199
VSS payable		4,963,083	151,342
Receipts against third party works		1,131,961	1,172,939
Employees provident fund		18,110	18,860
Income tax collected from subscribers / deducted at source		452,927	454,733
Sales tax payable		758,617	117,019
Advances from customers		5,409,286	4,918,955
Technical services assistance fee	36.2	8,251,719	4,149,636
Retention money / payable to contractors and suppliers related to fixed capital expenditure	15.2	4,712,531	6,526,717
Dividend payable / unclaimed dividend		207,167	373,132
Forward foreign exchange contracts	15.3	77,657	10,591
Other liabilities		585,537	617,936
		71,463,996	59,189,010

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

	2016	2015
Trade creditors		
Etisalat - UAE	186,913	138,147
Other Etisalat's subsidiaries and associates	7,005	7,005
Etisalat - Afghanistan	29,529	75,997
Etisalat - Srilanka	15,551	20,279
Etisalat - Egypt	35	31
Etisalat - Nigeria	1,176	642
Thuraya Satellite Telecommunication Company PJSC	3,700	17,548
Emirates data clearing house	3,209	3,209
Telecom Foundation	63,064	64,466
TF Pipes Limited	4,160	2,750
The Government of Pakistan and its related entities	3,812,018	3,812,018

15.2 Retention money / payable to contractors and suppliers includes the following related party:

	2016	2015
TF Pipes Limited	1,231	1,231

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

15.3 This represents fair value of forward foreign exchange contracts entered into by the Group to hedge its foreign currency exposure. As at December 31, 2016, the Group had forward exchange contracts to purchase USD 90,464,198 (December 31, 2015: USD 93,083,377) at various maturity dates matching the anticipated payment dates for network liability.

	2016 Rs '000	2015 Rs '000
16. Customers deposits		
Fixed deposits	5,761,515	114,008
Saving deposits	1,176,753	548,249
Current deposits	641,722	403,058
	7,579,990	1,065,315
Less : deposits payable after next twelve months	2,400,425	106,308
	5,179,565	959,008
17. Short term running finance	-	427,428

Short term running finance facilities available under mark-up arrangements with banks amounting to Rs 3,000,000 thousand (December 31, 2015: Rs 3,000,000 thousand), out of which the amount availed at the year end is nil (December 31, 2015: 427,428 thousand). These facilities are secured by first ranking pari passu charge by way of hypothecation over all present and future assets of PTML, excluding land, building and license.

18. Contingencies and commitments

Contingencies

PTCL

18.1 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, the 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. Similarly, against an order of the Punjab Revenue Authority (PRA) for the sales tax demand of Rs. 461,629 thousand on Technical Services Assistance fee assuming that the fee is against franchise arrangement for the period from October 2012 to December 2014, the appeal is subjudice before the Commissioner-Appeals, and the stay order from the Honorable Lahore High Court is also in place.

18.2 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 ATIR, which is pending adjudication. Meanwhile, the Honorable Islamabad High Court has granted a stay order in this regard.

18.3 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 any coercive action.

18.4 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 the 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. The Honorable Sindh High Court has stayed the recovery of the levies amounting to Rs. 932,942 thousand.

18.5 For the tax year 2007, after allowance of certain expenses by ATIR, an appeal is pending before ATIR for certain other disallowed expenses with tax impact of Rs 27,640 thousand. This is in addition to earlier disallowed expense of satellite charges (tax impact Rs 80,850 thousand) by ATIR for which the reference application filed by the Company is pending adjudication before the Honorable Islamabad High Court.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

18.6 For the tax year 2008, 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.

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

18.8 For the tax year 2009, after appeal effect order issued by taxation officer, tax impact of the disallowed expenses amounted to Rs 1,113,058 thousand. The Company has filed appeal before ATIR and also filed reference application before the Honorable Islamabad High Court.

18.9 For the tax year 2010, 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.

18.10 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.

18.11 For the tax year 2013, taxation officer disallowed certain expenses with tax impact of Rs 1,130,787 thousand. The Company has filed an appeal before CIR (Appeals), pending adjudication.

18.12 For the tax year 2014, CIR (Appeals) has remanded back certain expenses earlier disallowed by Assessing Officer with tax impact of Rs 864,692 thousand for de novo consideration.

18.13 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 Petition 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. Further, through a separate order dated 27th May 2016, the Honorable Lahore High Court decided that the pensioners who availed VSS package are not entitled to pension increases announced by the Government of Pakistan.

18.14 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.

18.15 A total of 1,432 cases (December 31, 2015: 1,470 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.

18.16 No provision on account of above contingencies has been made in these consolidated 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.

	2016 Rs '000	2015 Rs '000
18.17 Bank guarantees and bid bonds of Group issued in favour of:		
Universal Service Fund (USF) against government grants	9,941,570	7,645,906
Pakistan Telecommunication Authority against 3G and 2G Licenses	872,041	1,339,344
Others	887,721	598,986
	11,701,332	9,584,236

PTML

18.18 Tax authorities have raised Federal Excise Duty (FED) demands by assessing the PTML's payments of technical services fee to Etisalat as fee for "Franchise Services" which has not been agreed by the Company and its appeals are pending at various appellate fora. The management is of the view that payments of technical services fee are outside the ambit of the Federal Excise Act, 2005 and lack the essential element of "franchiser-franchisee" arrangement to be considered franchise services fee. Against the demands created by the tax authorities, the Company has paid Rs 501,541 thousand in prior years under protest and carried as receivable from taxation authorities. The total exposure in the case is Rs. 1,628,295 thousand (December 31, 2015: Rs. 1,454,935 thousand).

18.19 The taxation authorities have raised demand amounting to Rs 1,830,000 thousand which represents the amount of advance income tax paid by the PTML under section 148 at import stage on the premise that such tax paid fall under final tax regime. The Company has claimed adjustment of this amount against its tax liability for tax years 2008 to 2014. The Company 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 by the Company as commercial importer to derive income. The references were filed before the Islamabad High Court against the unfavourable order of ATIR. The Islamabad High Court has remanded back the case to ATIR for re-hearing.

18.20 PTML and other telecom operators contested a position taken by Federal Board of Revenue in respect of levy of FED on payment of interconnect charges by all telecom operators on the basis that such position is contrary to the substance of the related mandatory arrangement under Calling Party Pays (CPP) regime. Further, such levy of FED is in disregard to the fact that Duty on full price for the service (including the interconnect part) has already been charged, collected and paid to Government by telecom operator (calling party).

PTML and three other operators had petitioned the Islamabad High Court (IHC) to seek the correct interpretation of the law on the matter. IHC had passed its judgment in favour of the petitioners. An intra-court appeal has been filed by the taxation authorities against this judgment which is currently pending before IHC. No provision has been carried in the consolidated financial statements in this respect.

18.21 PTML is undergoing assessment proceedings under section 122(5)(a) of the Income Tax Ordinance, 2001 from the Tax Years 2008 till 2013 for the verification of expenses. The proceedings are pending before CIR (Appeals), ATIR and the High Court. The management believes that strong legal and factual bases are available to support it's contention and that outcome to these proceedings will be favourable. Accordingly, no provision has been carried in these consolidated financial statements.

18.22 PTML is contesting various notices and orders in front of the Pakistan and Azad Jammu and Kashmir tax authorities, CIR (Appeals), ATIR and the High Court in respect of Income Tax, Federal Excise Duty, Federal and Provincial Sales Tax. The management believes that strong legal and factual bases are available to support the Company's contention that outcome to these proceedings will be favourable. Accordingly, no provision has been carried in these consolidated financial statements.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

DVCOM Data (Private) Limited

18.23 In pursuance of the determination by Pakistan Telecommunication Authority (PTA) on March 20, 2015 requiring, inter-alia, a payment of Rs. 3,123,867 thousand (principal outstanding dues of Rs. 1,426,785 thousand and late payment charges of Rs. 1,697,081 thousand) within fifteen days of the order, DVCOM Data filed a statutory appeal viz. FAO No. 22/2015 before the Honorable Islamabad High Court on March 30, 2015 against such demand of PTA. The Honorable Islamabad High Court suspended the PTA determination dated March 20, 2015. However, the Honorable Islamabad High Court passed an order for the payment of principal outstanding dues amounting to Rs. 1,426,785 thousand, which was later paid by the Holding Company on behalf of DVCOM Data whereas, the demand for late payment additional fee was suspended by the Honorable Islamabad High Court.

DVCOM Data based on the advice of its legal advisors believes that the PTA's demand for late payment charges is inconsistent with the pertinent laws, rules and regulations keeping in view the fact that the WLL License issued to the Company by PTA remained terminated by the same Authority for substantial part of the period for which the said late payment charges are being claimed and as such, the question of late payment charges cannot arise for the licenses which are not in field and therefore, the matter is likely to be decided in favor of the DVCOM Data. Hence, no provision for late payment charges of Rs. 1,697,082 thousand has been recognized in these consolidated financial statements.

	Note	2016 Rs '000	2015 Rs '000
18.24 Commitments - Group			
Standby letter of guarantee		6,365	6,365
Letter of credit for purchase of stock		16,747	116,982
Commitments for capital expenditure		11,866,645	11,840,083
		11,889,757	11,963,430

19. Property, plant and equipment

	Note	2016 Rs '000	2015 Rs '000
Operating fixed assets	19.1	158,693,829	161,962,080
Capital work in progress	19.6	12,106,215	8,326,928
		170,800,044	170,289,008

19.1 Operating fixed assets

	Land		Buildings on										
	Freehold - note 19.2	Leasehold	Freehold land	Leasehold land	Lines and wires	Apparatus, plant and equipment	Office equipment	Computer and electrical equipment	Furniture and fittings	Vehicles	Submarine cables	Leased network and allied systems	Total
	Rs '000	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, 2015													
Cost	1,652,974	90,026	11,450,147	2,381,679	116,717,956	302,785,417	1,044,147	8,044,911	601,236	2,456,321	11,305,616	153,889	458,684,319
Accumulated depreciation and impairment	-	(30,023)	(4,450,123)	(1,453,746)	(95,903,416)	(184,436,852)	(697,053)	(5,808,758)	(460,043)	(1,891,428)	(5,830,674)	(91,422)	(301,053,538)
Net book amount	1,652,974	60,003	7,000,024	927,933	20,814,540	118,348,565	347,094	2,236,153	141,193	564,893	5,474,942	62,467	157,630,781
Year ended December 31, 2015													
Opening net book amount	1,652,974	60,003	7,000,024	927,933	20,814,540	118,348,565	347,094	2,236,153	141,193	564,893	5,474,942	62,467	157,630,781
Additions	-	-	535,913	111,239	5,532,729	24,777,292	405,539	801,638	75,622	179,703	498,581	-	32,918,256
Disposals													
Cost	(31)	-	(1,474)	(18,022)	(24,661)	(663,854)	-	(154,914)	(779)	(52,499)	-	-	(916,234)
Accumulated depreciation	-	-	624	17,914	24,661	561,778	-	153,005	632	51,533	-	-	810,147
	(31)	-	(850)	(108)	-	(102,076)	-	(1,909)	(147)	(966)	-	-	(106,087)
Depreciation charge for the year - note 19.4	-	(1,840)	(288,438)	(149,166)	(3,138,328)	(21,910,329)	(65,804)	(1,335,288)	(31,066)	(229,942)	(1,148,909)	(20,519)	(28,319,629)
Impairment charge - note 19.5	-	-	-	-	-	(161,241)	-	-	-	-	-	-	(161,241)
Net book amount	1,652,943	58,163	7,246,649	889,898	23,208,941	120,952,211	686,829	1,700,594	185,602	513,688	4,824,614	41,948	161,962,080
As at January 01, 2016													
Cost	1,652,943	90,026	11,984,586	2,474,896	122,226,024	326,898,855	1,449,686	8,691,635	676,079	2,583,525	11,804,197	153,889	490,686,341
Accumulated depreciation and impairment	-	(31,863)	(4,737,937)	(1,584,998)	(99,017,083)	(205,946,644)	(762,857)	(6,991,041)	(490,477)	(2,069,837)	(6,979,583)	(111,941)	(328,724,261)
Net book amount	1,652,943	58,163	7,246,649	889,898	23,208,941	120,952,211	686,829	1,700,594	185,602	513,688	4,824,614	41,948	161,962,080
Year ended December 31, 2016													
Opening net book amount	1,652,943	58,163	7,246,649	889,898	23,208,941	120,952,211	686,829	1,700,594	185,602	513,688	4,824,614	41,948	161,962,080
Additions	-	-	436,918	104,432	4,491,019	19,730,831	452,993	913,236	78,344	321,719	370,493	-	26,899,985
Disposals - note 19.3													
Cost	-	-	-	(7,327)	(256,071)	(585,333)	-	(81,996)	(497)	(270,542)	-	-	(1,201,766)
Accumulated depreciation	-	-	-	7,272	210,271	504,601	-	73,932	276	237,523	-	-	1,033,875
	-	-	-	(55)	(45,800)	(80,732)	-	(8,064)	(221)	(33,019)	-	-	(167,891)
Depreciation charge for the year - note 19.4	-	(1,277)	(302,122)	(160,387)	(3,137,097)	(22,978,246)	(116,756)	(1,078,957)	(35,427)	(215,862)	(661,686)	(20,519)	(28,708,336)
Impairment charge - note 19.5	-	-	-	-	(135,960)	(1,156,049)	-	-	-	-	-	-	(1,292,009)
Net book amount	1,652,943	56,886	7,381,445	833,888	24,381,103	116,468,015	1,023,066	1,526,809	228,298	586,526	4,533,421	21,429	158,693,829
As at December 31, 2016													
Cost	1,652,943	90,026	12,421,504	2,572,001	126,460,972	346,044,353	1,902,679	9,522,875	753,926	2,634,702	12,174,690	153,889	516,384,560
Accumulated depreciation and impairment	-	(33,140)	(5,040,059)	(1,738,113)	(102,079,869)	(229,576,338)	(879,613)	(7,996,066)	(525,628)	(2,048,176)	(7,641,269)	(132,460)	(357,690,731)
Net book amount	1,652,943	56,886	7,381,445	833,888	24,381,103	116,468,015	1,023,066	1,526,809	228,298	586,526	4,533,421	21,429	158,693,829
Annual rate of depreciation (%)		1 to 3.3	2.5	2.5 to 20	7	10 to 33	10	20 to 33.33	10	20	6.67 to 8.33	13.33	

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

19.2 As explained in note 1.1, the property and rights vesting in the operating assets, as at January 01, 1996, were transferred to the Holding 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 Holding Company in the land revenue records. The Holding 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.

19.3 Disposal of property, plant and equipment:

	Cost Rs '000	Accumulated depreciation Rs '000	Net book amount Rs '000	Sale proceeds Rs '000	Mode of disposal	Particulars of purchaser
Lines & Wires	(256,071)	210,271	(45,800)	31,380	Auction	Various vendors
Apparatus, plant and equipment	(313,053)	312,099	(954)	5,895	Auction	Various vendors
	(29,271)	13,255	(16,016)	16,171	Insurance claim	EFU General Insurance Company
	(10,782)	6,969	(3,813)	6,275	Negotiation	Dawa Jan Enterprises
	(3,664)	3,328	(336)	350	Negotiation	Kazim Brothers
	(506)	317	(189)	240	Claim	Agility
	(357,276)	335,968	(21,308)	28,931		
Vehicles	(76,109)	61,397	(14,712)	48,800	Auction	Various buyers
	(54,050)	38,890	(15,160)	37,974	Auction	Various buyers
	(12,526)	9,579	(2,947)	2,947	Group's policy	Mr. Abdul Aziz - Ex CEO
	(142,685)	109,866	(32,819)	89,721		
Computer and electrical equipment	(459)	217	(242)	242	Group's policy	Mr. Abdul Aziz - Ex CEO
	(467)	324	(143)	143	Group's policy	Mr. Saad Waraich - employee
	(318)	230	(88)	88	Group's policy	Mr. Abdul Aziz - Ex CEO
	(307)	247	(60)	60	Group's policy	Mr. Asif Saeed Malik - employee
	(1,551)	1,018	(533)	533		
Aggregate of other having net book amounts not exceeding Rs 50,000	(444,183)	376,752	(67,431)	166,971	Auction	Various buyers
	(1,201,766)	1,033,875	(167,891)	317,536		

	Note	2016 Rs '000	2015 Rs '000
19.4 The depreciation charge for the year has been allocated as follows:			
Cost of services	35	27,383,333	26,732,017
Administrative and general expenses	36	1,254,736	1,517,628
Selling and marketing expenses	37	70,267	69,984
		28,708,336	28,319,629

19.5 The carrying amount of certain items of apparatus, plant and equipment of the Holding Company have been reduced to their recoverable amount through recognition of an impairment loss of Rs 1,292,009 thousand (December 31, 2015: 161,241 thousand). This loss has been included in 'cost of services' in the statement of profit and loss. The impairment charge arose due to obsolescence of various asset items in apparatus, plant and equipment and line and wire.

	Note	2016 Rs '000	2015 Rs '000
19.6 Capital work in progress			
Buildings		341,443	407,540
Lines and wires		7,377,479	5,405,231
Apparatus, plant and equipment		2,988,194	1,528,021
Advances to suppliers		868,999	533,258
Others		530,100	452,878
	19.7	12,106,215	8,326,928
19.7 Movement during the year			
Balance at beginning of the year		8,326,928	12,936,971
Additions during the year		30,782,414	28,649,620
Transfers during the year		(27,003,127)	(33,259,663)
Balance at end of the year		12,106,215	8,326,928

Addition in capital work in progress includes an amount of Rs 1,473,347 thousand (December 31, 2015 :Rs 1,632,968 thousand), in respect of direct overheads relating to development of assets.

	Note	2016 Rs '000	2015 Rs '000
20. Intangible assets			
Goodwill on acquisition of U Bank		78,790	78,790
Goodwill on acquisition of DVCOM Data		1,191,102	1,191,102
Other intangible assets	20.1	35,841,908	39,056,551
		37,111,800	40,326,443

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Licenses and spectrum Rs '000	Computer software Rs '000	Total Rs'000
20.1 Other intangible assets				
As at January 01, 2015				
Cost		45,811,375	3,304,718	49,458,093
Accumulated amortization		(4,607,793)	(1,712,909)	(6,662,702)
Net book amount		41,203,582	1,591,809	42,795,391
Year ended December 31, 2015				
Opening net book amount		41,203,582	1,591,809	42,795,391
Additions		1,560,339	491,409	2,051,748
Derecognition during the year	20.3			
Cost		(2,500,000)	-	(2,842,000)
Accumulated amortization		397,727	-	739,727
		(2,102,273)	-	(2,102,273)
Amortization charge for the year	20.6	(3,027,228)	(661,087)	(3,688,315)
Closing net book amount		37,634,420	1,422,131	39,056,551
As at January 01, 2016				
Cost		44,871,714	3,796,127	48,667,841
Accumulated amortization		(7,237,294)	(2,373,996)	(9,611,290)
Net book amount	20.2	37,634,420	1,422,131	39,056,551
Year ended December 31, 2016				
Opening net book amount		37,634,420	1,422,131	39,056,551
Additions		-	354,985	354,985
Amortization charge for the year	20.6	(2,979,008)	(590,620)	(3,569,628)
Closing net book amount		34,655,412	1,186,496	35,841,908
As at December 31, 2016				
Cost		44,871,714	4,151,112	49,022,826
Accumulated amortization		(10,216,302)	(2,964,616)	(13,180,918)
Net book amount	20.2	34,655,412	1,186,496	35,841,908

		Note	2016 Rs '000	2015 Rs '000
20.2	Breakup of net book amounts as at year end is as follows:			
	Licenses and spectrum - PTCL			
	Telecom	20.3	39,893	49,867
	WLL spectrum	20.3	1,387,208	1,566,205
	WLL and LDI License	20.4	151,814	166,370
	IPTV	20.5	-	2,652
	Licenses - PTML		31,877,824	34,495,903
	WLL spectrum - DVCOM Data		1,192,796	1,345,068
	Licenses - U bank		5,877	8,355
			34,655,412	37,634,420
	Computer software - PTCL			
	HP OSS		1,142	7,991
	OEM Comptel software (HP OSS)		339,701	259,110
	Carrier software license (WLL)		6,667	7,070
	Kron Licenses		10,308	10,929
	BnCC software		158,366	184,150
	Caller details record collector system		1,981	3,810
	BnCC Oracle system		55,490	103,053
	Customer Relationship Management (CRM)		33,662	62,516
	SAP Enterprise Resource Planning (ERP) system		72,086	115,337
	Integrated performance management system		74,471	-
	Software - PTML		360,287	589,556
	Branchless banking software - U Bank		72,335	78,609
			1,186,496	1,422,131
			35,841,908	39,056,551

20.3 The Pakistan Telecommunication Authority (PTA) has issued a license to PTCL 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 Holding 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.

20.4 PTA has issued a license under section 5 of the Azad Jammu and Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 1996, the Northern Areas Telecommunication (Re-organization) Act, 2005 and the Northern Areas Telecommunication (Re-organization) (Adaptation and Enforcement) Order 2006, to PTCL 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 financial 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

20.5 On the expiry of the existing IPTV license by Pakistan Electronic Media Regulatory Authority in November 2016 which was effective from November 02, 2011, at an agreed license fee of Rs 15,910 thousand for a period of 5 years, the license renewal application was duly filed and is under process with the regulator.

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

	Note	2016 Rs '000	2015 Rs '000
Cost of services	35	3,228,513	3,297,872
Administrative and general expenses	36	341,115	390,443
		3,569,628	3,688,315

21. Long term investments

	Note	2016 Rs '000	2015 Rs '000
Investment in associate	21.1	17,324	8,543
Other investments	21.2	83,900	83,900
		101,224	92,443

21.1 Investment in associate - unquoted

	2016 Rs '000	2015 Rs '000
TF Pipes Limited - Islamabad, Pakistan		
1,658,520 (December 31, 2015: 1,658,520) ordinary shares of Rs 10 each		
Shares held 40% (December 31, 2015: 40%)		
Cost of investment	23,539	23,539
Group share of post acquisition loss / impairment	(6,215)	(14,996)
Balance at end of the year	17,324	8,543

21.1.1 Change in carrying value of investment in associate

	2016 Rs '000	2015 Rs '000
Balance at beginning of the year	8,543	16,541
Share of profit / (loss) from associate during the year	8,781	(2,343)
Impairment of investment	-	(5,655)
Balance at end of the year	17,324	8,543

21.1.2 The net assets of the associate - TF Pipes Limited
(as per unaudited accounts) are as follows:

	2016 Rs '000	2015 Rs '000
Total assets	90,080	70,462
Total liabilities	46,770	52,261
Revenue	89,350	89,362
Expenses	101,296	94,330
Profit / (loss) after tax	21,954	(5,857)

	Note	2016 Rs '000	2015 Rs '000
21.2 Other investments			
Available for sale investments - unquoted			
Thuraya Satellite Telecommunication Company - Dubai, UAE 3,670,000 (December 31, 2015: 3,670,000) ordinary shares of AED 1 each		63,900	63,900
Alcatel - Lucent Pakistan Limited - Islamabad, Pakistan 2,000,000 (December 31, 2015: 2,000,000) ordinary shares of Rs 10 each		20,000	20,000
		83,900	83,900

22. Long-term loans and advances - considered good

	Note	2016 Rs '000	2015 Rs '000
Loans to employees - secured			
PTCL	22.1	476,060	529,539
PTML	22.2	84,624	178,520
	22.3	560,684	708,059
Imputed interest		(122,076)	(157,567)
		438,608	550,492
Advances to suppliers against turnkey contracts	22.4	1,858,636	1,950,821
Others		21,626	26,639
		2,318,870	2,527,952
Current portion shown under current assets			
Loans to employees - secured	27	(118,836)	(168,164)
		2,200,034	2,359,788

22.1 These loans and advances are for house building and purchase of vehicles, motor cycles and bicycles. Loans to executive employees of the Holding Company carry interest at the rate of 11.50% per annum (December 31, 2015: 12% per annum), whereas, loans to employees other than executive employees are interest free. The loans are recoverable in equal monthly installments spread over a period of 5 to 10 years and are secured against the retirement benefits of the employees.

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

	As at January 01, 2016	Disbursements	Repayments	Write offs	As at December 31, 2016
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Executives	180,693	200	(94,963)	(249)	85,681
Other employees	527,366	136,121	(135,143)	(53,341)	475,003
	708,059	136,321	(230,106)	(53,590)	560,684

	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	238,136	200	(57,643)	-	180,693
Other employees	501,864	192,948	(167,446)	-	527,366
	740,000	193,148	(225,089)	-	708,059

	2016 Rs '000	2015 Rs '000
Maximum amount of loan to executives and other employees outstanding at any time during the year		
Executives	180,693	238,136
Other employees	583,203	527,366

22.4 These represent various non interest bearing advances issued to the Group's vendors under turnkey contracts.

	2016 Rs '000	2015 Rs '000
23. Investment in finance lease		
Gross investment in finance lease	107,675	180,116
Imputed interest	(16,132)	(31,748)
Present value of minimum lease payments receivable	91,543	148,368
Current portion shown under current assets	(53,030)	(52,255)
	38,513	96,113

23.1 Details of investment in finance lease

	Not later than 1 year	Later than 1 year and not later than 5 years	Total
	Rs '000	Rs '000	Rs '000
Gross investment in finance lease	59,129	48,546	107,675
Imputed interest	(6,099)	(10,033)	(16,132)
Present value of minimum lease payments receivable	53,030	38,513	91,543

This represents cost of motor cycles leased out to employees of the Holding Company. The cost will be recovered in 48 equal monthly installments.

	Note	2016 Rs '000	2015 Rs '000
24. Stores, spares and loose tools			
Stores, spares and loose tools		4,044,970	3,980,323
Provision for obsolescence	24.1	(1,302,176)	(1,039,898)
		2,742,794	2,940,425
24.1 Provision for obsolescence			
Balance at beginning of the year		1,039,898	735,130
Charge for the year	35	262,278	304,768
Balance at end of the year		1,302,176	1,039,898
25. Stock in trade			
SIM cards		100,889	147,815
Scratch cards		35,323	47,025
ATM cards		957	989
Mobile phones and accessories		81,181	81,165
		218,350	276,994
Provision for slow moving stock and warranty against mobile phones	25.1	(43,999)	(28,408)
		174,351	248,586
25.1 Provision for slow moving stock and warranty against mobile phones			
Balance at beginning of the year		28,408	36,356
Charge for the year		15,591	8,841
		43,999	45,197
Write off against provision		-	(16,789)
Balance at end of the year		43,999	28,408
26. Trade debts			
Domestic			
Considered good - secured	26.1	1,032,910	942,707
- unsecured	26.2	12,116,973	12,764,648
Considered doubtful - unsecured		8,200,032	7,559,169
		21,349,915	21,266,524
International			
Considered good - unsecured	26.2	1,858,684	1,841,679
Considered doubtful - unsecured		65,270	65,270
		1,923,954	1,906,949
Provision for doubtful debts	26.3	(8,265,302)	(7,624,439)
		15,008,567	15,549,034

26.1 These are secured against customer and dealer deposits having aggregate amount of Rs 823,688 thousand (December 31, 2015: Rs 932,827 thousand). These also include unbilled revenue related to postpaid subscribers, aggregating to Rs 238,580 thousand (December 31, 2015: Rs 227,539 thousand).

NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015 Rs '000	Rs '000
26.2 These include amounts due from the following related parties:			
Etisalat - UAE		317,407	113,149
Etisalat - Afghanistan		7,712	24,178
Etihad Etisalat Company		8,126	41,126
Etisalat other subsidiaries and associates		17,471	87,647
The Government of Pakistan and its related entities		1,522,389	1,600,018

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

	Note	2016 Rs '000	2015 Rs '000
26.3 Provision for doubtful debts			
Balance at beginning of the year		7,624,439	6,976,123
Charge for the year	36	2,385,755	2,714,278
		10,010,194	9,690,401
Write off against provision		(1,744,892)	(2,065,962)
Balance at end of the year		8,265,302	7,624,439

27. Loans and advances

	Note	2016 Rs '000	2015 Rs '000
Loans			
Current portion of long term loans to employees - secured	22	118,836	168,164
Advances - considered good			
Advances to employees		11,825	22,211
Advances to suppliers and contractors	27.1	623,316	1,540,293
Advances to customers - net of provision	27.2	5,528,421	912,901
		6,163,562	2,475,405
		6,282,398	2,643,569

	2016 Rs '000	2015 Rs '000
27.1 These include amounts due from the following related parties:		
TF Pipes Limited	7,036	200
Pakistan MNP Database (Guarantee) Limited	7,700	8,650
27.2 Provision against non-performing advances to customers		
Balance at the beginning of the year	6,480	2,366
Charge for the year	44,490	4,957
Advances written off against provision	(2,589)	(843)
	48,381	6,480

	2016 Rs '000	2015 Rs '000
28. Accrued interest		
Return on bank deposits	187,261	72,701
Interest receivable on loans to employees - secured	41,009	55,473
Mark up accrued on advances to customers and investments	499,374	93,005
	727,644	221,179
29. Recoverable from tax authorities		
Income tax	15,646,065	18,425,746
Federal Excise Duty	4,077,122	4,527,895
	19,723,187	22,953,641
Provision for doubtful amount	(466,176)	(466,176)
	19,257,011	22,487,465

30. Receivable from the Government of Pakistan - Considered good

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

	Note	2016 Rs '000	2015 Rs '000
31. Deposits, prepayments and other receivables			
Deposits		127,967	105,798
Prepayments			
- Pakistan Telecommunication Authority - a related party		45,692	35,856
- Prepaid rent and others	31.1	1,976,224	1,668,854
		2,021,916	1,704,710
Other receivables - considered good			
Due from related parties:			
- Etisalat - UAE		71,305	71,305
- Pakistan Telecommunication Employees Trust		1,308,137	116
- PTCL Employees GPF Trust		258,844	6,812
- USF Grants		1,421,437	-
- Others		1,057,575	881,977
		4,113,298	960,210
Other receivables			
Considered doubtful		185,239	185,239
Provision for doubtful receivables		(185,239)	(185,239)
		-	-
		6,267,181	2,770,718

31.1 This includes prepaid rent of Rs 78,456 thousand (December 31, 2015: Rs 40,333 thousand) paid to Pakistan Telecommunication Employees Trust, a related party of the Group.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
32. Short term investments			
Held to maturity			
Market Treasury Bills		791,701	-
Term deposit receipts		2,000,000	-
Term deposits			
- maturity up to 3 months		250,000	3,027,411
- maturity up to 6 months		24,500,000	-
- maturity up to 12 months		500,000	23,361,392
	32.1	25,250,000	26,388,803
		28,041,701	26,388,803
Available for sale investments			
Pakistan Investment Bonds	32.2	338,430	180,483
		28,380,131	26,569,286

32.1 Term deposits

	Maturity Upto	2016 Rs '000	2015 Rs '000
National Bank of Pakistan	June 18,2017	20,000,000	-
JS Bank Limited	June 18,2017	3,000,000	-
Tameer Microfinance Bank limited	June 18,2017	500,000	-
Khushhali Microfinance Bank Limited	June 19,2017	500,000	-
NRSP Bank Limited	April 08,2017	200,000	-
Tameer Bank Limited	May 19, 2017	300,000	-
JS Bank Limited	March 01, 2017	250,000	-
Mobilink Microfinance Bank Limited	December 30, 2017	500,000	-
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
Khushhali Microfinance Bank Limited	July 16, 2016	-	150,000
Khushhali Microfinance Bank Limited	September 09, 2016	-	200,000
		25,250,000	26,388,803

32.2 Movement in available for sale investments during the year:

	2016	2015
Balance at beginning of the year	180,483	6,959,345
Additions during the year	155,889	1,025,000
Disposals during the year		
Cost	-	(7,474,823)
Gain on disposal of available for sale investments transferred from other comprehensive income to other income	-	(558,673)
	-	(8,033,496)
Unrealised gain transferred to other comprehensive income	2,058	229,634
Balance at end of the year	338,430	180,483

32.2.1 This represents PIBs carried at market value maturing on April 19, 2019, March 26, 2020 and April 21, 2021 carrying an average interest rate of 7.75% per annum (December 31, 2015: 9.25% per annum).

	Note	2016 Rs '000	2015 Rs '000
33. Cash and bank balances			
Cash in hand		204,354	66,132
Balances with banks:			
Local currency			
Current account maintained with SBP	33.1	300,865	89,258
Current accounts	33.2	868,551	513,742
Saving accounts	33.3 & 33.4	6,966,995	2,179,034
		8,136,411	2,782,034
Foreign currency			
Current accounts (USD 663 thousand (December 31, 2015: USD 361 thousand))		69,327	37,759
Saving accounts (USD 3,416 thousand (December 31, 2015: USD 2,271 thousand), Euro 73 thousand (December 31, 2015: Euro 96 thousand))		365,375	248,517
		434,702	286,276
		8,775,467	3,134,442

33.1 This includes balance held with SBP in a current account to meet the requirement of maintaining minimum balance equivalent to 5% (December 31, 2015: 5%) of U Bank's demand and time deposits with tenure of less than 1 year, in accordance with regulation R-3A of the Regulations and Rs 4,427 thousand (December 31, 2015: 809 thousand) placed for the Depositors' Protection Fund.

33.2 This includes Rs 6,365 thousand held as deposit under lien in respect of standby letter of guarantee issued to Union Pay International.

33.3 This includes Nil (December 31, 2015: Rs 152,724 thousand) under lien of bank, against letters of guarantee and letters of credit issued on behalf of the Holding Company.

33.4 These carry mark-up ranging between 4% to10.3% (December 31, 2015: 4% to 10.3%) per annum.

	Note	2016 Rs '000	2015 Rs '000
34. Revenue			
Telecommunication			
Domestic	34.1	107,885,500	112,631,483
International	34.2	10,414,412	7,936,186
Branchless banking and markup on advances		1,181,055	420,900
		119,480,967	120,988,569
Discount on prepaid cards and load		(2,278,591)	(2,427,535)
		117,202,376	118,561,034

34.1 Revenue is exclusive of Federal Excise Duty / sales tax amounting to Rs 13,693,058 thousand (December 31, 2015: Rs 13,390,661 thousand).

34.2 International revenue represents revenue from foreign network operators, for calls that originate outside Pakistan, and has been shown net of interconnect cost relating to other operators and Access Promotion Charges, aggregating to Rs 3,519,111 thousand (December 31, 2015: Rs 3,796,503 thousand).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
35. Cost of services			
Salaries, allowances and other benefits	35.1	12,545,479	13,183,144
Call centre charges		834,084	813,551
Interconnect cost		6,263,857	5,461,772
Foreign operators cost and satellite charges		7,084,372	8,068,239
Network operating cost		368,281	282,809
Fuel and power		9,214,749	9,593,860
Value added services		295,915	457,254
Cost of prepaid cards		358,292	496,212
Stores, spares and loose tools consumed		3,257,934	4,987,391
Provision for obsolete stores, spares and loose tools	24.1	262,278	304,768
Rent, rates and taxes		3,602,118	3,531,624
Repair and maintenance		8,098,456	8,584,912
Printing and stationery		473,809	446,436
Travelling and conveyance		13,441	18,073
Depreciation on property, plant and equipment	19.4	27,383,333	26,732,017
Amortization of intangible assets	20.6	3,228,513	3,297,872
Impairment on property, plant and equipment		1,292,009	161,241
Annual license fee to PTA		1,403,536	1,383,521
Others		712,779	249,612
		86,693,235	88,054,308

35.1 This includes Rs 3,287,453 thousand (December 31, 2015: Rs 3,947,537 thousand) in respect of employees retirement benefits.

	Note	2016 Rs '000	2015 Rs '000
36. Administrative and general expenses			
Salaries, allowances and other benefits	36.1	3,259,183	2,929,092
Call centre charges		128,430	134,658
Fuel and power		348,098	359,173
Rent, rates and taxes		642,752	754,078
Repairs and maintenance		1,226,156	1,189,550
Printing and stationery		26,214	14,256
Travelling and conveyance		296,313	397,877
Technical services assistance fee	36.2	4,102,083	4,149,636
Legal and professional charges		593,084	661,786
Auditors' remuneration	36.3	10,970	10,432
Depreciation on property, plant and equipment	19.4	1,254,736	1,517,628
Amortization of intangible assets	20.6	341,115	390,443
Research and development fund	36.4	311,909	328,469
Provision against doubtful debts	36.6	2,167,562	2,714,278
Provision against non performing advances		44,490	4,957
Donations	36.5	390	3,535
Provision for impairment in investment		-	5,655
Postage and courier services		286,508	300,524
External services		1,078,315	1,140,876
Other expenses		1,168,542	1,284,506
		17,286,850	18,291,409

36.1 This includes Rs 380,813 thousand (December 31, 2015: Rs 504,738 thousand) in respect of employees retirement benefits.

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

	Note	2016 Rs '000	2015 Rs '000
36.3 Auditors' remuneration			
Statutory audit, including half yearly review		9,700	9,662
Out of pocket expenses		770	770
Other services		500	-
		10,970	10,432

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

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

36.6 This is net of recoveries amounting to Rs 218,913 thousand.

	Note	2016 Rs '000	2015 Rs '000
37. Selling and marketing expenses			
Salaries, allowances and other benefits	37.1	2,046,884	2,144,800
Call centre charges		85,620	82,987
Sales and distribution charges		1,602,344	1,962,846
Fuel and power		93,210	100,481
Printing and stationery		4,885	4,603
Travelling and conveyance		13,441	18,073
Advertisement and publicity		3,092,623	3,551,746
Depreciation on property, plant and equipment	19.4	70,267	69,984
Mobile financial services cost		77,015	236,317
Others		24,766	37,410
		7,111,055	8,209,247

37.1 This includes Rs 348,315 thousand (December 31, 2015: Rs 447,137 thousand) in respect of employees retirement benefits.

38. Voluntary separation scheme cost

The Holding Company offered a voluntary separation scheme (VSS) to certain categories of its employees. The benefits offered over and above the accumulated post retirement benefit obligations as at December 31, 2016 had been treated as VSS cost. Out of 1,842 employees who opted for the Scheme, 1,262 belong to pension scheme both funded and unfunded pension schemes and 580 to gratuity scheme.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

The amount of actuarial gain / loss on settlement for employees who had opted for VSS had also been adjusted / charged against the VSS cost. The break-up of the VSS cost is as follows:

	Note	2016 Rs '000	2015 Rs '000
Actuarial loss recognized on settlement	12.1	2,191,387	-
Other VSS cost			
Transition pay		1,443,121	-
Early bird / late flight bonuses		358,100	-
Allowance benefits		369,786	-
Programme bonus		73,950	-
Health fund NCPG		55,826	-
Minimum package adjustment		10,293	-
Loan written off		83,833	-
Others		15,083	-
		2,409,992	-
		4,601,379	-

39. Other income

	Note	2016 Rs '000	2015 Rs '000
Income from financial assets:			
Return on bank deposits		2,404,811	1,884,285
Interest on investment in Government securities		24,411	45,023
Late payment surcharge from subscribers on overdue bills		289,016	266,058
Recovery from written off defaulters		1,274,781	671,809
Dividend income		12,500	10,000
Gain on fair value remeasurement of forward exchange contracts		-	97,576
Gain on disposal of available for sale investments		1,464	558,673
Imputed interest net of unwinding of interest on long term loans		20,966	22,258
Others		5,067	38,179
		4,033,016	3,593,861
Late delivery charges		878,389	1,796
Gain on disposal of property, plant and equipment		149,645	301,731
Amortization of deferred government grants	13	730,838	528,139
Pre-deposit income		472,446	490,856
Others		114,891	313,685
		2,346,209	1,636,207
		6,379,225	5,230,068

	2016 Rs '000	2015 Rs '000
40. Finance cost		
Interest on:		
Long term loans from banks	1,698,900	1,449,027
Long term vendor liability	516,175	717,850
Other liabilities	13,903	23,732
License fee	688,325	252,065
Bank and other charges	255,634	257,372
Exchange loss	485,830	1,727,946
Imputed interest related to		
Finance lease	(15,616)	4,660
License fee payable	-	784,684
Long-term loans	(14,525)	1,481
	3,628,626	5,218,817
41. Provision for income tax charge / (credit) for the year		
Current		
- for the year	5,542,712	6,255,056
Deferred		
- for the year	(2,716,483)	(3,960,605)
- for the prior year	-	9,474
- due to change in rate of taxation	(179,839)	(157,413)
	(2,896,322)	(4,108,544)
	2,646,390	2,146,512

41.1 Tax charge reconciliation

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

	2016 Percentage	2015 Percentage
Applicable tax rate	31.00	32.00
Turnover tax charged off - current and prior year	-	24.90
Minimum tax on services	24.99	-
Tax effect of amounts chargeable to tax at lower rates	(0.05)	(3.44)
Tax effect of amounts that are not deductible for tax purposes	0.63	6.43
Others	5.42	(6.43)
	30.99	21.46
Average effective tax rate charged to the consolidated statement of profit and loss	61.99	53.46

41.2 Tax on items directly charged / (credited) to other comprehensive income amounting to Rs 79,519 thousand (December 31, 2015: Rs 748,176 thousand) represents deferred tax charge in respect of remeasurement gain on defined benefit plans and gain on remeasurement of available for sale investments.

NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
42. Earnings per share - basic and diluted			
Profit for the year	Rupees in thousand	1,622,847	1,868,466
Weighted average number of ordinary shares	Number in thousand	5,100,000	5,100,000
Earnings per share	Rupees	0.32	0.37

43. Non funded finance facilities

The Holding 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 14,600,000 thousand (December 31, 2015: Rs 14,700,000 thousand) and Rs 17,800,000 thousand (December 31, 2015: Rs 14,800,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facility availed at the year end is Rs 2,459,901 thousand (December 31, 2015: Rs 2,586,074) and Rs 6,257,091 thousand (December 31, 2015: Rs 6,066,627 thousand) respectively. The letter of guarantee facility is secured by a hypothecation charge over certain assets of the Holding Company, amounting to Rs 26,718,000 thousand (December 31, 2015: Rs 23,785,000 thousand).

	2016 Rs '000	2015 Rs '000
44. Cash generated from operations		
Profit before tax	4,269,237	4,014,978
Adjustments for non-cash charges and other items:		
Depreciation and amortization	32,277,964	32,007,943
Impairment	1,292,009	161,241
Provision for obsolete stores, spares and loose tools	262,278	304,768
Provision for doubtful trade debts and other receivables	2,167,562	2,714,278
Provision for impairment in investment	-	5,655
Provision for stock and warranty against mobile phones	15,591	8,841
Provision for non performing advances	44,490	4,957
Employees retirement benefits	4,016,581	4,854,634
Voluntary separation scheme cost	4,601,379	-
Gain on disposal of property, plant and equipment	(149,645)	(218,933)
Return on bank deposits and Government securities	(2,429,222)	(1,929,308)
Dividend income	(12,500)	(10,000)
Gain on disposal of available for sale investments	(1,464)	(558,673)
Gain on derecognition of intangible assets	-	(82,727)
Amortization of government grants	(730,838)	(528,139)
Finance cost	3,628,626	4,995,280
Imputed interest on finance lease	(15,616)	4,660
Imputed interest on long term loans	(14,525)	(22,258)
Gain on fair value adjustment for forward exchange contracts	-	(97,576)
Share of (income) / loss from associate	(8,781)	2,343
	49,213,126	45,631,964

	Note	2016 Rs '000	2015 Rs '000
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(64,647)	(347,656)
Stock in trade		58,644	72,064
Trade debts		(1,845,288)	(2,752,077)
Loans and advances		(3,683,319)	(531,307)
Deposits, prepayments and other receivables		(1,492,915)	4,351,758
		(7,027,525)	792,782
Increase in current liabilities:			
Trade and other payables		7,841,340	6,396,334
Deposits from customers		4,220,557	362,737
Advances from customers		881,781	593,239
		12,943,678	7,352,310
		55,129,279	53,777,056

45. Cash and cash equivalents

	Note	2016 Rs '000	2015 Rs '000
Short term investments		3,380,131	3,207,894
Cash and bank balances	33	8,775,467	3,134,442
Short term running finance	17	-	(427,428)
		12,155,598	5,914,908

46. Remuneration of Directors, Chief Executive Officer and executives

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

	Chairman		Chief Executive Officer		Executives			
					Key management personnel		Other executives	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
Managerial remuneration	-	-	334,336	165,712	566,458	452,940	1,868,152	1,795,618
Honorarium	300	300	-	-	-	-	5,427	11,009
Bonus	-	-	25,056	24,408	24,570	62,594	174,233	201,971
Retirement benefits	-	-	16,353	24,284	56,745	64,233	197,135	231,307
Housing	-	-	6,143	-	179,853	192,972	724,247	689,724
Utilities	-	-	-	-	46,651	49,479	127,542	127,423
	300	300	381,888	214,404	874,277	822,218	3,096,736	3,057,052
Number of persons	1	1	1	1	70	71	1,387	1,375

The Group 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 Group are provided only with limited telephone facilities. Certain executives are also provided with the Group maintained cars.

The aggregate amount charged in the consolidated financial statements for the year as fee paid to 13 non executive directors (December 31, 2015: 12 non executive directors) is Rs 119,810 thousand (December 31, 2015: Rs 120,644 thousand) for attending the Board of Directors, and its sub-committee meetings.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

The aggregate amount of the remuneration paid to the Chief Executive Officer is inclusive of the amount paid for settlement to the pervious Chief Executive Officer.

47. Rates of exchange

Assets in US dollars have been translated into Rupees at USD 1 = Rs 104.60 (December 31, 2015: USD 1 = Rs 104.60), while liabilities in US dollars have been translated into Rupees at USD 1 = Rs 104.80 (December 31, 2015: USD 1 = Rs 104.80).

48. Financial risk management

48.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2016 Rs '000	2015 Rs '000
USD		
Trade and other payables	(4,289,945)	(5,802,397)
Long term vendor liability	(18,091,158)	(9,693,443)
License fee payable	-	(30,633,040)
Trade debts	2,075,654	2,089,593
Cash and bank balances	426,670	275,334
Net exposure	(19,878,779)	(43,763,953)
EUR		
Trade and other payables	(77,027)	(47,077)
Trade debts	57,300	68,499
Cash and bank balances	8,032	10,942
Net exposure	(11,695)	32,364
AED		
Trade and other payables	(53,258)	(54,929)

	2016	2015
The following significant exchange rates were applied during the year:		
Rupees per USD		
Average rate	104.66	102.88
Reporting date rate		
Assets	104.60	104.60
Liabilities	104.80	104.80
Rupees per EURO		
Average rate	115.75	114.20
Reporting date rate	110.32	114.54
Rupees per AED		
Average rate	28.51	28.01
Reporting date rate	28.53	28.54

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 668,115 thousand (December 31, 2015: Rs 1,444,955 thousand) respectively higher / lower, 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 Group is exposed to equity securities price risk because of the investments held by the Group in money market mutual funds and classified on the consolidated statement of financial position as available for sale. To manage its price risk arising from investments in mutual funds, the Group diversifies its portfolio.

Financial assets include investments of Rs 338,430 thousand (December 31, 2015: Rs 180,483 thousand) which were subject to price risk.

If redemption price on mutual funds / PIBs, 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 Rs 11,337 thousand (December 31, 2015: Rs 9,024 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

The interest rate profile of the Group's interest bearing financial instruments at the year end :

	2016 Rs '000	2015 Rs '000
Financial assets		
Fixed rate instruments:		
Staff loans	560,684	708,059
Short term investments - term deposits	28,041,701	26,388,803
Bank balances - savings accounts	5,890,627	2,179,034
Market treasury bills	791,701	-
Advances to customers	5,528,421	912,901
Floating rate instruments:		
Bank balances - savings accounts	1,441,743	498,223
	41,463,176	30,687,020
Financial liabilities		
Fixed rate instruments:		
Customers deposits	7,579,990	1,065,316
Floating rate instruments:		
Long term loans from banks	26,975,000	21,000,000
License fee payable	-	6,183,200
Liability against assets subject to finance lease	36,289	57,270
Long term vendor liability	9,874,145	7,769,994
Short term running finance	-	427,428
	44,465,424	36,503,208

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate instruments of the Group, 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 Rs 237,473 thousand (December 31, 2015: Rs 230,602 thousand) lower / higher, 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:

	2016 Rs '000	2015 Rs '000
Long term loans and advances	2,200,034	2,359,788
Trade debts	15,008,567	15,549,034
Accrued interest	727,644	221,179
Investment in finance lease	91,543	148,368
Loans and advances	6,282,398	2,643,569
Deposits and other receivables	4,245,265	1,066,008
Short term investments	28,041,701	26,388,803
Bank balances	8,571,113	3,068,310
	65,168,265	51,445,059

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

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

	Rating		Rating	2016	2015
	Short term	Long term	Agency	Rs '000	Rs '000
National Bank of Pakistan	A1+	AAA	PACRA	20,458,378	23,620,264
Bank Alfalah Limited	A1+	AA	PACRA	108,545	139,573
MCB Bank Limited	A1+	AAA	PACRA	116,031	242,887
Soneri Bank Limited	A1+	AA-	PACRA	23,794	21,360
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	85,354	3,047,165
Industrial Commercial Bank of China	P-1	A1	Moody's	7,814	-
NIB Bank Limited	A1+	AA-	JCR-VIS	35,269	23,115
Habib Bank Limited	A-1+	AAA	PACRA	2,214,963	636,584
Faysal Bank Limited	A1+	AA	JCR-VIS	240,372	1,218
Askari Bank Limited	A1+	AA+	PACRA	-	867
Allied Bank Limited	A1+	AA+	JCR-VIS	67,683	207,483
United Bank Limited	A-1+	AAA	PACRA	4,471,629	137,627
BankIslami Pakistan Limited	A1	A+	PACRA	2,090	1,437
Bank Al-Habib Limited	A1+	AA+	JCR-VIS	35,174	220,659
Summit Bank Limited	A-1	A-	JCR-VIS	58,597	174,613
Dubai Islamic Bank (Pakistan) Limited	A-1	A+	Moody's	385,681	196,278
Citibank, N.A	P-1	A1	Moody's	200,041	250,971
HSBC Bank Middle East Limited	P-2	A3	PACRA	-	1,045
SME Bank Limited	B	B	PACRA	47	786
Silkbank Limited	A-2	A-	PACRA	12,137	1,560
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	60,781	46,695
JS Bank Limited	A1+	A+	PACRA	3,250,052	51
Meezan Bank Limited	A-1+	AA	JCR-VIS	44,511	36,229
Sindh Bank Limited	A-1+	AA	JCR-VIS	158	1
Other banks	A-2	A-	JCR-VIS	35,433	12,902
Khushhali Bank Limited	A-1	A+	JCR-VIS	1,324,389	351,174
Tameer Microfinance Bank Ltd	A-1	A+	JCR-VIS	812,165	-
Zari Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	1,100	1,100
Mobilink Micro Finance Bank Limited	A1	A	PACRA	1,206,349	-
NRSP Bank Limited	A-2	A-	JCR-VIS	200,877	-
Mutual funds					
- HBL Cash Management Fund		AA(f)	JCR-VIS	401	-
- ABL Cash Management Fund		AA(f)	JCR-VIS	22,373	-
- UBL Cash Management Fund		AA(f)	JCR-VIS	38,060	-
				35,520,248	29,373,644

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

(c) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities as at December 31, 2016:

	Carrying amount Rs '000	Less than one year Rs '000	One to five years Rs '000	More than five years Rs '000
Long term loans from banks	26,975,000	838,333	22,803,333	3,333,334
Liability against assets subject to finance lease	36,289	34,401	1,888	-
License fee payable	15,733,070	4,504,874	5,433,996	5,794,200
Long term security deposits	1,493,177	-	549,426	943,751
Employees retirement benefits	24,121,967	-	-	24,121,967
Long term vendor liability	38,667,221	9,679,951	28,987,270	-
Trade and other payables	71,463,996	71,463,996	-	-
Interest accrued	580,142	580,142	-	-
Forward foreign exchange contracts	77,657	77,657	-	-
Customers deposits	7,579,990	5,179,565	2,400,425	-
	186,728,509	92,358,919	60,176,338	34,193,252

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 loans from banks	21,000,000	25,000	15,225,000	5,750,000
Short term running finance	427,428	427,428	-	-
Liability against assets subject to finance lease	57,270	31,977	25,293	-
License fee payable	27,403,776	7,584,902	12,986,954	6,831,920
Long term security deposits	1,576,434	-	548,499	1,027,935
Employees retirement benefits	32,372,480	-	-	32,173,440
Long term vendor liability	26,802,603	2,163,554	24,639,049	-
Trade and other payables	59,189,010	59,189,010	-	-
Interest accrued	554,585	554,585	-	-
Customers deposits	1,065,316	959,008	106,308	-
	170,448,902	70,935,464	53,531,103	45,783,295

48.2 Fair value of financial assets and liabilities

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

48.3 Financial instruments by categories

	Available for sale		Loans and receivables		Total	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
Financial assets as per statement of financial position						
Long term investments	83,900	83,900	-	-	83,900	83,900
Long term loans and advances	-	-	2,200,034	2,359,788	2,200,034	2,359,788
Trade debts	-	-	15,008,567	15,549,034	15,008,567	15,549,034
Loans and advances	-	-	6,282,398	2,643,569	6,282,398	2,643,569
Investment in finance lease	-	-	91,543	148,368	91,543	148,368
Accrued interest	-	-	727,644	221,179	727,644	221,179
Receivable from the Government of Pakistan	-	-	2,164,072	2,164,072	2,164,072	2,164,072
Deposits and other receivables	-	-	4,245,265	1,066,008	4,245,265	1,066,008
Short-term investments	338,430	180,483	28,041,701	26,388,803	28,380,131	26,569,286
Cash and bank balances	-	-	8,775,467	3,134,442	8,775,467	3,134,442
	422,330	264,383	67,536,691	53,675,263	67,959,021	53,939,646

	Liabilities at fair value through profit and loss		Other financial liabilities		Total	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
Financial liabilities as per statement of financial position						
Loans from Banks	-	-	26,975,000	21,000,000	26,975,000	21,000,000
Liability against assets subject to finance lease	-	-	36,289	57,270	36,289	57,270
License fee payable	-	-	15,733,070	27,403,776	15,733,070	27,403,776
Long term security deposits	-	-	1,493,177	1,576,434	1,493,177	1,576,434
Employees retirement benefits	-	-	24,121,967	32,372,480	24,121,967	32,372,480
Vendor liability	-	-	38,667,221	26,802,603	38,667,221	26,802,603
Customers deposits	-	-	7,579,990	1,065,315	7,579,990	1,065,315
Trade and other payables	-	-	70,254,378	58,005,480	70,254,378	58,005,480
Interest accrued	-	-	580,142	554,585	580,142	554,585
Short term running finance	-	-	-	427,428	-	427,428
Forward foreign exchange contracts	77,657	10,591	-	-	77,657	10,591
	77,657	10,591	185,441,234	169,265,371	185,518,891	169,275,962

NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

48.4 Capital Risk Management

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

The Group's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

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

	2016 Rs '000	2015 Rs '000
49. Employees' provident funds		
Details of the Group's employees provident funds are given below:		
Total assets	4,789,123	4,477,403
Cost of investments made	4,311,712	4,013,550
Percentage of investments made	90.0%	89.6%
Fair value of investments	4,534,478	4,234,135

	2016		2015	
	Rs '000	Percentage	Rs '000	Percentage
Break up of investments - at cost				
Pakistan Investment Bonds	-	-	2,047,865	51.02
Mutual Funds	750,000	17.39	565,000	14.08
Term deposits	2,747,336	63.72	994,948	24.79
Treasury Bills	-	-	371,778	9.26
Interest bearing accounts	814,376	18.89	33,959	0.85
	4,311,712	100.00	4,013,550	100.00

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

50 Transactions with related parties

The Government of Pakistan and Etisalat International Pakistan (EIP), UAE are the majority shareholders of the Group. Therefore, all related entities of the Government of Pakistan and EIP are related parties of the Group. Additionally, the Group's associate T.F. Pipes Limited, directors, chief executive, key management personnel and employee funds are also related parties of the Group. The remuneration of the directors, chief executive and executives is given in note 46 to the financial statements. The amounts due from and due to these related parties are shown under respective receivables and payables. The Group had transactions with the following related parties during the year:

Shareholders

- The Government of Pakistan
- Etisalat International Pakistan

Associated undertakings

- Emirates Telecommunication Corporation
- Etisalat - Afghanistan
- Etihad Etisalat Company
- Etisalat - Srilanka
- Etisalat - Egypt
- Etisalat - Nigeria
- Emirates Data Clearing House
- Etisalat International Zantel Limited
- Thuraya Satellite Telecommunication Company
- T. F. Pipes Limited
- Telecom Foundation
- Atlantique Telecom
- Pakistan MNP Database (Guarantee) Limited

Employees retirement benefit plans

- Pakistan Telecommunication Employees Trust
- PTML - Employees Provident Fund
- PTCL - Employees Gratuity Fund
- PTML - Employees Gratuity Fund
- U Bank - Employees Provident Fund

Other related parties

- Pakistan Telecommunication Authority
- Universal Service Fund - The Government of Pakistan
- National ICT R&D Fund
- Pakistan Electronic Media Regularity Authority
- Related entities of the Government of Pakistan

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Rs '000	2015 Rs '000
Shareholders		
Technical services assistance fee	4,102,083	4,149,636
Associates		
Sale of goods and services	1,825,743	1,656,979
Purchase of goods and services	1,207,424	1,382,778
Expenses reimbursed to Pakistan MNP Database (Gurantee) Limited	16,350	12,667
Employees retirement benefit plan		
Contribution to the plans	12,038,943	7,262,206
Rentals paid to PTET	465,667	440,000
Other related parties		
Sale of goods and services	1,473,171	3,833,730
Charge under license obligations	2,763,458	2,860,584

51. Operating segment information

51.1 Management has determined the operating segments based on the information that is presented to the Board of Directors for allocation of resources and assessment of performance. The Group is organised into two operating segments i.e. fixed line communications (Wire line) and wireless communications (Wireless). The reportable operating segments derive their revenue primarily from voice, data and other services.

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

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

	Wire line Rs '000	Wireless Rs '000	Total Rs '000
Year ended December 31, 2016			
Segment revenue	64,557,346	59,520,926	124,078,272
Inter - segment revenue	(5,055,966)	(1,819,930)	(6,875,896)
Revenue from external customers	59,501,380	57,700,996	117,202,376
Segment results	6,189,293	(4,566,446)	1,622,847
Year ended December 31, 2015			
Segment revenue	67,036,975	58,668,741	125,705,716
Inter - segment revenue	(5,356,418)	(1,788,264)	(7,144,682)
Revenue from external customers	61,680,557	56,880,477	118,561,034
Segment results	7,757,931	(5,889,465)	1,868,466

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

	Wire line Rs '000	Wireless Rs '000	Total Rs '000
As at December 31, 2016			
Segment assets	143,972,324	156,111,937	300,084,261
Segments liabilities	92,166,096	119,731,447	211,897,543
As at December 31, 2015			
Segment assets	143,088,769	148,856,057	291,944,826
Segments liabilities	87,892,741	107,466,019	195,358,760

51.4 Other segment information is as follows:

	Wire line Rs '000	Wireless Rs '000	Total Rs '000
Year ended December 31, 2016			
Depreciation	9,990,324	18,718,012	28,708,336
Amortization	264,207	3,305,421	3,569,628
Finance cost	174,337	3,454,289	3,628,626
Interest income	1,957,143	472,079	2,429,222
Income tax expense	3,029,636	(383,247)	2,646,389
Share of profit from associate	8,781	-	8,781
Year ended December 31, 2015			
Depreciation	10,904,231	17,415,398	28,319,629
Amortization	167,862	3,520,453	3,688,315
Finance cost	279,291	4,939,526	5,218,817
Interest income	1,551,757	377,551	1,929,308
Income tax expense	3,971,016	(1,824,505)	2,146,511
Share of loss from associate	2,343	-	2,343

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

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

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

	2016 Rs '000	2015 Rs '000
Voice	50,677,860	40,941,422
Data	53,524,555	46,383,908
Other services	12,999,961	31,235,704
	117,202,376	118,561,034

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

52. Number of employees

	2016 (Number)	2015 (Number)
Total number of persons employed at year end	18,509	20,002
Average number of employees during the year	20,131	20,170

53. Offsetting of financial assets and liabilities

	Gross amount subject to setoff	Offset	Net amount	Amount not in scope of offsetting	Net as per statement of financial position
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
As at December 31, 2016					
Trade debts	7,889,713	(5,869,609)	2,020,104	21,253,765	23,273,869
Trade creditors	(7,202,976)	5,869,609	(1,333,367)	(9,873,766)	(11,207,133)
As at December 31, 2015					
Trade debts	8,978,365	(6,165,050)	2,813,315	20,360,158	23,173,473
Trade creditors	(8,142,772)	6,165,050	(1,977,721)	(9,021,230)	(10,998,951)

54. Corresponding figures

Following corresponding figures have been reclassified for appropriate presentation of balances.

STATEMENT OF FINANCIAL POSITION

From	To	Rs '000
Current Assets	Non Current liabilities	
Deposits, prepayments and other receivables	Recoverable from tax authorities	1,244,784
Current liabilities	Non Current liabilities	
Trade and other payables	Deferred government grants	571,437
Current liabilities	Current liabilities	
Trade and other payables	Customers deposits	959,008
Current liabilities	Non Current liabilities	
Trade and other payables	Customers deposits	106,308
Non Current liabilities	Current liabilities	
Employee retirement benefits	Trade and other payables	199,040
Equity	Equity	
Unappropriated profit	Statutory and other reserves	2,007

55. Date of authorization for issue

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on February 08, 2017.

Chairman

President & CEO

Annexes


G
B
A
C
H
D

PATTERN OF
SHAREHOLDING
AS AT DECEMBER 31, 2016

No. of shareholders	Shareholdings From	Shareholdings To	Total shares held
24,890	1	100	2,458,797
8,989	101	500	2,793,760
3,009	501	1,000	2,683,522
3,608	1,001	5,000	9,980,682
1,108	5,001	10,000	9,266,257
383	10,001	15,000	5,027,824
306	15,001	20,000	5,677,462
212	20,001	25,000	5,041,703
123	25,001	30,000	3,537,348
69	30,001	35,000	2,302,353
79	35,001	40,000	3,067,083
40	40,001	45,000	1,736,892
109	45,001	50,000	5,422,086
26	50,001	55,000	1,379,401
26	55,001	60,000	1,531,300
18	60,001	65,000	1,133,800
31	65,001	70,000	2,116,464
20	70,001	75,000	1,475,590
16	75,001	80,000	1,264,100
10	80,001	85,000	832,300
23	85,001	90,000	2,034,000
5	90,001	95,000	465,000
78	95,001	100,000	7,785,556
7	100,001	105,000	717,600
6	105,001	110,000	650,500
6	110,001	115,000	679,600
13	115,001	120,000	1,549,000
13	120,001	125,000	1,602,776
10	125,001	130,000	1,292,086
7	130,001	135,000	935,321
5	135,001	140,000	696,680
3	140,001	145,000	427,500
17	145,001	150,000	2,542,528
4	150,001	155,000	603,900
6	155,001	160,000	952,700
4	160,001	165,000	653,000
10	170,000	175,000	1,728,500
4	175,001	180,000	714,500
2	180,001	185,000	367,000
5	185,001	190,000	943,500
30	195,001	200,000	5,992,500
4	200,001	205,000	816,800
6	205,001	210,000	1,254,500
2	210,001	215,000	426,000
2	215,001	220,000	438,000
6	220,001	225,000	1,347,000
3	230,000	235,000	695,000
1	235,001	240,000	236,000
2	240,001	245,000	485,500
7	250,000	255,000	1,752,000
1	255,001	260,000	256,000
1	265,000	270,000	265,000
3	270,001	275,000	817,000
3	275,001	280,000	832,523
1	280,001	285,000	280,200
1	285,001	290,000	289,000
9	295,001	300,000	2,697,000
4	300,001	305,000	1,207,500
2	310,000	315,000	621,000
1	315,001	320,000	319,500
3	325,000	330,000	975,232

PATTERN OF
SHAREHOLDING
AS AT DECEMBER 31, 2016

No. of shareholders	Shareholdings From	To	Total shares held
1	335,000	340,000	335,000
1	340,001	345,000	340,384
3	345,001	350,000	1,046,500
2	350,001	355,000	708,400
3	360,000	365,000	1,083,000
2	370,001	375,000	744,000
2	385,001	390,000	776,873
6	395,000	400,000	2,393,500
3	400,001	405,000	1,207,600
1	410,000	415,000	410,000
1	430,001	435,000	434,000
3	445,001	450,000	1,344,000
1	455,001	460,000	457,000
1	470,001	475,000	470,500
1	475,001	480,000	479,644
1	490,001	495,000	494,000
13	495,001	500,000	6,495,000
1	500,001	505,000	503,500
1	505,001	510,000	509,877
1	515,001	520,000	516,500
1	525,000	530,000	525,000
1	550,001	555,000	552,000
1	565,001	570,000	568,880
2	570,001	575,000	1,145,149
1	575,001	580,000	577,448
1	590,001	595,000	594,500
2	600,000	605,000	1,200,500
1	605,001	610,000	607,000
1	635,001	640,000	637,400
1	645,001	650,000	649,000
2	660,001	665,000	1,322,823
1	675,000	680,000	675,000
1	690,001	695,000	690,400
2	700,000	705,000	1,400,000
1	710,001	715,000	711,500
1	720,001	725,000	723,500
1	740,001	745,000	742,000
1	750,001	755,000	754,750
3	785,001	790,000	2,358,856
1	835,001	840,000	838,000
1	900,001	905,000	903,000
1	905,001	910,000	908,000
1	950,001	955,000	953,000
5	995,001	1,000,000	4,998,524
2	1,035,001	1,040,000	2,073,400
1	1,075,001	1,080,000	1,075,500
2	1,100,000	1,105,000	2,201,500
1	1,120,001	1,125,000	1,122,970
1	1,145,001	1,150,000	1,145,700
2	1,195,001	1,200,000	2,395,292
1	1,205,001	1,210,000	1,208,000
1	1,210,001	1,215,000	1,213,500
1	1,240,001	1,245,000	1,244,000
2	1,300,000	1,305,000	2,602,000
1	1,315,001	1,320,000	1,316,978
2	1,325,001	1,330,000	2,652,000
1	1,330,001	1,335,000	1,333,103
1	1,340,001	1,345,000	1,342,500
1	1,400,000	1,405,000	1,400,000
1	1,470,000	1,475,000	1,470,000
1	1,500,000	1,505,000	1,500,000
1	1,540,001	1,545,000	1,541,100
1	1,560,001	1,565,000	1,560,500

No. of shareholders	Shareholdings From	To	Total shares held
1	1,630,001	1,635,000	1,632,500
1	1,770,001	1,775,000	1,773,500
1	1,860,001	1,865,000	1,861,500
1	1,900,001	1,905,000	1,902,100
1	1,945,001	1,950,000	1,949,200
3	2,000,000	2,005,000	6,000,000
1	2,045,001	2,050,000	2,045,500
1	2,150,001	2,155,000	2,153,500
1	2,290,000	2,295,000	2,290,000
1	2,470,001	2,475,000	2,471,500
1	2,480,001	2,485,000	2,481,000
1	2,500,000	2,505,000	2,500,000
1	2,575,000	2,580,000	2,575,000
1	2,615,001	2,620,000	2,617,562
1	2,625,001	2,630,000	2,626,500
2	2,685,000	2,690,000	5,370,884
1	2,695,000	2,700,000	2,695,000
1	2,765,001	2,770,000	2,767,500
1	2,870,001	2,875,000	2,874,417
1	3,010,001	3,015,000	3,011,000
1	3,015,001	3,020,000	3,018,500
1	3,080,001	3,085,000	3,084,050
1	3,105,001	3,110,000	3,109,500
1	3,140,001	3,145,000	3,143,500
1	3,175,000	3,180,000	3,175,000
1	3,345,001	3,350,000	3,347,600
1	3,440,000	3,445,000	3,440,000
1	3,450,001	3,455,000	3,451,639
1	3,580,001	3,585,000	3,583,950
1	3,620,001	3,625,000	3,623,600
1	4,500,000	4,505,000	4,500,000
1	4,750,001	4,755,000	4,751,000
1	6,030,001	6,035,000	6,033,500
1	6,080,001	6,085,000	6,084,000
1	9,055,001	9,060,000	9,057,500
1	10,080,001	10,085,000	10,081,000
1	10,625,000	10,630,000	10,625,000
1	15,465,000	15,470,000	15,465,000
1	15,860,001	15,865,000	15,864,000
1	27,185,001	27,190,000	27,188,000
1	35,565,001	35,570,000	35,566,354
1	55,890,001	55,895,000	55,893,800
1	57,060,001	57,065,000	57,060,074
1	63,930,001	63,935,000	63,930,500
1	196,385,001	196,390,000	196,387,991
1	407,805,001	407,810,000	407,809,524
1	918,190,001	918,195,000	918,190,476
1	2,974,680,001	2,974,685,000	2,974,680,002
43,549		**TOTAL:**	**5,100,000,000**

CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2016

S. No.	Categories of Shareholders	No. of shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	10	245,009	0.00
2	President of Pakistan	2	3,171,067,993	62.18
3	Associated Companies, undertakings and related parties	2	1,326,000,000	26.00
4	NIT and ICP	3	3,400	0.00
5	Banks, Development Financial Institutions, Non-Bank Financial Institutions	26	161,176,887	3.16
6	Insurance Companies	17	66,614,436	1.31
7	Modarabas and Mutual Funds	50	34,584,383	0.68
8	Shareholders holding 10%	4	4,497,067,993	88.18
9	General Public :			
	a. Local	42,815	154,847,399	3.04
	b. Foreign	336	538,401	0.01
10	Others	288	184,922,092	3.63
	Total (excluding : shareholders holding 10%)	43,549	5,100,000,000	100.00

Trades in PTCL Shares

The Directors, Chief Executive Officer, Chief Finanncial Officer, Company Secretary, Head of Internal Audit and their spouses and minor children have not traded in PTCL shares during the year ended December 31, 2016.

INFORMATION AS REQUIRED UNDER CCG

AS AT DECEMBER 31, 2016

S. No.	Shareholder's category	Number of shareholders	Number of shares held
i.	**Associated Companies, Undertakings and Related Parties**		
	ETISALAT INTERNATIONAL PAKISTAN (LLC)	1	918,190,476
	ETISALAT INTERNATIONAL PAKISTAN (LLC)	1	407,809,524
	Total :	2	1,326,000,000
ii.	**Mutual Funds**		
	CDC - TRUSTEE AKD INDEX TRACKER FUND	1	127,017
	CDC - TRUSTEE AKD OPPORTUNITY FUND	1	2,685,000
	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	670
	CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	1	6,500
	CDC - TRUSTEE ALFALAH GHP INCOME MULTIPLIER FUND - MT	1	77,500
	CDC - TRUSTEE ALFALAH GHP SOVEREIGN FUND - MT	1	15,700
	CDC - TRUSTEE APF-EQUITY SUB FUND	1	363,000
	CDC - TRUSTEE APIF - EQUITY SUB FUND	1	450,000
	CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT	1	7,000
	CDC - TRUSTEE ATLAS INCOME FUND - MT	1	1,036,900
	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	2,500,000
	CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	4,751,000
	CDC - TRUSTEE DAWOOD ISLAMIC FUND	1	50,000
	CDC - TRUSTEE FAYSAL MTS FUND - MT	1	26,000
	CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	1	637,400
	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	50,000
	CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	660,823
	CDC - TRUSTEE MCB DYNAMIC CASH FUND - MT	1	516,500
	CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	500,000
	CDC - TRUSTEE MEEZAN BALANCED FUND	1	10
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	39,037
	CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND	1	207,000
	CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	1	1,902,100
	CDC - TRUSTEE NAFA STOCK FUND	1	3,175,000
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,685,884
	CDC - TRUSTEE NIT INCOME FUND - MT	1	37,500
	CDC - TRUSTEE NIT STATE ENTERPRISE FUND	1	1,333,103
	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	3,451,639
	CDC - TRUSTEE PAKISTAN INCOME ENHANCEMENT FUND - MT	1	122,000
	CDC - TRUSTEE PAKISTAN INCOME FUND - MT	1	27,000
	CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	1	15,000
	CDC - TRUSTEE PIML VALUE EQUITY FUND	1	35,000
	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	70,000
	CDC- TRUSTEE NAFA SAVINGS PLUS FUND - MT	1	289,000
	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	2,695,000
	MCBFSL - TRUSTEE NAFA INCOME FUND - MT	1	594,500
	SAFEWAY FUND LIMITED	1	400,000
	TRUSTEE-BMA CHUNDRIGAR ROAD SAVINGS FUND	1	1,500
	Total :	38	31,541,283

INFORMATION AS REQUIRED UNDER
CODE OF CORPORATE GOVERNANCE
AS AT DECEMBER 31, 2016

S. No.	Shareholder's category	Number of shareholders	Number of shares held
iii.	**Directors and their spouse(s) and minor children**		
	MR. ABDULRAHIM A. AL NOORYANI	1	1
	MR. SERKAN OKANDAN	1	1
	DR. WAQAR MASOOD KHAN	2	245,001
	MR. MUDASSAR HUSSAIN	1	1
	SARDAR AHMAD NAWAZ SUKHERA	1	1
	MR. HESHAM ABDULLA QASSIM AL QASSIM	1	1
	MR. RIZWAN BASHIR KHAN	1	1
	MR. HATEM DOWIDAR	1	1
	MR. KHALIFA AL FORAH AL SHAMSI	1	1
	Total :	10	245,009
iv.	**Executives**	-	-
	Total :	-	-
v.	**Public Sector Companies and Corporations**	4	113,627,274
	Total :	4	113,627,274
vi.	**Banks, Development Finance Institutions, Non-Bank Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds**	63	178,003,926
	Total :	63	178,003,926
vii.	**Shareholders Holding five percent or more Voting Rights**		
	PRESIDENT OF PAKISTAN	2	3,171,067,993
	ETISALAT INTERNATIONAL PAKISTAN (LLC)	2	1,326,000,000
	Total :	4	4,497,067,993

NOTICE OF THE
TWENTY SECOND ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Second Annual General Meeting (the "meeting") of Pakistan Telecommunication Company Limited (the "Company") will be held on Thursday, April 27, 2017 at 10:30 a.m. at S.A. Siddiqui Auditorium, PTCL Headquarters, Sector G-8/4, Islamabad, to transact the following business:

A. Ordinary Business:

1. To confirm minutes of the 21st Annual General Meeting held on April 28, 2016.

2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2016, together with the Auditors' and Directors' reports.

3. To approve the interim cash dividend of 10% (Re. 1 per Ordinary Share) earlier declared and has already been paid to the shareholders for the year ended December 31, 2016.

4. To appoint Auditors for the financial year ending December 31, 2017 and to fix their remuneration. The present auditors Deloitte Yousuf Adil, Chartered Accountants will stand retired on the conclusion of this meeting.

B. Special Business:

5. To obtain approval/consent of the shareholders pursuant to the provisions of SRO No. 470(1)/2016 dated May 31, 2016 issued by Securities and Exchange Commission of Pakistan for transmission of the Company's annual audited accounts through CD/ DVD/USB instead of transmitting the said accounts in hard copies.

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

By order of the Board

Saima Akbar Khattak
Company Secretary

Islamabad
Dated: February 08, 2017

NOTICE OF THE
TWENTY SECOND ANNUAL GENERAL MEETING

Notes:

1. **Participation in the Annual General Meeting**

   Any member of the Company entitled to attend and vote at this meeting may appoint another person as his/her proxy to attend and vote on his/her behalf. A corporate entity, being a member, may appoint any person, regardless whether he is a member or not, as its proxy. In case of corporate entities, a resolution of the Board of Directors /Power of Attorney with specimen signatures of the person nominated to represent and vote on behalf of the corporate entity shall be submitted to the Company along with a completed proxy form. Proxies in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the time fixed for holding the meeting.

2. **Closure of Share Transfer Books**

   The Share Transfer Books of the Company will remain closed from April 18, 2017 to April 27, 2017 (both days inclusive). Transfers received by our Share Registrar, FAMCO Associates (Pvt.) Limited at 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi at the close of business on April 17, 2017 will be treated in time for the purpose of attending the meeting.

3. **Change of Address**

   Members holding shares in physical form are requested to notify any change in address immediately to our Share Registrar, FAMCO Associates (Pvt.) Limited. Members holding shares in CDC/Participants accounts are requested to update their addresses with CDC or their Participants/Stock Brokers.

4. **Notice to shareholders who have not provided their CNICs**

   As per directives of the Securities and Exchange Commission of Pakistan ("SECP") issued vide S.R.O No. 831(I)/2012 dated July 5, 2012, the dividend warrants should bear the Computerized National Identity Card Number ("CNIC") of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholder(s). Members who have not yet submitted photocopies of their valid CNICs are once again requested to provide the same with their respective folio numbers to Company's Share Registrar, FAMCO Associates (Pvt.) Limited to ensure disbursement of their dividend withheld with the Company. Members holding shares in CDC/Participants accounts are also requested to update their CNIC/NTN with CDC or their Participants/Stock Brokers.

5. **Payment of dividend electronically (e-mandate)**

   The SECP through its Circular 8(4) SM/CDC 2008 of April 5, 2013 has announced an e-dividend mechanism. Shareholders can get their dividend credited directly into their respective bank accounts electronically by authorizing the Company to electronically credit their dividend to their accounts. Accordingly, all non CDC shareholders are requested to send their bank account details to the Company's Share Registrar, FAMCO Associates (Pvt.) Limited.

   Shareholders who hold shares with CDC or Participants/ Stock Brokers, are advised to provide the mandate to CDC or their Participants/ Stock Brokers.

6. **Further Guidelines for CDC Account Holders**

   CDC account holders will have to follow the guidelines issued by the SECP through its Circular 1 of January 26, 2000, stated herein below:

   A. For Attending the Meeting

   (i) In case of individuals, the account holder or sub account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original CNIC or original passport at the time of attending the Meeting.

NOTICE OF THE
TWENTY SECOND ANNUAL GENERAL MEETING

(ii) In case of corporate entity, a resolution of the Board of Directors / Power of Attorney with specimen signature of the nominee shall be produced (unless the same has been provided to the Company earlier) at the time of the Meeting.

B. For appointing Proxies

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.

(ii) The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be stated on the proxy form.

(iii) Attested copies of CNICs or passports of the beneficiary owner and the proxy shall be attached with the proxy form.

(iv) The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.

(v) In case of corporate entity, a resolution of the Board of Directors/ Power of Attorney with specimen signature should be submitted along with the proxy form to the Company.

7. Consent for Video Conference Facility

Members can also avail video conference facility in Karachi & Lahore. In this regard please fill the following and submit to registered address of the Company at least 10 days before holding of the meeting.

The video facility will be provided only if the Company receives consent from members holding in aggregate 10% or more shareholding residing at Karachi or Lahore, to participate in the meeting through video conference at least 10 days prior to date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of meeting along with complete information necessary to enable them to access such facility.

I/we _______________ of ___________________, being a member of Pakistan Telecommunication Company Limited holder of __________ Ordinary Shares(s) as per Registered Folio No. ___________ hereby opt for video conference facility at _____________.

Signature of member

8. Audited Financial Statements through Electronic Transmission

The SECP vide SRO No. 470(1)/2016 dated May 31, 2016 has provided an option for shareholders to receive audited financial statements along with notice of annual general meeting electronically through CD/DVD/USB/email instead of receiving the same in hard copies. Hence, members who are interested in receiving the annual reports and notice of annual general meeting electronically in future are required to submit their email addresses and consent for electronic transmission to the share registrar. The consent form in this regard is available on Company's official website www.ptcl.com.pk.

9. **Deduction of withholding tax on the amount of dividend**

The following information is being disseminated for information of the members in accordance with the instructions of the SECP promulgated vide its Circular No. 19/2014 of October 24, 2014;

(i) The Government of Pakistan through Finance Act has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

(a) For filers of income tax returns: 12.5%

(b) For non-filers of income tax returns: 20.0%

To enable the Company to make tax deduction on the amount of cash dividend @ 12.5% instead of 20%, all the shareholders whose names are not entered into the Active Tax-pavers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of future cash dividend otherwise tax on their cash dividend will be deducted as per the rates prescribed by the authority.

(ii) For any further query / problem / information, the investors may contact Company's Share Registrar, FAMCO Associates (Pvt.) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi (Ph. # +9221- 34380101 and +9221-34380102. Email: info.shares@famco.com.pk).

(iii) The corporate shareholders having CDC accounts are required to have their National Tax Number ("NTN") updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to Company or its Share Registrar, FAMCO Associates (Pvt.) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

STATEMENT UNDER SECTION 160 1(b) OF THE COMPANIES ORDINANCE, 1984

This Statement sets out the material fact concerning Special Business to be transacted at the twenty second Annual General Meeting of Pakistan Telecommunication Company Limited (the "Company") to be held on April 27, 2017.

Pursuant to the provisions of the SRO No. 470(1)/2016 dated May 31, 2016 issued by Securities and Exchange Commission of Pakistan ("SECP"), the Company is required to obtain the approval of its shareholders for transmission of its annual audited accounts through CD/DVD/USB instead of transmitting the same in hard copies. Accordingly, the following draft resolution with or without amendments has been proposed for approval of the shareholders in the general meeting.

Resolved that the Company Secretary be and is hereby authorised to transmit the annual audited accounts of the Company along with the notice of the Annual General Meeting to the shareholders through CD/DVD/USB instead of transmitting the said accounts in hard copies as per the consent of the shareholder.

The Directors of the Company have no direct or indirect interest in the special business. The special business is only proposed to comply with the relevant provisions of the SRO issued by the SECP.

NOTES

FORM OF PROXY
PAKISTAN TELECOMMUNICATION COMPANY LIMITED

ptcl

I / We ____

of ____

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

Ordinary Shares as per Share Register Folio No. ____________________ and / or CDC Participant 1.D. No.

____________________ hereby appoint Mr./Mrs./Miss ____________________

of ____________________ as my / our proxy to vote for me / us and on my / our behalf at the Twenty Second Annual General Meeting of the Company to be held on Thursday, April 27, 2017 at 10:30 a.m. and at any adjournment thereof.

Signed this ____________ day of ____________ 2017.

Five Rupees Revenue stamp

For beneficial owners as per CDC List.

1. Witness

____

Signature

Name ____________________

____

Address ____________________

____

____

CNIC No. | | | | | | - | | | | | | | | - | |

or Passport No. ____________________

2. Witness

____

Signature

Name ____________________

____

Address ____________________

____

____

CNIC No. | | | | | | - | | | | | | | | - | |

or Passport No. ____________________

Notes:

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

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

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

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

AFFIX
CORRECT
POSTAGE

To,

The Company Secretary,

Pakistan Telecommunication Company Limited

PTCL Headquarters, Sector G-8/4,

Islamabad-44000

FORM OF PROXY
Pakistan Telecommunication Company Limited

پراکسی فارم
پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ

میں مسمی/مسمات ______________________________

ساکن ______________________________

بحیثیت ممبر پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ، حامل ______________________________ عمومی حصص
تعداد حصص (شیئرز)

درج شدہ فولیو نمبر/سی ڈی سی (CDC) اکاؤنٹ نمبر ______________________________، اپنی جگہ مسمی/مسمات ______________________________

ساکن ______________________________ کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تا کہ وہ میری جگہ اور

میری طرف سے کمپنی کے 22 ویں سالانہ اجلاس عام، جو بتاریخ 27 اپریل 2017ء بروز جمعرات بوقت 10:30 بجے صبح منعقد ہو رہا ہے یا اس کے ملتوی

شدہ اجلاس میں شرکت کرسکیں اور ووٹ ڈال سکیں۔

مورخہ: ______________________________

جگہ برائے 5 روپے
کے رسیدی ٹکٹ
اور اُن پر حصے دار کے
درج شدہ (رجسٹرڈ) دستخط

گواہان:

1.

دستخط: ______________________________

نام گواہ: ______________________________

پتہ: ______________________________

____

____

شناختی کارڈ/پاسپورٹ نمبر: ______________________________

2.

دستخط: ______________________________

نام گواہ: ______________________________

پتہ: ______________________________

____

____

شناختی کارڈ/پاسپورٹ نمبر: ______________________________

ٹکٹ
یہاں چسپاں کریں

کمپنی سیکریٹری
پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ
پی ٹی سی ایل، ہیڈکوارٹرز، سیکٹر G-8/4
اسلام آباد-44000 پاکستان