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BOARD OF DIRECTORS

Chairman PTCL Board

Rizwan Bashir Khan

Members PTCL Board

Abdulrahim A. Al Nooryani

Tariq Bajwa

Hatem Dowidar

Serkan Okandan

Shahid Mahmood

Khalifa Al Shamsi

Hesham Al Qassim

Mudassar Hussain

CORPORATE INFORMATION

Management

Dr. Daniel Ritz

President & Chief Executive Officer

Taimur Qadar Khattak

Acting Chief Financial Officer

Syed Mazhar Hussain

Chief Human Resource Officer

Saad Muzaffar Waraich

Chief Technology and Information Officer

Sikandar Naqi

Chief Business Development Officer

Adnan Shahid

Chief Commercial Officer

Kamal Ahmed

Chief Digital Services Officer

Jahanzeb Taj

Chief Business Operations Officer

Muhammad Shehzad Yousuf

Chief Internal Auditor

Moqem ul Haque

Chief Strategy Officer

Company Secretary

Saima Akbar Khattak

Legal Advisor

Zahida Awan

Executive Vice President (Legal)

Bankers

Conventional

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al Habib Limited

The Bank of Punjab

Citibank N.A. - Pakistan

Faysal Bank Limited

Habib Metropolitan Bank Limited

Habib Bank limited

Industrial and Commercial Bank of China Limited

JS Bank Limited

Khushhali Bank Limited

MCB Bank Limited

National Bank of Pakistan

NIB Bank Limited

Soneri Bank Limited

Standard Chartered Bank (Pakistan) Limited

Telenor Microfinance Bank Limited

(Formerly Tameer Microfinance Bank Limited)

The Bank of Khyber

U Microfinance Bank Limited

United Bank Limited

Islamic

Meezan Bank

Registered Office

PTCL Headquarters,

Sector G-8/4,

Islamabad-44000, Pakistan.

Fax: +92-51-2263733

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

Web: www.ptcl.com.pk

Auditors

Deloitte Yousuf Adil

Chartered Accountants

Share Registrar

FAMCO Associates (Pvt.) Limited

8-F, Next to Hotel Faran, Nursery,

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

Tel: +92-21-34380101-2

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

DIRECTORS' REPORT

The Directors of Pakistan Telecommunication Company Limited (PTCL) are pleased to present to the shareholders the un-audited financial information of the Company for the three months ended 31st March 2017.

For the last 70 years, your Company has served generations of customers by providing up-to-date telecom services. Equipped with such rich experience, PTCL remains committed to be the partner of choice for the current and future generations of Pakistan as well. Towards this end, your Company will continue to provide high-quality ICT services - flagship of which is Data service with unparalleled speeds - to all segments of our esteemed customer base ranging from households to enterprises and other carriers at affordable prices thus retaining our competitive edge in the telecom industry. For this purpose, all business constituents are being constantly improved encompassing network transformation in synergized manner, enhancement in customer service processes through increased digitization, reengineering of internal processes and PTCL's brand management in all the available media forums.

The succeeding paragraphs briefly cover performance of PTCL for the first three months of current financial year of 2017.

1. FINANCIAL PERFORMANCE

During the first quarter of 2017, PTCL's revenue recorded a sequential growth of 2% over preceding quarter of 2016. Revenue from DSL, wholesale services and international increased over same quarter last year. With effective cost optimizations measures, the operating expenses were reduced by 2% over same period last year. Excluding the one-off expenditures and non-operating incomes included in the current quarter as well as corresponding period of last year, the net profitability of PTCL increased by 3% in a like-to-like comparison.

PTCL Group earned Rs. 28.8 billion revenue during the quarter. The operating expenses were reduced by 1%. The net profitability of PTCL Group in the first quarter of 2017 increased by 54% over same period last year in a like-to-like comparison excluding the impact of one-off expenditures and non-operating incomes included in both the periods. The financial position of PTCL Group remained strong during the period as is evident from 9% increase in cash-based funds in the form of short-term investments and cash and bank balances.

2. PRODUCTS AND SERVICES

a. Wireline Business

During the period, your Company introduced various new packages facilitating the wireline customers with higher data rates and volumes with no / insignificant increase in the price.

A time-bound Double-Up Promotion for 1 Mbps and 2 Mbps broadband customers was launched enticing them to upgrade to next higher speed package for nominal extra charges. The promotion was well received by the relevant customer groups.

Cognizant of the demand of higher data volumes and to further promote wireline broadband usage, subscribers of the capped packages of 2 Mbps Economy and 4 Mbps Starter were provided with significant increase in monthly usage quota at the same price. Similarly, broadband speeds of 1 Mbps and 2 Mbps customers in Karachi were doubled with no extra charge. Further, the 8 Mbps customers in the pilot project of Gujranwala site exchange were upgraded to 20 Mbps Unlimited for the given period within the same price. Objective of all these campaigns is to provide customers with the taste of higher speeds and thus later migration to superior packages.

PTCL also partnered with Pakistan Army to provide voice and broadband services throughout Pakistan for National Census 2017 project.

b. Wireless Business

Through a new Double Volume offer, the wireless subscribers recharging or purchasing 3G EVO or CharJi LTE were enabled to enjoy double the volume at the same monthly charges. The time-bound double volume offer is valid for subsequent recharges as well. The campaign is aimed to increase the volume of recharges as well as to enlist new subscribers.

c. Contents & Multimedia

Smart TV services were further enhanced by adding new features. Enrichment of Live TV section was undertaken with the addition of new channels in the regional genre. The Smart TV Channel lineup was also further refined for customer convenience.

ICFLIX bundle was launched in collaboration with ICFLIX, a Middle Eastern streaming and VoD (Video on Demand) platform enabling Smart TV and Smart TV App customers to access the content like Hollywood and Bollywood movies at their convenience.

Enrichment of e-junior VoD bundle was provided by e-Vision (Subsidiary of Etisalat) for provision of Kids' content on Smart TV which ranges from pre-school series to grown-up children titles. In this context, an 'E-junior contest' was launched for children to participate in and win exciting prizes.

'Noor' - Pakistan's first musical telefilm was launched exclusively on Smart TV and Smart TV App. The movie was well received by the audience.

d. Digital Services

With the commitment to introduce modern and state-of-the-art services and solutions for enterprise customers commensurate with their contemporary requirements, your Company continued with project-based collaborations with strategic partners to enable development and delivery of tailor-made one-stop-solutions for enterprise customers. In line with the customers' needs, PTCL revamped its managed service portfolio and accordingly re-launched products like TDD (Time Division Duplex), LTE (Long Term Evolution) and Managed Wi-Fi with enhanced features. As a result of these measures, revenue from enterprise segment during the period increased over corresponding quarter of last year.

On completion of the market survey conducted in collaboration with research organizations with the objective to evaluate the current needs of SMEs (Small and Medium Enterprises) and to provide custom-made solutions, PTCL is developing products and services to meet the identified needs. In this regard, Cloud offering is one of the key growth driver.

To ensure faster turnaround time of customer requests, the related digital business processes were duly realigned. Further, to enhance the skill set of the field teams, country-wide training sessions were conducted.

3. SUPPORT FUNCTIONS

a. Network Infrastructure

During the period PTCL continued the impetus to further augment its networks with latest technologies in line with the ever-growing demand of higher data rate services from all the customer segments. At the same time, reconfiguration of network elements and process re-engineering is also being implemented in the light of recommendation of the consultants who carried out a comprehensive audit of PTCL and Ufone networks last year.

With regard to the on-going transformation of wireline access network, 26,000 VDSL2 ports were added at indoor sites of 13 exchanges to facilitate higher data rate contents. Further, additional 19 exchanges across the country would be similarly transformed during 2017. The said transformation is inclusive of all the relevant network components i.e. access, IP and core networks. The initiative will help to preserve competitive edge of PTCL in broadband data services in the foreseeable future.

To migrate the 3G EVO wireless broadband service to Charji LTE, PTCL is upgrading 240 existing sites in three regions which would help to provide Charji LTE service up to 75 Mbps as compared to present speed of 9.3 Mbps for 3G EVDO based solution.

For the transport network resilience, various measures were undertaken to remove single point of failure in the network. Besides deployment of new core and intercity capacity, PTCL implemented on-line functionality of OTDR (Optical Time Domain Reflectometer) enabling operation teams to quickly identify accurate location of the fiber cuts thus improving mean time for restoration. New 100G back-haul network was installed on the international landing sites.

Besides, fast charge batteries were deployed at 500 BTS and MSAG sites to counter electricity outages especially in summer season thus ensuring uninterrupted service to our esteemed customers.

b. Customer Care

To further enhance the customer related processes, your Company is constantly increasing digitization in all the domains of sales, services and support. In this direction, the customer service activations now take into account the actual service usage as well which further augments the automation of service activation process.

In furtherance of the on-going revamping of One Stop Shops (OSS), PTCL has initiated to establish customer touch points in 60 exchanges located in remote areas to provide sale and service facilities to the customers at their door step.

To keep the customer support staff updated with latest product and service offerings, a monthly internet-based quiz was launched among the related staff. Further, through training, the skill set of technical support agents at the support helpline was enhanced to increase first call resolutions thus reducing workload for the field teams.

PTCL also introduced delivery of wireless devices and biometric verification through couriers thus enabling online sales through debit/credit cards as well as cash on delivery thereby improving delivery time and sales for wireless devices. Besides, to promptly address bill-delivery issues, the CRM (Customer Relationship Management) application, inter-alia, now contains individual customer-wise record of past half year bill deliveries which helps to redress the customer complaints quickly.

As a result of the improvements achieved in customer related processes, the QMS (Quality Management System) certification of PTCL's contact centers was extended after the surveillance audit of ISO (9001:2008).

c. Information Technology (IT)

To align organizational business processes with international process frameworks like eTOM, ITIL, ISO 20000 etc., a BPM (Business Process Management) program was initiated to further improve governance, compliance, productivity and efficiency across the organization. Key rolled-out processes during the period comprise of complaint management for consumer and carrier customers as well as service provisioning for carrier segment.

To enhance PTCL's standing as a major public cloud service provider, your Company launched self-service portals for cloud IaaS services enabling corporate customers to design, deploy and manage their own virtual data centers comprising of virtual servers, storage and network.

Under synergy initiatives, various IT platforms containing OSS (Operational Support Systems), BSS (Business Support Systems) and ESS (Enterprise Resource Systems) of PTCL and Ufone are being consolidated in a single platform based upon latest technology. Besides significantly improving efficiency of related systems, the initiative will also help to optimize the associated operating costs.

In line with the network transformation, PTCL also revamped the related enterprise data warehouse and reporting paradigm enabling data analysis and report development by the users through simpler operational structure which in turn facilitates instant decision making and campaign management thus addressing customers preferences in real-time basis.

Further, through in-house skill enhancement, your Company now manages the required improvements and maintenance of vital CRM application as well as internal file management system by itself which has helped to reduce the related operating expenditure.

d. Human Resources

Cognizant of the dynamic and competitive business environment in telecom industry, various initiatives were undertaken to enrich your Company's talent base. Second batch of fresh graduates from reputable universities was hired in PTCL Summit program. A rigorous capability assessment exercise of middle management of technology function is underway to improve the required skill sets thereby optimally utilizing the best talent for business critical positions.

Further, customized training programs encompassing functional skills up-gradation and customer orientation for TPIs (Triple Play Installers) were conducted across PTCL. A special workshop on 'Stepping up our Service Culture' by the world's renowned consultant was organized for the senior leadership across Pakistan. Moreover, 'Technology Expedition' was conducted for the top tier of technology function to enhance strategic alignment and collaboration.

For wellbeing of the employees, HSE (Health Safety and Environment) and First Aid trainings for CSRs (Customer Service Representatives) and CPEIs (Customer Premises Equipment Installers) were conducted. Your Company also introduced certain new employees' benefits e.g. evening clinic services and paternity leave for the male employees. Effectiveness of Performance Management System (PMS) was further improved through various measures like addition of new competencies for non-management employees in the performance evaluation cycle. Also, various activities including Wall of Fame, PTCL Fiesta 2017, exclusive theatrical play and various sports events were arranged for the motivation of the employees.

International Women's Day was celebrated to recognize the role of women in the workplace. Your Company also received the 'EFP Award for Excellence in Women Empowerment 2017' at the International Women's Day Conference, for having progressive gender policies and best practices to empower women at work.

e. Corporate Social Responsibility (CSR)

During the period, PTCL arranged special medical camps for under-privileged segments of society in rural areas and also for the educational institutions of orphans and special children. A total of 95 mobile medical units were set up and 59 health awareness activities were conducted in remote areas of Pakistan. Being an eco-friendly organization, PTCL also participated in CDA Tree Plantation Campaign.

f. Marketing & Communication

During the quarter, numerous 360 degree product marketing campaigns e.g. PTCL Double up Offer, 2 Mbps Starter Package and Double Volume Offer were launched. For PTCL's Smart TV service, 'Noor', a telefilm with high rating in its genre, was sponsored and included in Smart TV content library enabling customers to enjoy the movie at their convenience.

To improve PTCL's brand image, your Company sponsored Islamabad United cricket team in the Pakistan Super League (PSL) tournament which was appreciated by the cricketing fans across the country. Also, 2017 being the 70th year of PTCL connecting the nation, your

Company marked the occasion by launching a press and digital campaign on 23rd March – the Pakistan Resolution day.

PTCL's footprint on digital forums e.g. Facebook, Twitter, YouTube, Google etc., grew further during the period as these platforms were utilized not only to offer products directly to the relevant audience but also enabled the customers to connect with PTCL more conveniently and access timely customer support.

Through effective communication strategies, positive reputation of your Company was ensured through proactive perception management and engagement of key audiences and stakeholders through media.

The management and employees of PTCL remain committed to provide quality service at competitive prices through concentrated efforts to be the partner of choice for our customers and also to improve shareholders' value.

On behalf of the Board,



Rizwan Bashir Khan
Chairman



Dr. Daniel Ritz
President & Chief Executive Officer

Islamabad: April 13, 2017

مالیاتی جائزہ برائے سہ ماہی 31 مارچ 2017

پاکستان ٹیلی کمیونیکیشن کمیشن (پی ٹی سی ایل) کے ڈائریکٹرز 31 مارچ 2017 کو ختم ہونے والی سہ ماہی کے غیر آڈٹ شدہ مالیاتی معلومات اپنے حصص یافتگان کے سامنے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

گذشتہ 70 سالوں سے آپ کی کمپنی نے جدید موصلاتی سروسز فراہم کرتے ہوئے کئی نسلوں کی خدمت کی ہے۔ اس وسیع تجربہ کی بنیاد پر پی ٹی سی ایل موجودہ اور آنے والی نسلوں کے پسندیدہ معاون ہونے کے لیے پُر عزم ہے۔ اس ضمن میں کمپنی بہترین ICT سروسز فراہم کر رہی ہے۔ جس میں ڈیٹا سروسز اپنی بے مثال رفتار کے ساتھ سرفہرست ہے جو کہ اپنے معزز صارفین کے تمام طبقات جن کا شمار گھریلو سے لے کر کاروباری صارفین اور دوسرے کیریئرز میں ہوتا ہے کو مناسب قیمتوں پر مہیا کرتے ہوئے موصلاتی صنعت میں اپنی مسابقتی برتری برقرار رکھے ہوئے ہے۔ اس مقصد کے لیے تمام کاروباری اجزاء کو مسلسل بہتر کیا جا رہا ہے جن میں نیٹ ورک میں تبدیلی، کسٹمر سروسز پروسیس میں بہتری اور پی ٹی سی ایل برانڈز کی تمام میڈیا فورمز پر دستیابی ہے۔

مالیاتی کارکردگی

2017 کی پہلی سہ ماہی کے دوران پی ٹی سی ایل کی آمدن میں گذشتہ برس 2016 کی آخری سہ ماہی کے مقابلے میں 2 فیصد اضافہ ہوا۔ گذشتہ برس کی تقابلی سہ ماہی کے مقابلے میں DSL، ہول سیل سروسز اور بین الاقوامی آمدن میں اضافہ ہوا۔ گذشتہ برس کی اس مدت کے مقابلے میں لاگت میں کمی کے لیے کئے گئے موثر اقدامات کی وجہ سے پی ٹی سی ایل کے آپریٹنگ اخراجات میں 2 فیصد کمی رونما ہوئی۔

غیر معمولی انفرادی نوعیت کے اخراجات اور غیر آپریٹنگ آمدنیوں کی شمولیت کے بغیر جو کہ موجودہ سہ ماہی اور گذشتہ برس کی اسی سہ ماہی کا حصہ رہے ہیں، پی ٹی سی ایل کے خالص منافع پذیری میں 3 فیصد اضافہ ہوا۔

پی ٹی سی ایل گروپ کو اس سہ ماہی کے دوران 28.8 بلین روپے کی آمدن ہوئی۔ آپریٹنگ اخراجات میں 1 فیصد کمی ہوئی۔ پی ٹی سی ایل گروپ کی خالص منافع پذیری 2017 کی سہ ماہی میں گذشتہ سال اس مدت کے مقابلے میں 54 فیصد بڑھی جو کہ غیر معمولی انفرادی نوعیت کے اخراجات اور غیر آپریٹنگ آمدنیوں کی شمولیت کے بغیر ہے جو کہ دونوں ادوار میں شامل تھیں۔

پی ٹی سی ایل گروپ کی مالی حالت اس مدت میں کافی مستحکم رہی جیسا کہ Cash based Funds میں 9 فیصد اضافے سے عیاں ہے جو کہ مختصر مدت کی سرمایہ کاری اور بینک بیننس کی صورت میں ہے۔

پی ٹی سی ایل کی انتظامیہ اور ملازمین پُر عزم ہیں کہ وہ اپنی انتھک محنت کے ذریعے صارفین کو اعلیٰ خدمات مسابقتی قیمت پر مہیا کریں اور صارفین کے لیے بہترین معاون تصور ہوں تاکہ شیئر ہولڈرز کی قدر میں اضافہ ہو۔

مخائبہ بورڈ آف ڈائریکٹرز



ڈاکٹر ڈینیل رٹو

صدر و چیف ایگزیکٹو آفیسر

اسلام آباد: 13 اپریل 2017



رضوان بشیر خان
چیئرمین پی ٹی سی ایل بورڈ



**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED
MARCH 31, 2017 (UN-AUDITED)**

	Note	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
Assets			
Fixed assets			
Property, plant and equipment	5	94,270,881	94,779,483
Intangible assets	6	2,256,650	2,332,789
		96,527,531	97,112,272
Long term investments		7,977,300	7,977,300
Long term loans and advances	7	3,047,028	2,152,757
Investment in finance lease		40,010	38,513
		107,591,869	107,280,842
Current assets			
Stores, spares and loose tools		2,440,964	2,742,794
Trade debts		15,468,756	14,227,974
Loans and advances		949,572	676,556
Investment in finance lease		43,176	53,030
Accrued interest		503,729	231,902
Recoverable from tax authorities		15,661,775	14,550,698
Receivable from the Government of Pakistan		2,164,072	2,164,072
Prepayments and other receivables		8,759,790	8,279,236
Short term investments	8	23,000,000	24,000,000
Cash and bank balances	9	4,453,698	5,902,144
		73,445,532	72,828,406
Total assets		181,037,401	180,109,248



President & CEO

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	Note	Three months ended	
		March 31, 2017 Rs '000	March 31, 2016 Rs '000
Revenue		17,508,877	17,997,342
Cost of services		(12,141,755)	(12,551,311)
Gross profit		5,367,122	5,446,031
Administrative and general expenses		(2,291,350)	(2,174,296)
Selling and marketing expenses		(642,975)	(700,095)
		(2,934,325)	(2,874,391)
Operating profit		2,432,797	2,571,640
Other income	11	810,668	2,286,834
Finance costs		(41,033)	(42,457)
Profit before tax		3,202,432	4,816,017
Provision for income tax			
- Current		(1,404,169)	(2,185,502)
- Deferred		347,367	499,896
		(1,056,802)	(1,685,606)
Profit for the period		2,145,630	3,130,411
Earnings per share - basic and diluted (Rupees)		0.42	0.61

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



Chairman



President & CEO

**CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME**
FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	Three months ended	
	March 31, 2017 Rs '000	March 31, 2016 Rs '000
Profit for the period	2,145,630	3,130,411
Other comprehensive income for the period	-	-
Total comprehensive income for the period	2,145,630	3,130,411

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



Chairman



President & CEO

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	Note	Three months ended	
		March 31, 2017 Rs '000	March 31, 2016 Rs '000
Cash flows from operating activities			
Cash generated from operations	12	8,530,060	10,018,047
Employees retirement benefits paid		(228,222)	(348,590)
Payment of voluntary separation schemes		(4,652,155)	(2,733)
Long term security deposits		26	(343)
Purchase of tax loss from PTML		(2,244,885)	-
Income tax paid		(270,362)	(436,146)
Net cash inflows from operating activities		1,134,462	9,230,235
Cash flows from investing activities			
Capital expenditure		(2,831,812)	(2,736,434)
Acquisition of intangible assets		(50,880)	(114)
Proceeds from disposal of property, plant and equipment		2,340	9,301
Short term investments		1,000,000	11,392
Finance lease		12,557	9,340
Long term loans and advances		(879,531)	167,931
Return on long term loans and short term investments		169,702	59,586
Government grants received		-	275,521
Net cash outflows from investing activities		(2,577,624)	(2,203,477)
Cash flows from financing activities			
Dividend paid		(5,284)	(176,588)
Net increase / (decrease) in cash and cash equivalents		(1,448,446)	6,850,170
Cash and cash equivalents at the beginning of the period		5,902,144	5,237,559
Cash and cash equivalents at the end of the period	13	4,453,698	12,087,729

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



Chairman



President & CEO

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	Issued, subscribed and paid-up capital				Revenue reserves			Total
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit			
	(Rupees in '000)							
Balance as at January 01, 2016	37,740,000	13,260,000	2,416,078	30,500,000	2,302,282		86,218,360	
Total comprehensive income for the period								
Profit for the period	-	-	-	-	3,130,411		3,130,411	
Transfer to insurance reserve	-	-	205,210	-	(205,210)		-	
Balance as at March 31, 2016	37,740,000	13,260,000	2,621,288	30,500,000	5,227,483		89,348,771	
Total comprehensive income for the period								
Profit for the period					3,704,123		3,704,123	
Other comprehensive income					160,205		160,205	
Transfer from general reserve					3,864,328		3,864,328	
Final dividend for the year ended December 31, 2015 - Re. 1.00 per share					(3,002,928)		(3,002,928)	
Interim dividend for the year ended December 31, 2016 - Re. 1.00 per share					(5,100,000)		(5,100,000)	
					(5,100,000)		(5,100,000)	
					(7,197,072)		(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	
Total comprehensive income for the period								
Profit for the period					2,145,630		2,145,630	
Transfer to insurance reserve			185,705		(185,705)		-	
Balance as at March 31, 2017	37,740,000	13,260,000	2,806,993	27,497,072	3,854,664		85,158,729	

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



Chairman



President & CEO

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

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), 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

This condensed interim financial information of the Company for the three months ended March 31, 2017 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and judgments made by the management in the preparation of this condensed interim financial information are the same as those used in the preparation of audited financial statements of the Company for the year ended December 31, 2016.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted in the preparation of this condensed interim financial information are consistent with those followed in the preparation of the Company's audited financial statements for the year ended December 31, 2016.

The carrying values of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair values.

	Note	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	84,770,377	85,046,586
Capital work-in-progress		9,500,504	9,732,897
		94,270,881	94,779,483

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	Note	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
5.1 Operating fixed assets			
Opening net book amount		85,046,586	88,231,816
Additions during the period / year at cost	5.2	3,064,205	10,929,584
		88,110,791	99,161,400
Disposals during the period / year - at net book amount		(2,125)	(61,466)
Depreciation charge for the period / year		(3,338,289)	(13,253,473)
Impairment charge for the period / year		-	(799,875)
		(3,340,414)	(14,114,814)
Closing net book amount		84,770,377	85,046,586
5.2 Detail of additions during the period / year:			
Buildings on freehold land		112,134	436,918
Buildings on leasehold land		-	2,540
Lines and wires		963,114	4,491,015
Apparatus, plant and equipment		1,819,890	4,594,481
Office equipment		93,226	452,993
Computer equipment		19,414	243,486
Furniture and fittings		7,097	30,743
Vehicles		49,330	306,915
Submarine cables		-	370,493
		3,064,205	10,929,584
6. INTANGIBLE ASSETS			
Opening net book amount		2,332,789	2,539,060
Additions during the period / year - net		50,880	251,892
		2,383,669	2,790,952
Amortization charge for the period / year		(127,019)	(458,163)
Closing net book amount		2,256,650	2,332,789
7. LONG TERM LOANS AND ADVANCES			
Loans to employees -secured	7.1	342,073	368,589
Advances to suppliers against turnkey contracts		2,767,197	1,858,636
Others		24,613	21,626
		3,133,883	2,248,851
Current portion shown under current assets			
Loans to employees -secured		(86,855)	(96,094)
		3,047,028	2,152,757

7.1 Loans to employees carry interest at the rate of 11.50% per annum (December 31, 2016: 11.50% per annum).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	Note	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
8. SHORT TERM INVESTMENTS			
Term deposits			
- maturity upto 6 months	8.1	23,000,000	24,000,000
		23,000,000	24,000,000

8.1 Term deposit carry interest rate ranging between 6.30% to 7.05% [December 31, 2016: 6.30% to 7.05%] per annum.

	Note	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
9. CASH AND BANK BALANCES			
Cash in hand		189	51
Balances with banks:	9.1		
Deposit accounts local currency		4,038,084	5,236,722
Current accounts			
Local currency		222,845	596,044
Foreign currency		192,580	69,327
		415,425	665,371
		4,453,698	5,902,144

9.1 Bank balance includes Rs.79,279 thousands (December 31, 2016: Rs. 38,484 thousand) carrying profit at the rate of 2.40% to 4% (December 31, 2016: 2.40% to 4%) per annum from Shariah arrangements.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There has been no material change in contingencies as disclosed in the last audited financial statements of the Company for the year ended December 31, 2016, except the followings:

- (a) For the Tax Year 2015, Taxation Officer disallowed certain expenses with tax impact of Rs. 5,822,809 thousand. Besides the rectification application filed, the Company also filed appeal before CIR-Appeals which is pending for disposal. The Company has also obtained stay order from CIR-Appeals against recovery proceeding.

10.2 Commitments

Commitments, in respect of contracts for capital expenditure amount to Rs 5,378,704 thousand (December 31, 2016: Rs 4,594,721 thousand).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	Three months ended	
	March 31, 2017 (Un-Audited) Rs '000	March 31, 2016 (Un-Audited) Rs '000
11. OTHER INCOME		
Return on bank deposits	441,529	571,947
Late payment surcharge from subscribers on overdue bills	72,966	71,742
Recovery from written off defaulters	14,083	1,229,789
Gain / (loss) on disposal of fixed assets	215	2,926
Late delivery charges	1,342	181,356
Amortization of government grants	133,819	149,872
Pre-deposit income	115,504	43,633
Others	31,210	35,569
	810,668	2,286,834

11.1 Return on bank deposit include Rs 87 thousand (March 31, 2016: Rs 163 thousand) earned from Shariah arrangements

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	Three months ended	
	March 31, 2017 (Un-Audited) Rs '000	March 31, 2016 (Un-Audited) Rs '000
12. CASH GENERATED FROM OPERATIONS		
Profit before tax	3,202,432	4,816,017
Adjustments for non-cash charges and other items:		
Depreciation and amortization charge	3,465,308	3,457,686
Provision for doubtful trade debts	497,000	534,740
Employees retirement benefits	926,871	1,427,221
Gain on disposal of property, plant and equipment	(215)	(2,926)
Return on bank deposits	(441,529)	(571,947)
Imputed interest on long term loans	(5,500)	(4,510)
Imputed Interest on finance lease	(4,199)	(2,950)
Amortization of government grants	(133,819)	(149,872)
	7,506,349	9,503,459
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	301,830	(332,566)
Trade debts	(1,737,782)	(2,254,784)
Loans and advances	(282,255)	400,447
Prepayments and other receivables	(480,555)	(370,282)
	(2,198,762)	(2,557,185)
Increase in current liabilities:		
Trade and other payables	3,222,473	3,071,773
	8,530,060	10,018,047
13. CASH AND CASH EQUIVALENTS		
Short term investments	-	5,049,340
Cash and bank balances	4,453,698	7,038,389
	4,453,698	12,087,729

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

		Three months ended	
		March 31, 2017 (Un-Audited) Rs '000	March 31, 2016 (Un-Audited) Rs '000
14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES			
Relationship with the Company	Nature of transaction		
i. Shareholders	Technical services assistance fee - note 14.1	584,798	591,410
ii. Subsidiaries	Sale of goods and services	1,301,852	1,269,777
	Purchase of goods and services	832,962	1,091,787
	Return on bank deposit	11,103	-
iii. Associated undertakings	Sale of goods and services	304,995	598,782
	Purchase of goods and services	253,634	276,658
iv. Employees contribution plan	PTCL Employees GPF Trust - net	37,465	471
v. Other related parties	Sale of goods and services	429,105	400,110
	Charge under license obligations	404,179	432,996
vi. Directors, Chief Executive and Executives	Fee and remuneration including benefits and perquisites	524,005	642,568
		March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
Period-end balances			
Receivables from related parties			
Trade debts			
- Subsidiaries		1,601,726	596,954
- Associated undertakings		417,690	306,202
- The Government of Pakistan and its related entities		1,696,884	1,522,389
Other receivables			
- Subsidiaries		6,551,613	6,126,482
- Associated undertakings		71,305	71,305
- PTCL Employees GPF Trust		296,309	258,844
- Pakistan Telecommunication Employees Trust (PTET)		1,309,483	1,308,137
Pakistan Telecommunication Company Limited			
Employees Gratuity Fund		94,319	106,878
Bank deposit with subsidiary		540,027	530,034
Payables to related parties			
Trade creditors			
- Subsidiaries		1,058,254	628,319
- Associated undertakings		237,036	201,808
- The Government of Pakistan and its related entities		1,760,171	1,273,213
Security deposits from subsidiary		3,623	3,623
Retention money payable to associated undertakings		4,616	1,167
Technical services assistance fee payable to Etisalat		9,260,950	8,251,719
Pakistan Telecommunication Employees Trust (PTET)		5,545,128	5,253,506

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

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

15. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

	Gross amounts subject to offset	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 March 31, 2017					
Trade debts	4,878,606	(1,501,590)	3,377,016	20,586,391	23,963,407
Trade creditors	(2,551,092)	1,501,590	(1,049,502)	(8,383,327)	(9,432,829)
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)

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

This condensed interim financial information for the three months ended March 31, 2017 was authorized for issue by the Board of Directors of the Company on April 13, 2017.



Chairman



President & CEO



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

**FOR THE THREE MONTHS ENDED
MARCH 31, 2017 (UN-AUDITED)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2017 (UN-AUDITED)

Note	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
Equity and liabilities		
Equity		
Share capital and reserves		
Share capital	51,000,000	51,000,000
Revenue reserves		
Insurance reserve	2,806,993	2,621,288
General reserve	27,497,072	27,497,072
Unappropriated profit	8,049,929	7,047,199
	38,353,994	37,165,559
Statutory and other reserves	20,096	20,096
Unrealized gain on available for sale investments	2,732	1,063
	89,376,822	88,186,718
Liabilities		
Non-current liabilities		
Long term loans from banks	27,110,000	26,136,667
Customers deposits	2,700,439	2,400,425
Liability against assets subject to finance lease	696	1,888
License fee payable	11,331,971	11,228,196
Long term security deposits	1,554,121	1,493,177
Deferred income tax	10,802,677	9,562,487
Employees retirement benefits	24,783,891	24,121,967
Deferred government grants	12,818,266	11,570,655
Long term vendor liability	28,851,951	28,987,270
	119,954,012	115,502,732
Current liabilities		
Trade and other payables	67,744,092	71,463,996
Customers deposits	5,653,646	5,179,565
Interest accrued	728,807	580,142
Current portion of:		
Long term loans from banks	1,352,294	838,333
Liability against assets subject to finance lease	28,270	34,401
License fee payable	4,546,716	4,504,874
Long term vendor liability	10,612,540	9,679,951
Unearned income	3,994,645	4,113,549
	94,661,010	96,394,811
Total equity and liabilities	303,991,844	300,084,261

Contingencies and commitments

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The annexed notes 1 to 12 are an integral part of this condensed consolidated interim financial information.



Chairman

	Note	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
Assets			
Non-current assets			
Fixed assets			
Property, plant and equipment	5	169,427,266	170,800,044
Intangible assets	6	36,299,648	37,111,800
		205,726,914	207,911,844
Long term investments		101,224	101,224
Long term loans and advances		3,090,426	2,200,034
Investment in finance lease		40,010	38,513
		208,958,574	210,251,615
Current assets			
Stores, spares and loose tools		2,440,964	2,742,794
Stock in trade		160,769	174,351
Trade debts		14,844,602	15,008,567
Loans and advances		7,934,252	6,282,398
Investment in finance lease		43,176	53,030
Accrued interest		1,202,678	727,644
Recoverable from tax authorities		20,333,499	19,257,011
Receivable from the Government of Pakistan		2,164,072	2,164,072
Deposits, prepayments and other receivables		5,245,095	6,267,181
Short term investments		34,986,618	28,380,131
Cash and bank balances		5,677,545	8,775,467
		95,033,270	89,832,646
Total assets		303,991,844	300,084,261



President & CEO

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	Three months ended	
	March 31, 2017 Rs '000	March 31, 2016 Rs '000
Revenue	28,835,189	29,344,296
Cost of services	(21,251,851)	(20,956,376)
Gross profit	7,583,338	8,387,920
Administrative and general expenses	(4,424,723)	(4,256,745)
Selling and marketing expenses	(1,480,561)	(2,162,700)
	(5,905,284)	(6,419,445)
Operating profit	1,678,054	1,968,475
Other income	1,052,487	2,351,946
Finance costs	(864,642)	(888,766)
Profit before tax	1,865,899	3,431,655
Provision for income tax		
- Current	(1,682,874)	(2,582,829)
- Deferred	1,005,410	919,774
	(677,464)	(1,663,055)
Profit for the period	1,188,435	1,768,600
Earnings per share - basic and diluted (Rupees)	0.23	0.35

The annexed notes 1 to 12 are an integral part of this condensed consolidated interim financial information.



Chairman



President & CEO

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	Three months ended	
	March 31, 2017 Rs '000	March 31, 2016 Rs '000
Profit for the period	1,188,435	1,768,600
Other comprehensive income for the period		
Items that may be subsequently reclassified to profit and loss:		
Gain on available for sale investment arising during the period	2,384	8,644
Tax effect of revaluation of available for sale investments	(715)	(2,593)
Unrealized gain on available for sale investments - net of tax	1,669	6,051
Total comprehensive income for the period	1,190,104	1,774,651

The annexed notes 1 to 12 are an integral part of this condensed consolidated interim financial information.



Chairman



President & CEO

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	Note	Three months ended	
		March 31, 2017 Rs '000	March 31, 2016 Rs '000
Cash flows from operating activities			
Cash generated from operations	8	10,614,824	14,678,599
Employees retirement benefits paid		(284,098)	(432,935)
Payment of voluntary separation schemes		(4,652,155)	(2,733)
Finance cost paid		(715,977)	(943,242)
Long term security deposits		60,944	33,104
Income tax paid		(514,477)	(982,559)
Net cash inflows from operating activities		4,509,061	12,350,234
Cash flows from investing activities			
Capital expenditure		(6,086,387)	(6,044,148)
Acquisition of intangible assets		(72,390)	(1,093)
Proceeds from disposal of property, plant and equipment		41,726	80,736
Short term investment - net		1,500,000	62,643
Long term loans and advances		(884,892)	146,899
Finance lease		12,557	9,340
Government grants received		2,883,973	781,692
Return on long term loans and short term investments		387,293	78,199
Net cash outflows from investing activities		(2,218,120)	(4,885,732)
Cash flows from financing activities			
Long term loan fom banks		1,487,294	5,000,000
Long term vendor liability		797,270	2,759,056
License fee payable		145,617	(5,994,644)
Customers deposits		300,014	-
Liability against assets subject to finance lease		(7,323)	(10,304)
Dividend paid		(5,248)	(176,588)
Net cash inflows from financing activities		2,717,624	1,577,520
Net increase in cash and cash equivalents		5,008,565	9,042,022
Cash and cash equivalents at the beginning of the period		12,155,598	5,914,908
Cash and cash equivalents at the end of the period	9	17,164,163	14,956,930

The annexed notes 1 to 12 are an integral part of this condensed consolidated interim financial information.



Chairman



President & CEO

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

	issued, subscribed and paid-up capital				Revenue reserves			Statutory and other reserves	Unrealized gain on available for sale investments	Total
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit					
Balance as at January 01, 2016	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 period	-	-	-	-	1,768,600	-	-	1,768,600		
Profit for the period	-	-	-	-	-	-	6,051	6,051		
Other comprehensive income	-	-	-	-	1,768,600	-	6,051	1,774,651		
Transfer to insurance reserve	-	-	205,210	-	(205,210)	-	-	-		
Balance as at March 31, 2016	37,740,000	13,260,000	2,621,288	30,500,000	14,232,366	2,007	5,056	98,360,717		
Total comprehensive income for the period	-	-	-	-	(145,753)	-	-	(145,753)		
Loss for the period	-	-	-	-	175,747	-	(3,993)	171,754		
Other comprehensive income/ (loss)	-	-	-	(3,002,928)	3,002,928	18,089	-	-		
Transfer from general reserve	-	-	-	-	(18,089)	-	-	-		
Transfer to statutory reserve	-	-	-	-	-	-	-	-		
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)		
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		
Total comprehensive income for the period	-	-	-	-	1,188,435	-	-	1,188,435		
Profit for the period	-	-	-	-	-	-	1,669	1,669		
Other comprehensive income	-	-	-	-	1,188,435	-	1,669	1,190,104		
Transfer to insurance reserve	-	-	185,705	-	(185,705)	-	-	-		
Balance as at March 31, 2017	37,740,000	13,260,000	2,806,993	27,497,072	8,049,929	20,096	2,732	89,376,822		

The annexed notes 1 to 12 are an integral part of this condensed consolidated interim financial information.


Chairman


President & CEO

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Constitution and ownership

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

Pakistan Telecommunication Company Limited (PTCL)

Pakistan Telecommunication Company Limited (the Holding Company) was incorporated in Pakistan on December 31, 1995 and commenced business on January 01, 1996. The Holding Company, which is listed on the Pakistan Stock Exchange Limited (PSX), 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 Company had actively participated. PEMRA has announced 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 UBank, incorporated under Microfinance Institutions Ordinance, 2001, is to provide nationwide microfinance and branchless banking services.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

2. STATEMENT OF COMPLIANCE

This condensed consolidated interim financial information of the Group for the three months period ended March 31, 2017 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and judgements made by the management in the preparation of this condensed consolidated interim financial information are the same as those used in the preparation of annual audited consolidated financial statements of the Group for the year ended December 31, 2016.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted in the preparation of this condensed consolidated interim financial information are consistent with those followed in the preparation of the consolidated annual audited financial statements for the year ended December 31, 2016.

	Note	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	157,111,861	158,693,829
Capital work-in-progress		12,315,405	12,106,215
		169,427,266	170,800,044
5.1 Operating fixed assets			
Opening net book value		158,693,829	161,962,080
Additions during the period / year at cost		5,877,197	26,899,985
		164,571,026	188,862,065
Disposal during the period / year - at net book amount		(33,126)	(167,891)
Impairment for the period / year		-	(1,292,009)
Depreciation for the period / year		(7,426,039)	(28,708,336)
		(7,459,165)	(30,168,236)
Closing net book value		157,111,861	158,693,829

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	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
6. INTANGIBLE ASSETS		
Opening net book value	37,111,800	40,326,443
Additions during the period / year at cost	72,390	354,985
	37,184,190	40,681,428
Amortization for the period / year	(884,542)	(3,569,628)
Closing net book value	36,299,648	37,111,800

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There has been no material change in contingencies as disclosed in the last audited financial statements of the Group for the year ended December 31, 2016, except the followings:

- (a) For the Tax Year 2015, Taxation Officer disallowed certain expenses of PTCL with tax impact of Rs. 5,822,809 thousand. Besides the rectification application filed, PTCL also filed appeal before CIR-Appeals which is pending for disposal. PTCL has also obtained stay order from CIR-Appeals against recovery proceeding.
- (b) Islamabad High Court had remanded the case of advance import tax of PTML assessed under final tax regime to ATIR for re-hearing, against which the Department has filed CPLA before the Supreme Court of Pakistan.

	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
(c) Letter of guarantee issued in favor of PTA for USD 8.321 million (December 31, 2016: USD 8.321 million) in relation to the performance of PTML's obligation stipulated	872,454	872,041
Letter of guarantee issued in favor of USF in relation to the performance of PTML's obligation stipulated under the USF grant agreement	4,572,200	4,572,200

7.2 Commitments - Group

	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
Commitments for capital expenditure	10,540,117	11,866,645
Letters of credit for purchase of stock	91,610	16,747
Standby Letter of Guarantee	6,365	6,365
	10,638,092	11,889,757

**NOTES TO AND FORMING PART OF THE
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	Three months ended	
	March 31, 2017 (Un-Audited) Rs '000	March 31, 2016 (Un-Audited) Rs '000
8. CASH GENERATED FROM OPERATIONS		
Profit before tax	1,865,899	3,431,655
Adjustments for non-cash charges and other items:		
Depreciation and amortization	8,310,581	7,937,219
Provision for doubtful trade debts and other receivables	510,460	558,284
Provision for non performing advances	16,236	7,235
Employees retirement benefits	946,022	1,452,416
Imputed interest on long term loans	(5,500)	(4,510)
Imputed interest on finance lease	(4,199)	(2,950)
Gain on disposal of property, plant and equipment	(8,600)	(38,672)
Return on bank deposits and government securities	(544,959)	(581,918)
Amortization of government grants	(214,926)	(149,872)
Finance costs	864,642	844,686
	11,735,656	13,453,573
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	301,830	(332,566)
Stock in trade	13,582	6,127
Trade debts	(346,495)	(1,047,533)
Loans and advances	(1,983,074)	(452,699)
Prepayments and other receivables	(399,351)	(566,370)
	(2,413,508)	(2,393,041)
Increase / (decrease) in current liabilities:		
Trade and other payables	937,499	3,489,827
Customers deposits	474,081	-
Unearned income	(118,904)	128,240
	1,292,676	3,618,067
	10,614,824	14,678,599
9. CASH AND CASH EQUIVALENTS		
Short term investments	11,486,618	5,238,468
Cash and bank balances	5,677,545	9,718,462
	17,164,163	14,956,930

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2017 (UN-AUDITED)

10. SEGMENT INFORMATION

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

10.1 Segment information for the reportable segments is as follows:

	Note	Wire line Rs '000	Wireless Rs '000	Total Rs '000
Three months ended March 31, 2017				
Segment revenue		13,636,765	16,913,689	30,550,454
Inter segment revenue	10.1.1	(1,301,851)	(413,414)	(1,715,265)
Revenue from external customers		12,334,914	16,500,275	28,835,189
Segment results		1,671,580	(483,145)	1,188,435
Three months ended March 31, 2016				
Segment revenue		16,110,089	14,942,800	31,052,889
Inter segment revenue	10.1.1	(1,269,777)	(438,816)	(1,708,593)
Revenue from external customers		14,840,312	14,503,984	29,344,296
Segment results		2,803,167	(1,034,567)	1,768,600

10.1.1 Inter segment revenues are eliminated on consolidation.

		Wire line Rs '000	Wireless Rs '000	Total Rs '000
As at March 31, 2017 (Un-Audited)				
Segment assets		136,566,853	167,424,991	303,991,844
Segment liabilities		83,899,395	130,715,627	214,615,022
As at December 31, 2016 (Audited)				
Segment assets		143,972,324	156,111,937	300,084,261
Segment liabilities		92,166,096	119,731,447	211,897,543

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			Three months ended	
			March 31, 2017 (Un-Audited) Rs '000	March 31, 2016 (Un-Audited) Rs '000
11. TRANSACTIONS WITH RELATED PARTIES				
Relationship with the Group	Nature of transaction			
i. Shareholders	Technical services assistance fee		1,009,232	1,027,050
ii. Associated undertakings	Sale of goods and services		332,543	626,015
	Purchase of goods and services		299,137	323,634
	Prepaid rent		120,446	112,567
iii. Employees benefits plans	PTML	Gratuity Fund	17,410	18,396
	U Bank	Gratuity Fund	2,250	1,125
iv. Employees contribution plans	PTCL	PTCL Employees GPF Trust - net	37,465	471
	PTML	Provident Fund	25,079	25,908
	U Bank	Provident Fund	2,692	1,655
v. Other related parties	PTCL	Sale of goods and services	429,105	400,110
	PTCL	Charges under license obligation	404,179	432,996
	PTML	Expenses reimbursed to Pakistan MNP Database (Guarantee) Limited	3,850	4,325
vi. Directors, Chief Executive and Executives	Fees and remuneration including benefits and perquisites		718,357	841,925
			March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
Period-end balances				
Receivables from related parties				
Trade debts				
- Associated undertakings			488,146	350,716
- The Government of Pakistan and its related entities			1,696,884	1,522,389
Deposits, prepayments and other receivables				
- Associated undertakings			71,305	1,128,880
- PTCL Employees GPF Trust			296,309	258,844
- Pakistan Telecommunication Employees Trust (PTET)			1,309,483	1,308,137
- Prepaid rent			209,898	78,466
- Pakistan Telecommunication Authority			-	45,692
Pakistan Telecommunication Company Limited Employees Gratuity Fund			94,319	106,878
PTML				
- Long term loans to executive and key management personnel			78,938	84,624
- Remuneration payable to chief executive and key management personnels			489	3,402

**NOTES TO AND FORMING PART OF THE
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	March 31, 2017 (Un-Audited) Rs '000	December 31, 2016 (Audited) Rs '000
Payables to related parties		
Trade creditors		
- Associated Undertakings	393,050	314,342
- The Government of Pakistan and its related entities	1,760,171	3,812,018
Retention money payable to associated undertaking	4,616	1,231
Technical services fee payable to Etisalat	9,260,950	8,251,719
Pakistan Telecommunication Employees Trust (PTET)	5,545,128	5,253,506
PTML		
- Gratuity Fund	17,410	53,209
- Provident Fund	18,443	17,751
U Bank		
- Gratuity Fund	497	360
- Provident Fund	(176)	750

12. DATE OF AUTHORISATION FOR ISSUE OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information for the three months period ended March 31, 2017 was authorised for issue by the Board of Directors of the Holding Company on April 13, 2017.



Chairman



President & CEO