ANNUAL REPORT 2017

PTCL DIGITAL LIFESTYLE

PAKISTAN TELECOMMUNICATION COMPANY LIMITED


A PTCL Home
is a Digitally Connected Home

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Corporate Vision

To be the leading and most admired Telecom and ICT provider in and for Pakistan.

Mission

To be the partner of choice for our customers, to develop our people and to deliver value to our shareholders.

Core Values

Professional Integrity, Teamwork, Customer Satisfaction, Loyalty to the Company.

Digitally Connected

Freedom

One connection of PTCL unlimited internet connects the whole family with endless possibilities. Browse, download, upload or stream as much as you want with the truly unlimited internet connection.

Unlimited Internet

BOARD OF DIRECTORS

Standing: (from left to right)

- **Mr. Mudassar Hussain** - Member PTCL Board
- **Mr. Arif Ahmed Khan** - Member PTCL Board
- **Mr. Khalifa Al Shamsi** - Member PTCL Board
- **Dr. Daniel Ritz** - President & Chief Executive Officer
- **Mr. Serkan Okandan** - Member PTCL Board

Sitting: (from left to right)

- **Mr. Abdulrahim A. Al Nooryani** - Member PTCL Board
- **Mr. Hesham Al Qassim** - Member PTCL Board
- **Mr. Hatem Dowidar** - Member PTCL Board
- **Mr. Irfan Ali** - Member PTCL Board

CORPORATE INFORMATION

MANAGEMENT

Dr. Daniel Ritz
President & Chief Executive Officer

Mohammad Nadeem Khan
Chief Financial Officer

Syed Mazhar Hussain
Chief Human Resource Officer

Saad Muzaffar Waraich
Chief Technology & Information Officer

Sikandar Naqi
Chief Business Development Officer

Adnan Shahid
Chief Commercial Officer

Adil Rashid
Chief Digital Services Officer

Jahanzeb Taj
Chief Business Operations Officer

Muhammad Shehzad Yousuf
Chief Internal Auditor

Moqeem ul Haque
Chief Strategy Officer

Company Secretary
Saima Akbar Khattak

Legal Advisor
Zahida Awan
Executive Vice President (Legal Affairs)

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 & Commercial Bank of China Limited
- JS Bank Limited
- Khushhali Bank Limited
- MCB Bank Limited
- National Bank of Pakistan
- 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,

Block-E, 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., Shahra-e-Faisal, Karachi
Tel # 021- 34380101-2
Fax # 021-34380106
info.shares@famco.com.pk

Digitally Connected

Reliability

For reliable connectivity throughout Pakistan, PTCL landline is the obvious choice. With crystal clear voice quality, you can always stay connected with your loved ones as it works even when other networks don't.

Landline

THE MANAGEMENT TEAM

Standing: (from left to right)

- **Muhammad Shehzad Yousuf** - Chief Internal Auditor
- **Sikandar Naqi** - Chief Business Development Officer
- **Moqeem ul Haque** - Chief Strategy Officer
- **Adnan Shahid** - Chief Commercial Officer
- **Adil Rashid** - Chief Digital Services Officer

Sitting: (from left to right)

● **Syed Mazhar Hussain** - Chief Human Resource Officer ● **Saad Muzaffar Waraich** - Chief Technology & Information Officer ● **Dr. Daniel Ritz** - President & Chief Executive Officer ● **Jahanzeb Taj** - Chief Business Operations Officer ● **Mohammad Nadeem Khan** - Chief Financial Officer

OPERATING & FINANCIAL HIGHLIGHTS

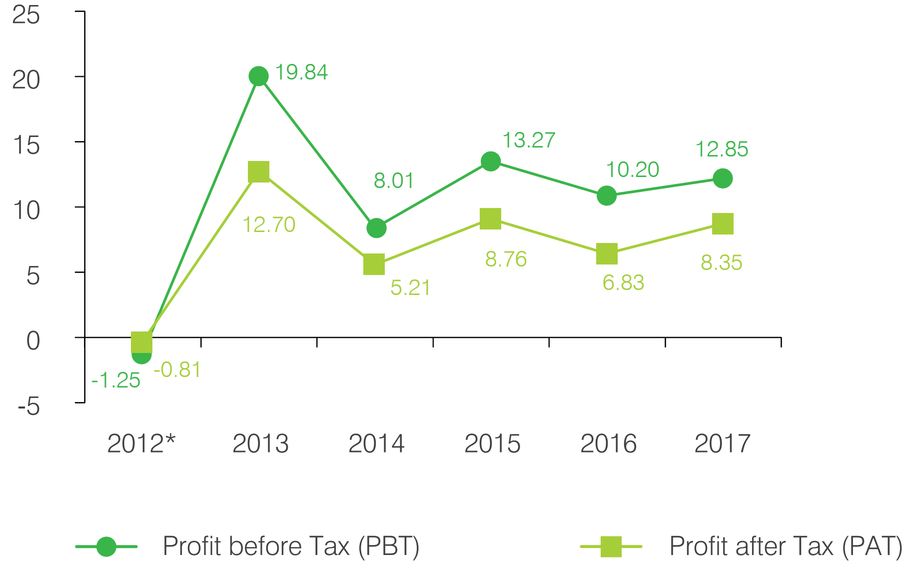
Year ended Dec 31		2017	2016
Key Indicators			
Operating			
Operating profit margin	%	10.25	12.83
Net profit margin	%	11.97	9.57
Performance			
Fixed assets turnover	Times	0.79	0.82
Debtors' turnover	Times	4.61	5.01
Return on equity	%	9.94	8.08
Return on capital employed	%	6.13	7.51
Retention	%	38.92	25.38
Leverage			
Debt Equity	Ratio	28:72	28:72
Debt ratio	%	50.56	50.57
Liquidity			
Current	Times	1.13	1.27
Quick	Times	1.08	1.23
Valuation			
Earnings per share	Rs	1.64	1.34
Breakup value per share	Rs	16.66	16.28
Dividend payout ratio	%	61.08	74.62
Price earnings ratio	Times	7.97	12.82
Market price to breakup value	Times	0.78	1.06
Dividend per share	Rs	1.00	1.00
Dividend yield	%	7.66	5.82
Dividend cover ratio	Times	1.64	1.34
Market value per share (as on Dec 31)	Rs	13.05	17.18
Historical Trends			
Operating Results			
Revenue	Rs (m)	69,757	71,420
Profit / (loss) before tax	Rs (m)	12,845	10,201
Profit / (loss) after tax	Rs (m)	8,350	6,835
Dividend	Rs (m)	5,100	5,100
Financial Position			
Share capital	Rs (m)	51,000	51,000
Reserves	Rs (m)	33,952	32,013
Shareholders' equity	Rs (m)	84,952	83,013
EBITDA	Rs (m)	22,284	23,673
Working capital	Rs (m)	8,357	16,213
Current assets	Rs (m)	70,360	75,356
Total assets	Rs (m)	186,158	182,637
Non current liabilities	Rs (m)	39,204	40,481
Operational*			
ALIS as on Dec 31	No (000)	2,959	3,336
Average ALIS per employee	No	190	204

**Exclusive of Primary and Basic Rate interface*

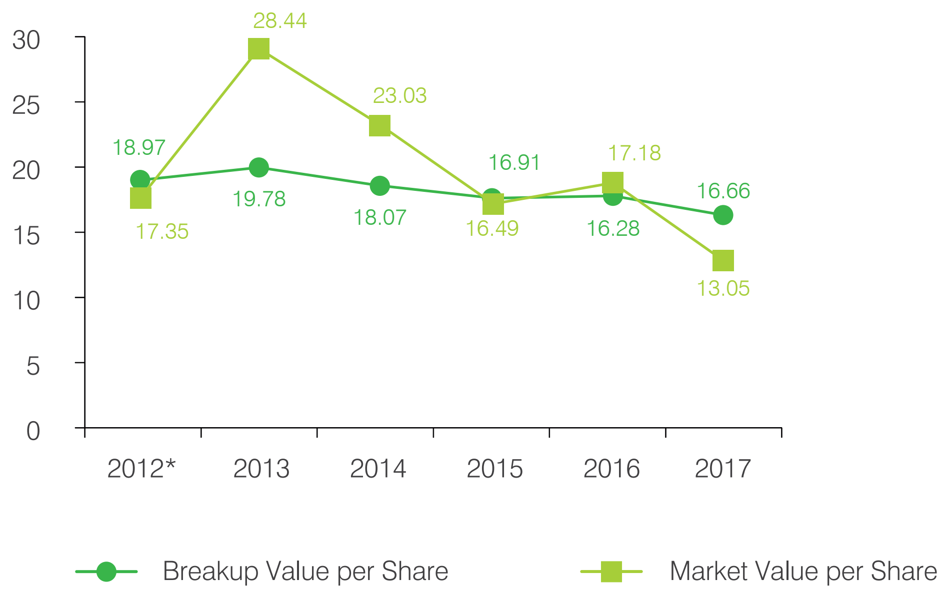
2015	2014	2013	Six months ended Dec 31, 2012
11.45	15.56	19.70	18.86
11.56	6.39	15.66	(2.18)
0.87	0.99	1.06	0.49
5.04	4.75	4.77	3.06
9.82	5.40	12.85	(0.81)
6.66	9.32	11.69	5.29
(16.44)	(144.84)	19.66	100.00
32:68	30:70	28:72	28:72
49.01	47.20	42.49	39.33
1.55	1.57	1.94	2.05
1.49	1.51	1.85	1.95
1.72	1.02	2.49	(0.16)
16.91	18.07	19.78	18.97
116.44	244.84	80.34	-
9.60	22.55	11.42	(109.52)
0.98	1.27	1.44	0.91
2.00	2.50	2.00	-
12.13	10.86	7.03	-
0.86	0.41	1.24	-
16.49	23.03	28.44	17.35
75,752	81,513	81,061	37,033
13,272	8,012	19,838	(1,255)
8,760	5,207	12,696	(808)
10,200	12,750	10,200	-
51,000	51,000	51,000	51,000
35,218	40,815	49,782	45,677
86,218	92,144	100,872	96,729
23,234	26,000	28,311	13,037
25,778	25,280	36,335	29,067
72,592	69,625	74,918	56,688
180,378	179,574	181,908	164,185
47,345	43,085	42,453	39,835
4,119	4,323	4,014	4,035
229	196	184	165

OPERATING & FINANCIAL HIGHLIGHTS
GRAPHICAL PRESENTATION

PROFIT BEFORE TAX AND PROFIT AFTER TAX (RUPEES IN BILLION)



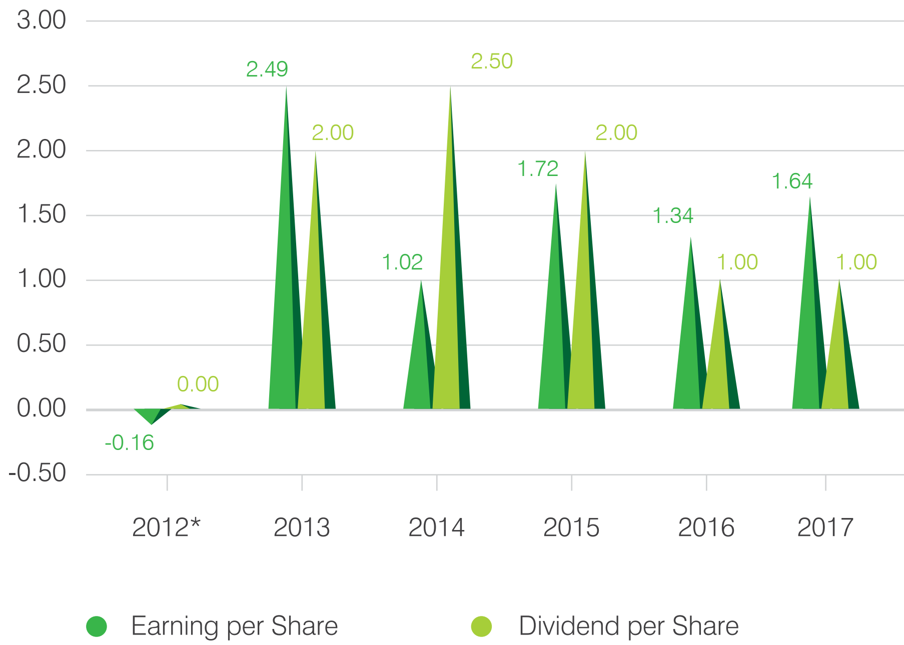
BREAKUP VALUE VS MARKET VALUE (RUPEES)



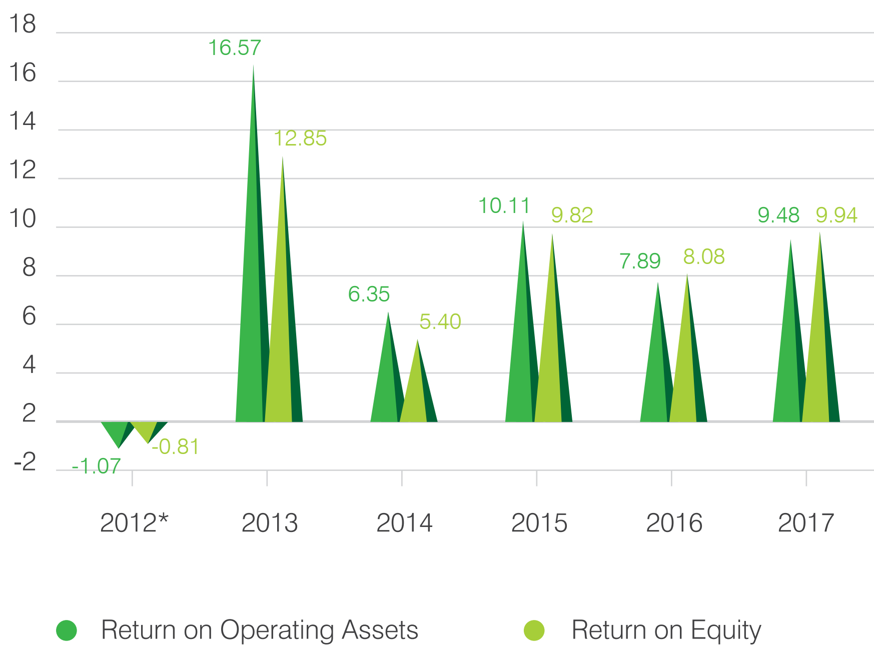
** Values are for the six months period ended December 31, 2012.*

OPERATING & FINANCIAL HIGHLIGHTS
GRAPHICAL PRESENTATION

DIVIDEND PAYOUT PER SHARE (RUPEES)

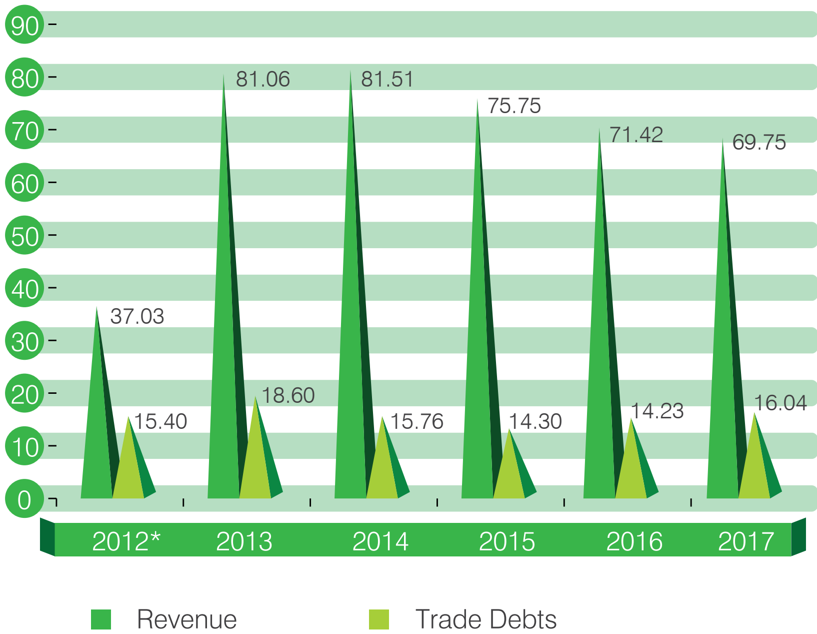


RETURN ON OPERATING ASSETS & EQUITY (PERCENTAGE)

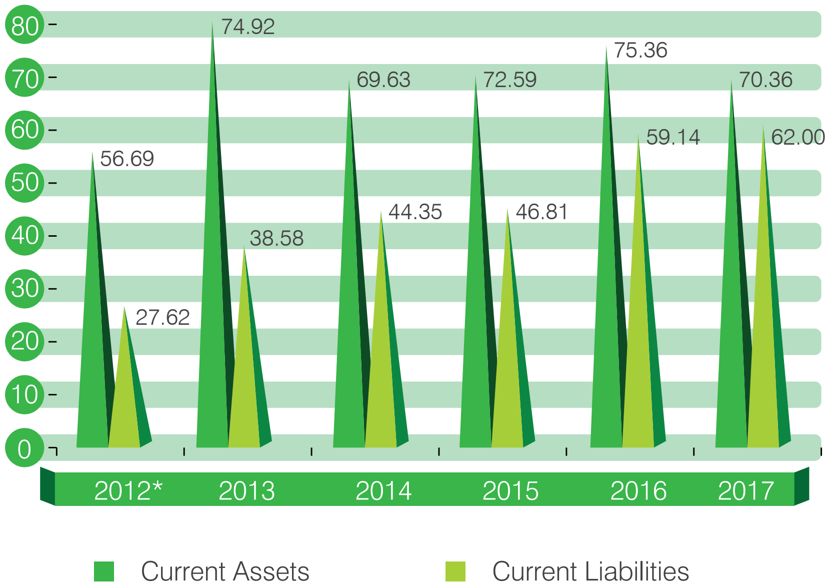


OPERATING & FINANCIAL HIGHLIGHTS
GRAPHICAL PRESENTATION

REVENUE AND TRADE DEBTS (RUPEES IN BILLION)



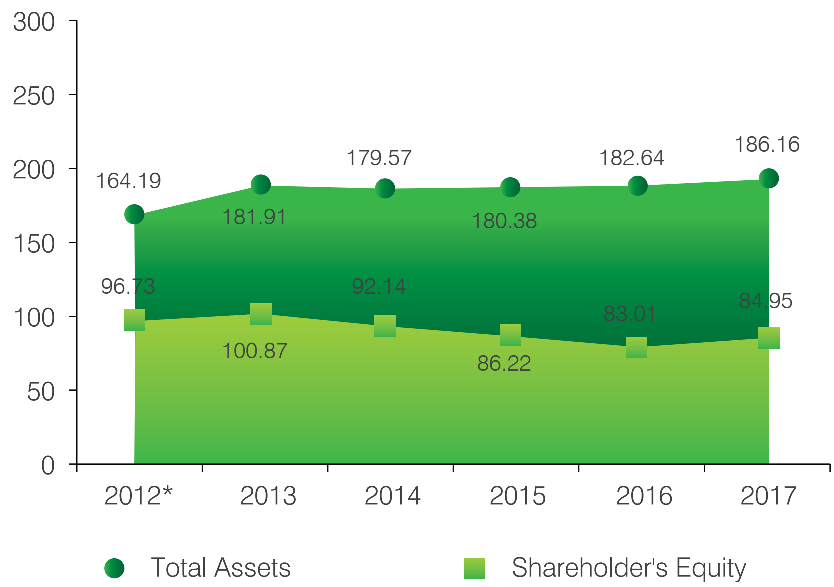
CURRENT ASSETS & CURRENT LIABILITIES (RUPEES IN BILLION)



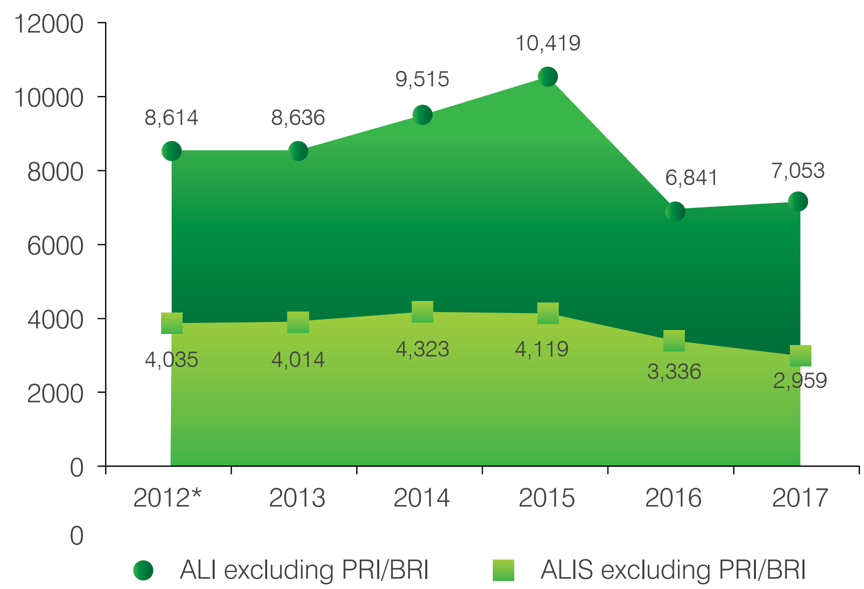
** Values are for the six months period ended December 31, 2012.*

OPERATING & FINANCIAL HIGHLIGHTS
GRAPHICAL PRESENTATION

TOTAL ASSETS VS SHARE HOLDERS' EQUITY (RUPEES IN BILLION)



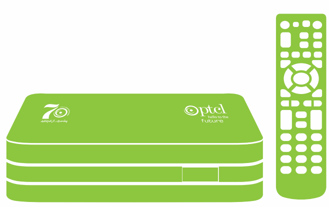
CAPACITY: INSTALLED VS IN SERVICE (NUMBERS IN THOUSAND)



Digitally Connected

Happiness

PTCL Smart TV gives you the digital quality entertainment you desire. Enjoy 100+ live TV channels, movies, dramas, kids' content and a lot more. With exciting features like pause and rewind, you can always watch your favorite programs whenever you want.



Smart TV

CHAIRMAN'S REVIEW

On retirement of the previous chairman, Mr. Rizwan Bashir Khan – ex Secretary of Ministry of Information Technology and Telecommunication, Government of Pakistan, I chaired the Board meeting of Pakistan Telecommunication Company Limited (PTCL) held on 14th February, 2018. It is an honor for me to be associated with PTCL – the oldest and one of the largest telecom operators in Pakistan.

The year 2017 witnessed further growth in telecom sector of Pakistan in terms of higher tele-density and increased number of subscribers, particularly in broadband segment based on changing preference of consumers of telecom services from voice-oriented to data-centric usage. Keeping in view that less than 5% households in Pakistan have access to wireline broadband, PTCL is in the forefront to provide higher-end data services with increased speeds and larger volumes effectively using its vast network capabilities in this direction.

It is matter of pleasure that under the stewardship of Board of Directors comprising of nominees from Federal Government and Etisalat, business of PTCL and its operating subsidiaries further grew during 2017. Revenue increase in major PTCL data services of DSL, Charji (LTE) and Corporate services was 4%, 26% and 11% respectively. Revenues from incoming international business also grew by 8%. Based on decreased voice usage by the customers, as aforesaid, however, the overall 2017 revenue of PTCL reduced. At the same time, the revenue base of overall PTCL Group remained stable and the profitability of PTCL and its subsidiaries increased due to cost optimization and successful outcome of certain legal cases.

PTCL, accordingly, posted net profit after tax of Rs. 8.35 billion in 2017 with Earning per Share of Rs. 1.64 and the Board declared interim dividend of 10% for the year 2017.

I feel pleased to report that performance of the Board and its sub-committees during 2017 was satisfactory. Throughout the year, the Board and the sub-committees remained cognizant of the risks and challenges faced by the Company and by way of constant analysis of Company's performance in meetings of the Board and sub-committees, guided the management with concrete measures to further improve PTCL's performance in line with related legal, regulatory and corporate governance frameworks.

On behalf of the Board, I assure all the shareholders that in line with the opportunities emerging in telecom sector of Pakistan which are commensurate with the business of PTCL, we, in our capacity as Board members, shall continue to use our competencies for the benefit of PTCL towards value maximization for the shareholders.

Irfan Ali
Chairman PTCL Board

Islamabad: February 14, 2018

چیئرمین کا جائزہ

گزشتہ چیئرمین، سابق سیکرٹری وزارت انفارمیشن ٹیکنالوجی اینڈ ٹیلی کمیونیکیشن، حکومت پاکستان جناب رضوان بشیر خان صاحب کی ریٹائرمنٹ کی وجہ سے میں نے 14 فروری 2018 کو ہونے والی پی ٹی سی ایل بورڈ آف ڈائریکٹرز کی میٹنگ کی صدارت کی۔ پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) جو کہ ملک کا سب سے قدیم اور بڑا ٹیلی کام آپریٹر ہے کے ساتھ وابستگی پر فخر ہے۔

سال 2017 کے دوران پاکستان کے ٹیلی کام سیکٹر میں مزید ترقی دیکھی گئی۔ جو کہ اضافی ٹیلی کثافت (tele-density) اور صارفین کی تعداد میں اضافے کی صورت میں تھی جس میں ٹیلی کام سروسز میں صارفین کی بدلتی ہوئی ترجیحات، جو وائس پر مبنی استعمال سے ڈیٹا کے استعمال پر منتقل ہو رہی تھیں۔

یہ امر باعث تسکین ہے کہ سال 2017 کے دوران بورڈ کی قیادت میں جو کہ حکومت پاکستان اور اتصالات کے نمائندوں پر مبنی ہے، پی ٹی سی ایل اور اس کی آپریٹنگ کمپنیوں کے بزنس میں مزید اضافہ ہوا۔ (DSL, CharJi (LTE اور کارپوریٹ کے شعبوں کی آمدنی میں بالترتیب 26 فیصد، 4 فیصد اور 11 فیصد اضافہ ہوا۔ انٹرنیشنل کے شعبہ سے حاصل ہونے والی آمدنی میں بھی 8 فیصد اضافہ ہوا۔ وائس کے استعمال میں کمی کے باعث سال 2017 کے دوران پی ٹی سی ایل کی مجموعی آمدنی میں کمی واقع ہوئی۔ اسی کے ساتھ ہی پی ٹی سی ایل گروپ کی مجموعی آمدنی مستحکم رہی اور پی ٹی سی ایل اور اس ذیلی اداروں کے منافع میں اضافہ ہوا اس کی وجہ اخراجات کیلئے کئے گئے موثر کفائیتی اقدامات اور قانونی معاملات کا کامیاب تصفیہ ہیں۔

پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ نے سال 2017 کے دوران 8.35 ارب روپے کا بعد از ٹیکس منافع حاصل کیا جب کہ فی حصص آمدنی 1.64 روپے رہی اور بورڈ نے سال 2017 کے لیے 10 فیصد عبوری منافع منقسمہ کا اعلان کیا۔

سال 2017 کے دوران بورڈ اور اس کی ذیلی کمیٹیوں کی کارکردگی کے بارے میں رپورٹ پیش کرتے ہوئے بھی مجھے خوشی محسوس ہو رہی ہے۔ پورے سال کے دوران، بورڈ اور ذیلی کمیٹیوں نے کمپنی کو درپیش خطرات کا اور چیلنجوں کا کمپنی کی کارکردگی کے مسلسل تجزیئے کے نتیجے میں مناسب اور بروقت ادراک کیا ساتھ ہی قانونی، ریگولیٹری اور کارپوریٹ گورننس فریم ورک کے بموجب، انتظامیہ کی مزید بہتری کے لیے ٹھوس اقدامات کی صورت میں رہنمائی کی۔

میں بورڈ کی جانب سے تمام حصص یافتگان کو اس بات کا یقین دلاتا ہوں کہ پاکستان کے ٹیلی کام سیکٹر میں پیدا ہونے والے مواقعوں کے مطابق، جو پی ٹی سی ایل کے کاروبار سے بھی موافقت رکھتے ہوں، کمپنی کے مفاد اور حصص یافتگان کے لیے قدر میں اضافہ کی غرض سے بورڈ کے اراکین اپنی کاوشوں اور صلاحیتوں کو بہترین انداز میں بروئے کار لاتے رہیں گے۔

عرفان علی

چیئرمین بورڈ آف ڈائریکٹرز

اسلام آباد: 14 فروری، 2018

GROUP CEO'S MESSAGE

IN THE YEAR 2017, PAKISTAN COMPLETED 70 YEARS OF ITS INDEPENDENCE. DURING THIS LONG PERIOD, PTCL, IN ONE FORM OR OTHER, CONTINUED TO PROVIDE THE NEEDED TELECOM SERVICES TO GENERATIONS OF THIS COUNTRY BASED ON THE LATEST AVAILABLE TECHNOLOGY OF THE DAY. THE JOURNEY FOR PTCL STARTED IN THE FORM OF POST & TELEGRAPH DEPARTMENT (1947-1962), EVOLVED INTO TELEGRAPH & TELEPHONE DEPARTMENT (1962-1991), TRANSFORMED INTO PAKISTAN TELECOMMUNICATION CORPORATION (1991-1995) AND FINALLY INCORPORATED AS PAKISTAN TELECOMMUNICATION COMPANY LIMITED (PTCL) SINCE 1996 TO-DATE.

Today, PTCL is the leading and the only fully integrated telecom operator in Pakistan providing a vast array of telecommunication services, both voice and data, using its unparalleled network capabilities of wireline and wireless access, across the length and breadth of the country to all segments of society – be it retail, corporate and business entities or other operators.

In 2017, based on stable economy, the telecom sector grew further. The catalyst for the growth remained transition from voice to higher-end data services. Hence, the country-wide tele density as well as number of telecom subscribers increased during 2017. The appetite of data services amongst Pakistan's telecom users, as such, is an encouraging phenomenon for PTCL, as with less than 5% households in the country with access to wireline broadband albeit with improved economic indicators in place, there is ample opportunity for PTCL to expand its wireline and wireless broadband data services with envious volume and speed capabilities, using its country-wide presence.

Accordingly, work on the Network Transformation Project (NTP), initiated last year whereby we are completely transforming PTCL's top 100 exchanges in a phased manner committing considerable investments, continued during 2017. Through this transformation encompassing fiberization and allied copper renovation of wireline access network with revamping of related back-end network elements, all based upon best available technology, capability of the network is increased to enable broadband services up to 100Mbps speed. Resultantly, as per data of exchanges where the transformation is completed, not only the churn rate has reduced but with increased subscription, the customer experience has enhanced as well.

Similarly, conversion of our wireless broadband services from EVO of 9.3 Mbps speed to Charji LTE capable of speeds up to 75 Mbps was further expanded covering more and more geographical regions in the country with upgradation of allied network and sites. 2017 was the year when Charji LTE was successfully launched by PTCL in Azad Jammu & Kashmir. A testimony of our success on this front is 26% growth in revenues from Charji services in 2017 compared to previous year.

By the same token, our business of digital services encompassing corporate enterprises including SMEs also grew by 11% during the year. Equipped with latest products – foremost of which is PTCL Cloud Services – duly certified by Payment Card Industry Data Security Standard (PCIDSS), PTCL further expanded its foot print in diversified business segments covering various corporate and government entities.

Along with augmenting and expanding the access network and digital services capabilities, PTCL also enhanced the fiber foot print across the country by deploying additional 1,900 KMs optical fiber in long-haul and metro networks. This enlargement of fiber foot print is instrumental in not only amplifying the access network (both wireline and wireless) capabilities of PTCL itself but also forms the basis to provide needed data back-hauling capacity to cellular operators.

While we continued to introduce new and innovative commercial products and packages commensurate with the enhanced network and technical capabilities as briefly described above, comfort and care of our valued

diversified customer base was equally focused. With technology-based new measures encompassing all the customer touch points, we ensured the convenience and increased satisfaction of our customers.

At the same time through conscious efforts in all media venues, brand value of PTCL Group was further increased.

For our hard-working and committed workforce, we undertook various trainings and skill-enhancement and capacity building measures with the objective that our employees use their full potential in achieving our goals of success and growth together. In this regard we ensured that the efforts on part of our valued workforce are properly rewarded in a befitting manner.

As a result of our concerted efforts as a team and in spite of challenging and competitive environment, revenues from data streams increased during the year as is evident from year-on-year growth of 4%, 26% and 11% in DSL, Charji (LTE) and Corporate segments respectively. Revenues from International segment also grew by 8%. However, because of decreased voice usage, overall revenue of PTCL during 2017 declined. Financial performance of PTCL Group also remained satisfactory in 2017. With revenues stabilizing at same level as of last year, profitability of all constituent operating companies of PTCL Group grew thus increasing the Group profitability as well. During the year, PTCL also declared interim dividend of 10% for its shareholders.

With the fundamentals of business rightly placed as briefly narrated in preceding paragraphs, going forward I am confident that in coming years, with continued provision of affordable products and services based upon latest technology to our valued and diversified customer base across the country, PTCL Group would be firmly in a position to attain higher growth in all business segments – be it wireline of PTCL, wireless of both PTCL and Ufone or financial and branchless services of Ubank.

At the end, with pleasure I extend my sincere thanks and gratitude to all those who contributed in the success of PTCL Group in 2017 - our customers for their continued patronage and loyalty to our services, our shareholders for their continuous support and our employees whose hard work and relentless service formed the basis of the success achieved. I would also like to extend my special thanks to all the regulatory bodies and policy makers whose vision & guidance is in fact the foundation for the sustained growth of ICT & telecom industry in Pakistan.

Dr. Daniel Ritz
President & Chief Executive Officer

Islamabad: February 14, 2018

اسی کے ساتھ، تمام ذرائع ابلاغ میں اپنی شعوری کوششوں کے ذریعہ ہم نے بطور برانڈ پی ٹی سی ایل گروپ کی قدر میں اضافہ کیا۔

اپنی جفاکش اور مخلص افرادی قوت کے لیے ہم نے مہارت اور قابلیت میں اضافہ کرنے والے متعدد تربیتی اقدامات کئے جن کا مقصد ان میں اہداف کے حصول کی صلاحیت میں اضافہ کرنا اور مل جل کر ترقی کرنا تھا۔ اس سلسلہ میں ہم نے اس بات کو بھی یقینی بنایا کہ ہماری قابل قدر افرادی قوت کے لیے کی جانے والی کوششوں کا مناسب اور موزوں انداز میں صلہ عطا کیا جائے۔

ایک ٹیم کے طور پر اپنی متفقہ کوششوں کے نتیجہ میں، اور چیلینجنگ اور مسابقتی ماحول کے باوجود، سال کے دوران ڈیٹا اسٹریم کے ذریعہ حاصل ہونے والی آمدنی میں اضافہ ہوا جس میں گزشتہ سال کے مقابلہ میں (DSL, Charji (LTE اور کارپوریٹ کے شعبہ میں بالترتیب 26 فیصد، 4 فیصد اور 11 فیصد اضافہ ہوا۔ انٹرنیشنل کے شعبہ سے حاصل ہونے والی آمدنی میں بھی 8 فیصد اضافہ ہوا، تاہم، وائس کے استعمال میں کمی کے باعث، سال 2017 کے دوران، پی ٹی سی ایل کی مجموعی آمدنی میں کمی واقع ہوئی۔ سال 2017 میں پی ٹی سی ایل کی مالی کارکردگی مستحکم رہی۔ اسی سطح پر آمدنی میں استحکام کے باعث پی ٹی سی ایل گروپ میں شامل آپریٹنگ کمپنیوں کے منافع میں اضافہ ہوا اور اس کے نتیجہ میں گروپ کے منافع میں بھی اضافہ ہوا۔ زیر جائزہ سال کے دوران، پی ٹی سی ایل نے اپنے حصص یافتگان کے لیے 10 فیصد عبوری منافع منقسمہ کا اعلان بھی کیا۔

کاروباری مبادیات کے استحکام کی وجہ سے جنہیں اوپر مختصر بیان کیا گیا ہے اور ہماری سرگرم افرادی قوت کی بدولت مجھے یقین ہے کہ آئندہ برسوں میں، اپنے معزز حصص یافتگان کی عنایتوں کے ساتھ، پی ٹی سی ایل گروپ تمام کاروباری شعبوں میں — خواہ پی ٹی سی ایل کا وائرلائن ہو یا پی ٹی سی ایل اور یوفون دونوں کا وائرلیس یا یو بینک کی مالی اور بلاشاخ خدمات — بلند ترین نشوونما حاصل کرنے کے لیے ایک مضبوط پوزیشن میں ہوگا۔

آخر میں نہایت مسرت کے ساتھ میں ان تمام کا شکریہ ادا کرنا چاہتا ہوں جنہوں نے 2017 میں پی ٹی سی ایل گروپ کی کامیابی کے لیے اپنا کردار ادا کیا، جن میں ہمارے معزز کسٹمرز بھی شامل ہیں جن کی ہماری سروسز کے لیے سرپرستی اور خیر خواہی برقرار رہی، ہمارے حصص یافتگان جن کی مسلسل اعانت اور ہمارے ملازمین جن کی سخت محنت اور انتھک خدمات نے کامیابی کے حصول کے لیے بنیاد فراہم کی۔ میں تمام ریگولیٹری اور پالیسی ساز اداروں کا بھی خصوصی شکریہ ادا کرتا ہوں جن کی بصیرت اور رہنمائی نے، فی الحقیقت، پاکستان میں انفارمیشن اور کمپیوٹر ٹیکنالوجی کے علاوہ ٹیلی کام انڈسٹری کی پائیدار نشوونما کے لیے بنیاد رکھی۔

ڈاکٹر ڈینئیل رٹز

پریزیڈنٹ اینڈ چیف ایگزیکٹیو آفیسر

اسلام آباد: 14 فروری، 2018

گروپ چیف ایگزیکٹیو آفیسر کا پیغام

سال 2017 میں پاکستان نے اپنی آزادی کے 70 سال مکمل کر لیے۔ اس طویل عرصہ کے دوران، پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) نے کسی نہ کسی صورت اور ہیئت میں اس خوبصورت ملک کی نسلوں کو، ٹیلی کام سے تعلق رکھنے والی، ان تمام ضروری خدمات کی فراہمی جاری رکھی، جن کا انحصار اس وقت کی دستیاب جدید ترین ٹیکنالوجی پر تھا۔ پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ کا سفر پوسٹ اینڈ ٹیلیگراف ڈیپارٹمنٹ کی صورت میں (1947-1962) شروع ہوا جو آگے چل کر ٹیلیگراف اینڈ ٹیلیفون ڈیپارٹمنٹ (1962-1991) کی صورت اختیار کر گیا اور اس کے بعد پاکستان ٹیلی کمیونیکیشن کارپوریشن (1991-1995) کا روپ دھار گیا اور بالآخر اسے پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) کی حیثیت دے دی گئی۔ یہ حیثیت سال 1996 سے اب تک برقرار ہے۔

آج، پی ٹی سی ایل پاکستان میں واحد مکمل طور پر مربوط (Fully integrated) اور قائدانہ مقام رکھنے والا ٹیلی کام آپریٹر ہے جو، وائس (Voice) اور ڈیٹا (Data)، دونوں شعبوں میں ٹیلی کمیونیکیشن سروسز کی وسیع اقسام پیش کر رہا ہے۔ اس کا نیٹ ورک وائرلائن (Wireline) اور وائرلیس (Wireless) رسائی کی بے مثال صلاحیتوں سے مالا مال ہے۔ یہی وجہ ہے کہ پی ٹی سی ایل ملک کے طول وعرض میں معاشرے کے مختلف طبقوں کو، خواہ وہ ریٹیل کسٹمرز ہوں، کارپوریٹ اور کاروباری ادارے یا پھر دیگر آپریٹرز، اپنی خدمات بھرپور طریقہ سے فراہم کر رہا ہے۔

سال 2017 میں، مستحکم اقتصادی حالات کے سبب ٹیلی کام سیکٹر نے مزید ترقی کی۔ اس ترقی میں وائس سے ہائی اینڈ ڈیٹا سروس کی جانب منتقلی نے عمل انگیز کا کام انجام دیا۔ لہٰذا، سال 2017 کے دوران ملک بھر میں ٹیلی کثافت اور ٹیلی کام سبسکرائبرز کی تعداد میں بھی اضافہ ہوا اور پاکستانی ٹیلی کام کے استعمال کنندگان کے درمیان ڈیٹا سروسز کی غیر معمولی طلب پی ٹی سی ایل کے لیے حوصلہ افزا رہی کیوں کہ ملک میں وائرلائن براڈ بینڈ کی رسائی رکھنے والے گھریلو کنکشنز کی تعداد 5 فیصد سے بھی کم ہے۔ البتہ بہتر ہوتے ہوئے اقتصادی اشاریوں کی وجہ سے پی ٹی سی ایل کے لیے کافی مواقع موجود ہیں کہ وہ ملک بھر میں موجود اپنے وائرلائن اور وائرلیس براڈ بینڈ ڈیٹا سروسز کو مختلف حجم اور اسپیڈ کے حوالہ سے وسعت دے۔

لہٰذا، سال 2017 کے دوران، ہم نے اپنے نیٹ ورک ٹرانسفارمیشن پروجیکٹ (NTP) پر پورے جوش وخروش سے کام جاری رکھا۔ یہ پروجیکٹ گذشتہ برس شروع کیا گیا تھا۔ اس پروجیکٹ کے ذریعہ ہم پی ٹی سی ایل کے ٹاپ 100 ایکسچینجز کو، مرحلہ وارانداز میں، یکسر تبدیل کر دیں گے اور اس کے لیے خاصی سرمایہ کاری درکار ہوگی۔ اس تبدیلی میں فائبر پر منتقلی اور متعلقہ کاپر وائرلائن ایکسس نیٹ ورک کی بحالی کے علاوہ متعلقہ بیک اینڈ نیٹ ورک ایلیمنٹس کی بہتری بھی شامل ہیں اور ان سب کی بنیاد پر دستیاب بہترین ٹیکنالوجی ہے جس سے نیٹ ورک کی صلاحیت میں بے پناہ اضافہ ہوا ہے تا کہ براڈ بینڈ سروسز کی رفتار کو 100Mbps تک بڑھایا جا سکے۔ جن ایکسچینجز میں تبدیلی کا عمل مکمل ہو چکا ہے، حاصل کردہ ڈیٹا کے مطابق سبسکرائبرز کے چھوڑ کر جانے کی شرح (Chum rate) میں کمی واقع ہوئی اور نئی سبسکرپشن میں اضافہ ہوا اور ساتھ ہی کسٹمرز کے اطمینان میں بھی کئی گنا اضافہ ہوا ہے۔

اسی طرح ہمارے وائرلیس براڈ بینڈ سروسز میں EVO 9.3Mbps کی رفتار سے Charji LTE میں تبدیلی، جس میں 75Mbps تک رفتار کی صلاحیت موجود ہے، اضافہ ہوا ہے جس میں متعلقہ نیٹ ورک اور سائٹس کی اپ گریڈیشن کے باعث ملک کے مزید جغرافیائی علاقے شامل ہوئے ہیں۔ سال 2017 ایک ایسا سال ہے جب آزاد جموں وکشمیر میں پی ٹی سی ایل نے Charji LTE کامیابی سے متعارف کرایا۔ اس شعبہ میں ہماری کامیابی کی تصدیق اس بات سے ہوتی ہے کہ سال 2017 میں Charji LTE کی خدمات سے حاصل ہونے والی آمدنی میں 26 فیصد اضافہ ہوا۔

اسی طرح ہمارے ڈیجیٹل سروسز کے کاروبار میں جو کارپوریٹ انٹرپرائزز بشمول سمال ٹو میڈیم انٹرپرائزز (SMEs) پر مشتمل ہے، سال کے دوران 11 فیصد اضافہ ہوا۔ جدید ترین مصنوعات سے آراستہ، جن میں پی ٹی سی ایل کلاؤڈ سروسز سب سے آگے ہیں، جو کہ پیمنٹ کارڈ انڈسٹری ڈیٹا سیکیورٹی اسٹینڈرڈ (PCIDSS) سے باقاعدہ سند یافتہ (certificated) ہیں، پی ٹی سی ایل نے مختلف کاروباری شعبوں میں، اس کے فٹ پرنٹ میں اضافہ کیا، جس میں متعدد کارپوریٹ اور سرکاری ادارے شامل ہیں۔

ایکسس نیٹ ورک اور ڈیجیٹل سروسز کی صلاحیتوں کو مزید مضبوط بنانے اور وسعت دینے کے ساتھ پی ٹی سی ایل نے لانگ ہال (long-haul) اور میٹرو نیٹ ورکس (metro networks) میں، 1900 کلومیٹر طویل آپٹیکل فائبر کی تنصیب کے ذریعہ ملک بھر میں اپنے فائبر فٹ پرنٹ میں بھی اضافہ کیا ہے۔ فائبر فٹ پرنٹ میں یہ اضافہ نہ صرف خود پی ٹی سی ایل کے ایکسس نیٹ ورک (وائرلائن اور وائرلیس) کی صلاحیتوں میں اضافہ کا باعث بنا بلکہ اس نے ڈیٹا بیک ہالنگ (data back-hauling) کی گنجائش میں بھی اضافہ کیا جس کی سیلولر آپریٹر کو ضرورت ہے۔

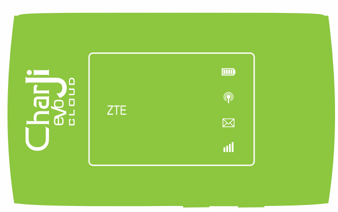
جیسا کہ اوپر مختصراً بیان کیا جا چکا ہے، ہم نے اگرچہ افزودہ نیٹ ورک اور تیکنیکی صلاحیتیوں سے مطابقت رکھنے والی نئی اور جدید تجارتی مصنوعات اور پیکیجز متعارف کرانے کا سلسلہ جاری رکھا لیکن ہماری توجہ اپنے معزز اور متنوع کسٹمرز کے لیے سہولت کی فراہمی اور دیکھ بھال پر بھی مرکوز رہی۔ ٹیکنالوجی کی بنیاد پر نئے اقدامات میں تمام کسٹمر ٹچ پوائنٹس شامل تھے جن کے ذریعہ ہم نے اپنے کسٹمرز کی سہولت اور اطمینان میں اضافہ کو یقینی بنایا۔


Did you like the engagement ring my mom gave you?
Yes.... I love it ...!!
Did you like the engagement ring my mom gave you?
Yes.... I love it ...!!

Digitally Connected

Emotions

PTCL's wireless internet, CharJi 4G LTE keeps you connected no matter where you are with your work and family. Not only that, you can be the friend in need by sharing internet with your friends using CharJi device.



CharJi 4G LTE

DIRECTORS' REPORT

On behalf of the Board of Directors of Pakistan Telecommunication Company Limited (PTCL), we are pleased to present the annual report and the audited financial statements for the year ended December 31, 2017 together with the auditors' report thereon.

Your Company fully realizes the current challenges in today's competitive environment of telecom industry in Pakistan whereby cellular operators are attaining growth in data services. PTCL is fully prepared to meet these challenges with timely actions on all operational and business fronts.

Through PTCL's Network Transformation Project committing significant investments, the access network capabilities of wireline broadband services are enhanced to provide the customers with unparalleled speeds and volumes. Similarly, capabilities of wireless broadband networks are continuously enriched to enable higher-end data Charji LTE services to our valued subscribers. In this direction, fiber foot print is further extended not only for PTCL's own use but is also encompassing expansion of other carriers' networks through provision of fiber-based back-haul services. Innovative and cost-effective commercial products and services based upon latest technologies commensurate with customers' needs are introduced and effective, technology-based initiatives to improve subscribers' experience are being constantly undertaken.

An overview of the Company's performance during the year is summarized in the ensuing paragraphs.

INDUSTRY OUTLOOK

Pakistan's economy continued to grow in 2016-17. The GDP (Gross Domestic Product) growth reached 5.3% of which agriculture sector (19% of GDP) increased by 3.5%, industrial sector (21% of GDP) grew by 5.0% and enhancement in services sector (60% of GDP) was 5.9%. As a result, the size of the economy surpassed USD 300 billion mainly supported by the favourable global economic environment, CPEC related investments and an expansionary fiscal and monetary policy.

Based on the macroeconomic stability, the average inflation during the year was at 4.1% and consequently the State Bank of Pakistan kept the policy rate of 5.75% unchanged during the period. In the foreign exchange market, PKR remained largely stable maintaining PKR-USD parity, however, in December 17 a devaluation of 5% was witnessed amid mounting external concerns.

With major macroeconomic indicators remaining strong, Pakistan is a vibrant telecom market in the region. During the year, the telecom sector maintained growth trajectory principally driven by ever-rising demand for high speed data. With realization of the growth potential, the telecom operators continued to make capital investments in technology modernization and infrastructure to deliver higher bandwidth to the subscriber base.

Cognizant of the demand of high speed data and the fact that less than 5% households in the country have access to wireline broadband, PTCL Group is leading the residential broadband market evolution through its on-going network transformation project. Transformed exchanges have not only contributed to a seamless experience for customers, but have also been instrumental in increasing average broadband speeds in the country. As a result, the fixed broadband market has been growing steadfastly.

The cellular market remained highly competitive with penetration reaching 71% by December, 2017. Data remained the main driver of growth after voice business stagnation. In the wake of aggressive 3G/4G rollout of cellular operators accompanied with launch of dongles, the wireless operators are quickly shifting focus from traditional voice services to data and digital services.

Expanding access infrastructure and exploding data demand would require equally comprehensive improvements in international bandwidth and backhaul connectivity through fiberization of towers. PTCL is aligning its infrastructure and business model to capitalize on this emerging opportunity. As a result of aggressive engagement with telecom operators, PTCL is now market leader in carrier services.

The voice business, which is still a major revenue contributor, started to face competition from OTT players like WhatsApp, Facebook and Skype. The shift in consumer preference from voice to data is expected to continue. Data consumption, therefore, is expected to rise exponentially in the foreseeable future. Based on the aforesaid shift from voice to data, the Long Distance International (LDI) industry has been experiencing stiff competition from the rapid adoption of OTT applications with decreased voice traffic resulting in reducing rates and revenues from this segment.

As businesses and commercial entities continue to modernize, they will need innovative telecom product offerings to keep abreast with changing times. The PTCL Group has made a conscious effort to enhance its corporate product portfolio thus, becoming the largest cloud service provider since the launch of the service in 2017.

The Mobile Financial Services market in Pakistan is growing steadily with a compound annual growth rate (CAGR) of over 30% during 2013-2017. The number of mobile accounts has also increased significantly from 15.3 million in 2015 to 27.3 million by middle of 2017. With approximately 85% unbanked population in the country, there is significant potential for growth of branchless banking services. The PTCL Group is pursuing its endeavors in the mobile financial services segment with the ‘U paisa’ service offered through Ubank and Ufone.

FINANCIAL PERFORMANCE

During the year, the PTCL Group’s financial performance remained steady. With stable revenues, the overall profitability of the Group also increased compared to the previous year. To maintain its competitive edge, your Company made substantial investments for modernization and upgradation of its network.

Revenues

In 2017, PTCL’s revenue was Rs. 69.8 billion. Revenue from DSL services, Corporate, International and Charji (LTE) services increased by 4%, 11%, 8% and 26% respectively over the last year. However, decrease in Voice and EVO revenues caused an overall decline of 2% in the annual revenue on YoY (Year on Year) basis.

PTCL’s Group revenue remained stable at Rs. 117 billion during the year. In spite of the stiff competition in the cellular market, Ufone successfully maintained its revenue at the same level as of last year. U-Bank (a 100% owned subsidiary of PTCL) also contributed positively to the Group topline.

Profitability

PTCL’s profit after tax increased by 22%, based in part on the successful outcomes of certain legal cases augmenting the other income as well as taking into account the last year’s VSS expense. However, due to the aforementioned reduction in revenue, operating profitability decreased despite maintaining operating expenses at the previous year’s level. The said stability in operating expenses was achieved through the continued focus on implementing pertinent cost optimization measures throughout the year.

In the same manner, profit after tax of the PTCL Group increased considerably although the operating profitability of the Group decreased. The Group's operating expenses increased by 3% mainly due to accelerated depreciation and impairment of obsolete equipment necessitated by the network transformation and upgradation to ensure sustainable future growth by providing high speed data services to our valued customers.

PTCL's earnings per share (EPS) for the year was Rs. 1.64 whereas the EPS for PTCL Group was Rs. 0.85.

Cash Flows

PTCL's cash flows during the year were primarily used towards network transformation and upgradation and also to pay off the liability on account of Voluntary Separation Scheme (VSS) implemented last year.

At the Group level, besides the above-stated PTCL's network transformation, the cash flows were also used for Ufone's network upgradation and the early settlement of Ufone's License obligation to PTA (Pakistan Telecommunication Authority) allowing the Group to reduce the risk of possible unfavorable exchange rate movements in the years to come.

Dividends and Appropriations

For the year under review, the Directors declared an interim cash dividend of 10% (Re. 1.0 per share). Further, the income of Rs. 186 million earned on the insurance reserve funds was transferred from unappropriated profits to the insurance reserve.

Other Matters

Your attention is drawn to note 12.7 of PTCL's financial statements as well as note 19.7 of the consolidated financial statements for the year, which contain the information and the explanation regarding outcome of the review petitions filed by the Company, Pakistan Telecommunication Employees Trust and the Federal Government before the Honorable Supreme Court of Pakistan vide order dated May 17, 2017, as highlighted by external auditors in their audit reports.

PRODUCTS & SERVICES

Your Company fully realizes the changing pattern of consumer preferences whereby, based upon day-by-day increasing enrichment of contents, the demand for data services is constantly growing. To keep abreast of the said demand, besides investing in transformation and upgradation of the network, PTCL also continues to offer newer packages with larger data volumes and higher speeds as well as strengthening the existing products, always keeping in mind the affordability factor.

In 2017, the products portfolio encompassing broadband, content and media, voice, services for corporate and enterprise segments, interconnect offerings, international connectivity etc. was further streamlined and augmented, a brief of which is provided in succeeding paragraphs.

Wireline

During the year, PTCL launched various limited-time Double-Up Promotion for 1 Mbps and 2 Mbps customers, for Unlimited and Capped packages both, to upgrade to next higher speed package of 2 Mbps and 4 Mbps respectively with nominal incremental charge. The campaigns generated positive response among the related customer base. Similarly, the 2 Mbps Economy (Capped) and 4 Mbps Starter (Capped) Package monthly usage quota was revised from 15 GB to 20 GB and 20 GB to 40 GB respectively thus enticing the customers to upgrade to unlimited higher priced plans, once they are accustomed to higher volume usage patterns. Single Play (PSTN only) installation charges were revised upward to encourage such customers to move to double / triple play packages with broadband / IPTV included. In order to enhance customer loyalty and retention, a pilot launch of doubling speed of 1 Mbps and 2 Mbps customers without any extra charges was carried out in Karachi regions. At the Gujranwala site exchange, 8 Mbps and above customers were moved to 20 Mbps Unlimited without any extra charges to give them a taste of higher speed to later opt-in for 20 Mbps package.

In the Islamabad region, GPON (Gigabit Passive Optical Network) based 8 Mbps Promotion was launched for new subscribers at affordable price thus providing FTTH (Fiber to the Home) broadband services. Commensurate with the network transformation implemented in selected exchanges, PTCL Plus broadband packages were launched to provide the higher speed broadband experience to existing and new customers connected with these exchanges. Besides, the GPON coverage maps were added on PTCL website to assist customers in viewing designated GPON areas with ease.

On the Independence Day, Azadi Offer with 70% discount in installation charges was launched which helped your Company to get sizable new connection orders. PTCL also partnered with the Pakistan Army to provide voice and broadband services throughout Pakistan for the Government's National Census 2017 project.

Also, to further facilitate the new entrants, new channels for payment of installation charges through designated banks were introduced. Prices of various packages were revised as well.

Wireless

An appealing acquisition and win-back campaign for EVO/CharJi was launched. Under the offer, subscribers purchasing/recharging their EVO or CharJi devices during the promotion month were entitled to additional volume as per their allotted package at the same monthly line rents. Further, various double volume campaigns were launched to entice subscribers seeking to extract the most from their data plan and allowed existing subscribers to opt-in too by simply recharging during the promo month with availability of the doubled volumes through recharges in limited subsequent months as well.

The CharJi Ramadan offer was launched to generate new sales and increase active customer base. Customers, who purchased and recharged their CharJi devices during the month of Ramadan, received double the volume at their existing monthly line rents. The offer, designed to boost customer loyalty also provided double the volume with each subsequent recharge for the next six months. Existing CharJi subscribers could also opt-in by simply recharging during Ramadan.

To cater to the demand for high-speed Internet, CharJi LTE services were rolled out in Azad Jammu & Kashmir (AJK). PTCL became the first operator to offer its next generation 4G LTE services in the area and introduced affordable tariffs and Single-Mode LTE Devices. As the launch coincided with the CharJi Ramadan Promo, subscribers who purchased their new CharJi devices, received additional volume as per their allotted package, valid for the next six recharges. Further, through an upgrade offer, PTCL EVO 3.1 & 9.3 subscribers in AJK were encouraged to upgrade to EVO Charji with complimentary one month LTE service. Subscribers simply needed to deposit back their old device at their nearest PTCL shop and pay only the device price to upgrade to the superior speeds of PTCL's next generation wireless broadband service.

Similarly, during the year CharJi services were also launched in Faisalabad city, Balochistan, Sialkot, Multan, Gujranwala and NTR-II encompassing D.I.Khan, Bannu, Kohat, Hangu, Tank, Karak and Thall districts. Most of these launches were coupled with an attractive upgrade offer, allowing EVO 3.1 & 9.3 subscribers to upgrade to CharJi LTE absolutely free with one month complimentary LTE service. Subscribers were required to visit their nearest PTCL shop and deposit back their old device to receive the upgrade. These upgrade offers were designed to migrate the maximum number of EVO customers to CharJi, thus allowing the subscribers to experience superior browsing, streaming and downloading on PTCL's next generation wireless broadband service.

Keeping abreast of the latest trends and technologies, PTCL Introduced EVO CarFi (a connected car product), allowing passengers to stay connected to the world-wide-web from within their vehicles in 250+ cities and

towns across Pakistan. The new CarFi product and packages, offered at economical prices, facilitate subscribers who wish to stay connected with their smartphones, tablets, music players and laptops through Internet from within their vehicles. The packages launched with the EVO CarFi include an attractive social media bundle allowing unlimited usage of Skype, WhatsApp, Facebook, Twitter, LinkedIn and SoundCloud.

Content & Multimedia

PTCL announced its collaboration with iflix, the world's leading Subscription Video-on-Demand (SVOD) service for emerging markets by offering 4Mbps and higher broadband subscribers as well as Smart TV customers, unlimited access to its world-class service for one year. Additionally, the Icflix VOD bundle was further enriched to include Hollywood and Bollywood contents on both, the Smart TV & Smart TV App.

Cognizant of the vast fan-following of cricket in Pakistan, PTCL capitalized on the event of ICC Champions Trophy 2017 by streaming ad-free matches on the Smart TV App without any extra charges to customers.

The E-junior contest was launched for children to participate and win prizes with the objective to enhance brand loyalty and to increase followership of e-junior bundle. During the, 'EID Ramadan Promotion' the e-junior VOD bundle was launched, offering the customers free subscription to the e-junior bundle for thirty days. PTCL also launched an e-Junior Ramadan promotion providing free subscription for a period of one month to the kids' content on the PTCL Smart TV and Smart TV App in collaboration with eVision- a subsidiary of Etisalat. E-junior provides content that ranges from pre-school series to grown-up children's titles.

Premium Hollywood and Lollywood movies were also launched exclusively on Smart TV and Smart TV App during the year. On the occasion of Eid, PTCL launched four additional highly rated Pakistani movies for PTCL Smart TV and Smart TV App customers in collaboration with Rockville Technologies. Within the span of a month, these movies took their place under the most watched category on PTCL Smart TV & Smart TV App.

Further, enrichment of the Live TV section was undertaken with the addition of new channels in the Regional and Kids genres.

Carrier and Wholesale Services

Your Company being the only fully-integrated telecom operator in Pakistan, possesses vast capacity of fiber-based back-hauling which is vital for country-wide internet connectivity. With the growth in 3G/4G customers of cellular operators, the demand for back-hauling is on the rise to ensure reliable data services to these customers. PTCL duly capitalizes on such opportunities by timely entering into contractual arrangements with other carriers to provide them with the needed connectivity using its vast back-hauling resources. The rationale of availing PTCL's capacity for these operators is the considerable savings in their CAPEX and OPEX costs. Accordingly, during the year, additional IP bandwidth of 193G was sold to other operators in addition to the 1,600 KMs of dark fiber business from such entities. Resultantly, revenue from this segment of PTCL business remained steady during the year.

International Business

During the year, PTCL continued to provide its customers with quality international voice and bandwidth / IP transit services at highly competitive rates. All routes were monitored on regular basis in order to ensure availability of high quality services to all customers, across the retail, corporate and wholesale segments.

In spite of competition among various LDI (Long Distance International) operators in Pakistan, revenues from the International segment increased by 8% over the last year. Growth in revenue was a result of the constant efforts by your Company to increase business with prominent cellular operators as well as PTCL's own landline customers and also the increase in the transit/hubbing volumes. The said growth was achieved in spite of unfavorable factors like growth in OTT traffic, OTT bypass and on-net/off-net grey traffic.

During the year, a new submarine cable viz. AAE-1 (Asia Africa Europe-1), of which PTCL is a consortium member, was made operational with connectivity from Hong Kong to France. The AAE-1, which is in addition to the three existing submarine cables of your Company, considerably augments PTCL's capacity to satisfactorily meet the ever-increasing bandwidth demand in Pakistan. The new submarine cable also brings much needed protection and diversity to the existing heavily congested subsea cable systems connecting various countries along the route.

Your Company also invested in an upgrade of SEA-ME-WE-4 Cable System and the resultant additional capacity will be made available soon thus further increasing PTCL's capacity of bandwidth connectivity.

Digital Services

During the year, PTCL expanded its corporate customer base with innovate ICT (Information and Communication Technology) products and services. As a result, revenues from the enterprise segment grew by 11% over the last year. Fully realizing the growing market need for digitalization, an aggressive sales strategy and prudent account and relationship management contributed to the said growth. A strong focus on adding new enterprise customers in diversified business verticals helped PTCL to enhance its customer base and achieve product penetration into new market segments. Equipped with leading technology solutions, your Company is the preferred ICT solution provider for corporate customers.

PTCL secured new and strategic ICT and Cloud Services projects providing a wider range of services which contributed towards higher business growth. Special sales focus was on new areas like PTCL SmartCloud, Data Center Hosting, IT System Integration Projects, Managed Services, Managed Wi-Fi, IP Surveillance and TDD (Time Division Duplex) LTE Connectivity for enterprise customers.

PTCL Smart Cloud, as Pakistan's First SDN (Software Defined Networking) enabled cloud infrastructure, made its niche in the market by providing highly agile, flexible and innovative solutions catering to the needs of present-day corporate businesses. The Smart Cloud solution is an enterprise grade cloud platform as it has attained Payment Card Industry Data Security Standard (PCIDSS) certification. PTCL Smart Cloud has swiftly become preferred solution for organizations due to its complete cloud infrastructure as a service portfolio. Based upon its innovative, industry leading cloud services solutions, PTCL secured customers from various business segments for this service.

Your Company remains focused to be an end-to end solution provider for our enterprise customers by offering a complete suite of ICT solutions including Data Center & Cloud Infrastructure, Connectivity, Business Applications, Security Solutions and Services. Towards this end, PTCL signed reseller partnerships with some of the leading global IT companies e.g. Microsoft, Oracle and DellEMC. PTCL also signed a Cyber Threat Intelligence solutions partnership agreement with Etisalat enabling PTCL to offer security solutions to our corporate customers for protection against cyber threats.

PTCL also contributed to national initiatives for the growth of the ICT sector in Pakistan. One such example is PTCL and LMKT partnering for establishment of NIC (National Incubation Center), Peshawar funded by Ignite under MoITT (Ministry of Information Technology & Telecommunication). Establishment of country-wide NICs is vital for ICT growth in Pakistan as these NICs will not only enable local IT and tech start-ups to develop their products and grow their businesses but would also provide access to investors to support technology-driven startups.

Year on year, PTCL has proved its commitment to technical excellence, innovation and client satisfaction for the enterprise customer base. With its diversified and expanding portfolio of products & services and cognizant of corporate sector preferences of technologically-superior services at competitive prices engaging multiple service providers for diversity, your Company is well positioned to serve the corporate customers in line with market dynamics.

SUPPORT FUNCTIONS

Network Infrastructure

Cognizant of the ever-increasing demand of higher speeds and larger volumes of data services from all facets of its valued customers comprising of retails, corporate and wholesale segments, your Company is continuously expanding and modernizing its network with innovative technologies and smart solutions in a synchronized manner. Service delivery platforms and network elements are being transformed with high throughput devices to enhance customer experience.

The foremost current initiative of PTCL in this regard is the Network Transformation Project (NTP) committing significant amount of CAPEX. The NTP, spanning over multiple years in different phases, encompasses fiberization and copper renovation of wireline access network connected to the top 100 exchanges, country-wide. Through technical solutions deployed under NTP, speed and volume capacity of data throughput to end-customer is significantly enhanced thus enabling higher-end data products up to 100Mbps speed with better quality of experience.

During the year, under NTP, additional 1,550 MSAGs (Multi Services Access Gateways) were added inclusive of replacement of 300 ONUs (Optical Network Units) of older technology. In these MSAGs, as well as in allied exchanges, 544K new VDSL2 ports were added. Through this deployment, not only the network faults were reduced enhancing quality of service, but the customers were also enabled to opt for higher-end data packages. Furthermore, formation of new fiber access rings and rehabilitation of allied copper network were also implemented.

As part of the PTCL strategy to upgrade the 3G wireless broadband service to Charji (4G LTE), your Company upgraded its existing 3G EVDO network in 350 BTSs in AJK, NTR-II, Rawalpindi and Quetta telecom regions to LTE to provide higher throughput data service up to 75Mbps in these areas as compared to 9.3Mbps available with EVDO based 3G solution. At the same time, PTCL also started LTE services in targeted cities of Faisalabad, Gujranwala and Multan telecom regions.
Considering future traffic growth and technology trends, core network unification project was initiated by consolidating the Packet Switched (PS) core nodes of PTCL and Ufone. The consolidated PS core network carries 2G, 3G services of Ufone and 4G services of PTCL with geographical redundancy. Additionally, PTCL shutdown wireless voice service in 1900 MHz thus consolidating its Circuit Switched (CS) network enabling OPEX savings.

Moreover, recently deployed CDNs (Content Delivery Network) not only conserve the international bandwidth requirements but also provide speedier and seamless content delivery to our valued internet customers. New Google, Facebook and Iflix CDNs were added in the network.

To ensure higher data rate broadband services, end-to- end bandwidth capacity is being enhanced. In this regard, the legacy transport network of SDH (Synchronous Digital Hierarchy) nodes was upgraded with MPLS-TP (Multi-Protocol Label Switching – Transport Profile) technology which enables handling of larger traffic volumes with ease. PTCL also introduced 100G Packet Transport Network (PTN) technology in the aggregation layer to overcome the congestion problems in the back-haul network.

To expand the fiber footprint across the country, your Company deployed more than 1,900 KMs optical fiber in long-haul and metro networks during the year, which, besides serving PTCL's own customer base is also instrumental in providing back-haul capacity to cellular operators. It is also planned to extend the fiber footprint to Gwadar and then to the Iran border through the coastal highway.

Further, the resource optimization was addressed through IP network design revamp thus starting migration of IPs from public to private domain for Access network elements as well as IPTV services.

In line with the practice followed in previous years, your Company deployed 200 additional solar sites in 2017 based upon PTCL's own customized design at minimum possible costs. Fast charge batteries were also commissioned at 500 BTS and MSAG sites. These measures ensure continuation of service at times when grid outages are on the rise, especially in summer season.

Governance and Quality Assurance

In order to ensure smooth service availability to our wireline broadband customers, all technical aspects of network roll out under NTP are quality-tested before going live. For this purpose, you Company established a quality testing and certification laboratory wherein all the wireline and wireless CPEs (Customer Premises Equipment) are carefully tested for KPIs benchmarking and line parameters before installation.

During the year, PTCL also secured ISO 9001:2015 certifications for various customer centric points like Network Operation Center (NOC), Contact Centers, Smart Shops, Quality Assurance and Training Centers.

Further, to align organizational business processes with international best practices, a BPM (Business Process Management) program was initiated with the objective to improve governance, compliance, productivity and efficiency across the organization. In this regard, various processes covering cross functional domains were implemented during the year.

Information Technology (IT)

Through its IT capabilities based upon leading-edge and integrated technology, your Company continued to provide up-to-date solutions for better customer experience management through further enhancement in operational efficiencies. In this regard, various long and short initiatives of IT transformation, facility revamp and synergy with Ufone were undertaken during the year.

The IT transformation comprised of CRM revamp, convergent billing, inventory management, service desk, NOC (Network Operation Center) upgrade, Enterprise-wide Private Cloud with Backup Solution, Wi-Fi Cloud, Information Security Gateway, SD-WAN (Software-Defined Wide Area Network), upgrade of Disaster Recovery capabilities and innovative solutions for operations management reporting with email / SMS alerts.
Under the facility revamping initiative, eight Teir-1 sites comprising of core installations of broadband (PIE and MMBB), international gateways and 100G transmission layer were selected for IT revamping. The project comprises of various phases expanded over multiple years. The main objective of this project is to improve and optimize capabilities of these sites to ease and enlarge the traffic flow in the wake of increasing demand of data services.

On the synergy front, several projects with active PTCL and Ufone coordination were completed. Foremost of these projects is consolidation of IBM, Oracle and various IT platforms containing OSS (Operational Support Systems), BSS (Business Support Systems) and ESS (Enterprise Support Systems) in a single platform based upon the latest technology. Besides improving efficiency of these critical systems significantly, the associated operating costs were considerably optimized as well.

Further, in order to provide advanced routing intelligence, analysis of traffic patterns and to prioritize higher revenue routes for the best quality of service, PTCL implemented Interconnect Settlement & Whole Sale Billing Phase-I (International & Least Cost Routing) project through Telarix. Additionally, Comptel Mediation & Data Refinery implementation is in progress which is the best suite of software products to capture and refine mediation and billing data in real-time. This data refinery handles massive data loads and manages complex event processing.

PTCL is the first and currently among very few organizations in the country to provide public cloud services of Infrastructure as a Service (IaaS) to corporate and non-corporate customer. PTCL's Cloud Computing Infrastructure is designed to enable customers to create service-oriented infrastructure by combining a set of products, technologies, and offerings with best practices. With custom built solutions that include Virtual Data Centers, Virtual Private Servers and Business Continuity, PTCL Smart Cloud is helping organizations to revolutionize their business practices and help them realize their growth potential. Recently, PTCL attained Payment Card Industry Data Security Standard (PCIDSS) certification v3.2 for its IaaS offering. PCIDSS certification assures maximum security compliance as per international standards.

Also, as part of digitization and in order to facilitate all PTCL employees for self-service, PTCL Vibe (Employee Self Service) App was developed and launched. Through this App, employees can work with ease using mobile handsets.

Human Resources

To cater to the growing needs for fresh talent, PTCL injected young blood in the organization by onboarding over 350 aspiring fresh graduates as part of PTCL Summit Program. These management trainees were selected after thorough assessment and went through a focused orientation with six weeks class room training in a residential program followed by a six-month on-the-job development program.

A strong leadership pipeline is crucial in meeting the new challenges created by the changing and competitive landscape. During the year, your Company invested in developing leadership capabilities through various programs such as Future Leaders (FueL) for high potential young employees, Management Development Program (MDP) and Executive MBA from LUMS for the top tier and mid-level managers respectively. Also, PTCL relaunched the online training Harvard ManageMentor® (HMM) for employees to promote learning in convenient and cost effective ways. Moreover, leadership retreats were conducted for the top tier of various functions to enhance strategic alignment and collaboration.

All employees need a safe and pleasant work environment in order to enjoy a fulfilling work experience. In this regard, the project of rehabilitation of transformed exchanges was launched to create a conducive environment for employees so that they can effectively deliver customer services and achieve business objectives.
PTCL has always focused on innovation and engagement, which was depicted by the launch of the 'PTCL Ideas Olympiad' platform, where all employees were made part of an Ideas competition. Your Company also conducted various employee engagement initiatives including 70th Independence Day celebrations, Wall of Fame, PTCL Fiesta 2017, Women's Day, exclusive theatrical plays, sports gala, recognition ceremonies and Eid celebrations at the Headquarters and across all zones and regions.

PTCL also carried out a talent review exercise for leadership tier as well as extensive capability assessment of employees across key functions to formulate focused development plans. In this regard a workshop was conducted for Senior Leaders on 'Coaching for High Performance'. To further enhance your Company's talent-base, various training interventions were undertaken such as Back to Basics – on site sessions for the first level managers and the field staff, functional skills up-gradation and customer orientation trainings for TPIs (Triple Play Installers) and the X-factor training program for Assistant Managers across the organization. Moreover, PTCL carried out customized programs on leadership such as 'The 7 Habits of Highly Effective People' in Islamabad, Lahore, Karachi and Peshawar. Special sessions on 'Stepping up our Service Culture' by a renowned consultant were also organized across major cities of Pakistan.

For safety of all employees, initiatives such as Emergency Evacuation and Safety drills, HSE (Health, Safety and Environment) and First Aid Trainings for CSRs (Customer Services Representatives) and CPEIs (Customer Premises Equipment Installers) were implemented across the organization. Further, benefits like Life Insurance, Paternity Leave, Evening Clinics, a Medical Helpline, Hajj Scheme and free PTCL services were also introduced during the year to enrich the employee experience.

PTCL is amongst the first in the telecom industry to be authorized as a 'Training Organization outside Practice' in association with Institute of Chartered Accountants of Pakistan (ICAP). In 2017, your Company received the 'EFP Award on Best HRM Practices 2017' in recognition of its human resource management practices and

Summit Program 2017

‘EFP Award for Excellence in Women Empowerment 2017’ at the International Women’s Day Conference organized by Employers Federation of Pakistan. PTCL was also ranked amongst the top companies in Etisalat’s HR Excellence Program.

Customer Care

During 2017, your Company implemented various initiatives to further enhance overall customer experience. Latest technology, improved processes and people development were the major steps undertaken in this direction.

PTCL introduced Artificial intelligence, i.e. Afiniti’s Enterprise Behavioral Pairing™ algorithm at the contact centers. The tools analyzes and predicts the behavior of incoming callers thereby pairing them with agents who can deliver the optimum results.

With the objective to consolidate multiple numbers of customer helplines, PTCL consolidated the same in one number i.e. 1218 (Baara Atharaa) enabling our valued subscribers to conveniently dial just one number to book an order, register a complaint, get billing or any other information. Further, a dedicated technical support line for its multimedia and broadband customers was also established.

With the increased focus on customer retention through proactive initiatives, customers desiring to cancel PTCL services were directed to call an allocated number to communicate with a dedicated retention agent who probed the underlying reasons for desired closure and offered possible solutions to redress the issues. In this direction, PTCL also operationalized a latest broadband dormancy model which can reliably predict the potential customers to become dormant and leave PTCL. The resultant data is effectively used for an outbound call campaign to resolve the service issues in order to resuscitate the usage by these customers.

Your Company also added new features in the ‘PTCL Touch App’ which enables customers to avail new services, register complaints and pay the bills using a single application through their mobile handsets. Some of these features are inclusion of FAQs for various services, a more efficient and responsive chat, registration and tracking of all service complaints recharging of wireless services and payment for new orders. Online wireless orders are fulfilled through courier with biometric verification, cash collection and a complete service delivery mechanism at the customer door-step. Customers can subscribe by selecting from various offers and buckets directly from their hand held devices; they get notified with confirmations over emails and SMS and the payments can also be made through debit credit cards. The payment history and usage are readily available.

Your Company also developed a graphic interface based designer tool enabling the running of various campaigns with analytics. E-Bills are sent efficiently with a detailed reporting back of hard and soft bounce of emails. Similarly, PTCL also automated reports on the key performance factors catering to service complaints, order details, billing reports, outages reports with duration of outage and estimated recovery time along with number of customer affected. Timely communication of these information to affected customers increases their confidence in PTCL's operational efficiencies.

Fresh staff, trained in customer excellence service standards, processes, systems and soft skills, was placed at PTCL Shops to enhance the competence of front-end services for our valued customers. PTCL also started the process of 'live' customer verification in collaboration with NADRA (National Database and Registration Authority) prior to concluding new order sales.

Through its research function, your Company effectively manages various in-house and outsourced research projects like the quarterly TRI*M & BHT (Brand Health Tracking). TRI*M is a customer experience management index which measures the customers' 'perception' of PTCL's products and services across different service touch points. Aspects of comparable competitors' offerings are also included in the index. BHT (Brand Health Tracking) study measures brand health indicators like brand equity scores, future usage intention and equity gap for your Company's product categories. The media habits of PTCL's subscribers are also a part of this study. Additionally, through in-house research, the requirements of the SME segment are captured, including the identification of the previously untapped market via a market sizing study undertaken jointly with Etisalat Group.

Marketing and Communication

During 2017, numerous 360-degree product marketing campaigns covering all aspects of PTCL products and services e.g. Broadband Double-Up Offer, 2 Mbps Starter Package and various EVO & CharJi offers were launched.

Along with the commercial campaigns launched for further expansion of PTCL CharJi footprint through upgradation and conversion in different parts of the country, the CharJi "All You Need" and "Double Volume" campaigns through all touch points to get maximum conversions on CharJi were launched, reinforcing the commercial campaigns.

PTCL modified its strategy for 1218 (Baara Atharaa), positioning it as an integral, one-window solution customer helpline. A 360-degree communication campaign was launched to further strengthen PTCL's image as a customer-oriented organization, thus enriching the end-customer experience.

CarFi TV commercial was launched on digital mediums, partnering with e-commerce websites, including Daraz, Yayvo and PakWheels. PTCL also created short public service video messages containing traffic safety measures, establishing our commitment to social responsibility.

One of the major initiatives of your Company to further uplift the PTCL brand was PTCL's sponsorship of the Islamabad United team in the Pakistan Super League (PSL) tournament – with significant success with cricket fans and customers across the country. An iconic song was also composed for the Islamabad United team, which gave brand mileage to PTCL. Moreover, for better customer viewing experience, PTCL also brought the ICC Champions Trophy 2017 without advertisements on the Smart TV App for which a media campaign was also launched. Similarly, in partnership with FC Barcelona – a world class football club - PTCL built a Smart TV campaign around the FC Barcelona team which was launched through the television medium and was well received by the intended audience.

Towards enrichment of the customers' experience, your Company partnered with iflix, a leading Subscription Video-on-Demand (SVoD) service for emerging markets, giving one year unlimited access of iflix to 4Mbps and above internet, and Smart TV customers. Following an elaborate 360-degree marketing campaign for this partnership, PTCL also hosted a launch event in Karachi which was well reported in the media.

As 2017 marked the 70th year of PTCL connecting the nation, the occasion was celebrated by launching a press and digital campaign on 23rd March (Pakistan Day).

Under the Network Transformation Project (NTP) several marketing initiatives were taken to support the sales team in the newly transformed exchanges across Pakistan, where special packages were introduced. Communications with customers were conducted through point of sales material, bill ads and on-ground outreach activities such as Float and Kiosk Activations across the regions.

PTCL's footprint on digital forums such as Facebook, Twitter, YouTube, and Google grew during the year 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.

With the objective to constantly increase customers' recall value, the continued brand visibility of your Company was ensured through proactive perception management, placement of Company news and events, especially the initiatives related to corporate social responsibility, both in traditional and digital media.

Regulatory Affairs

Upon expiry of the IPTV license in November 2016, PTCL duly applied for revalidation thereof for another 10 year's term. After meeting all related legal formalities, the license was accordingly revalidated by PEMRA (Pakistan Electronic Media Regulatory Authority) during the year.

Further, in order to ensure seamless migration of wireless broadband services in selected regions and cities from EVDO to Charji LTE to provide higher speed data services to our valued customers, your Company successfully managed the technical requirement of additional spectrum of 5 MHz on an ad-hoc basis in collaboration with the PTA (Pakistan Telecommunication Authority) and the FAB (Frequency Allocation Board). Approval to launch LTE/Charji service in AJK & GB was also obtained from the regulator.

Moreover, in line with the policy directives of MoITT (Ministry of Information Technology & Telecommunication), PTCL succeeded in securing a refund on account of earlier payments of R&D Fund at higher rates from the regulators. Such refunds would be available for adjustment against future payments becoming due on this account.

Also, PTCL continued to follow up on the USF (Universal Service Fund) projects to secure funding of related contractual subsidies by meeting the project completion timelines. In this regard, total subsidies of Rs. 263.6 Million were received during 2017.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Throughout the year your Company undertook various CSR Initiatives, starting with the launch of 'PTCL Razakaar'- an employee volunteer program with close to 500 PTCL employees registered as volunteers (Razakaars).

Many initiatives were launched under its umbrella including Box of Happiness, where PTCL Razakaars distributed around 1000 hand-packed gift boxes from employees and their families to under-privileged children across Pakistan, Breast Cancer Awareness Drive, a successful blood donation drive with a nationwide record collection of 9,726 blood pints and supporting the Cricket Tournament for the differently abled people.

Also during this year, PTCL arranged special medical camps for under-privileged segments of society in rural areas and for educational institutions of orphans and special children. Mobile medical units catered to over 40,244 beneficiaries and 681 health awareness sessions in remote areas were conducted. Being an eco-friendly organization, PTCL also participated in the CDA Tree Plantation Campaign.

SUBSIDIARIES

Pak Telecom Mobile Limited - Ufone

During the year, the financial performance of Ufone improved. With revenues stabilizing at the same level as of last year and with favorable outcome of certain legal cases, Ufone losses reduced on a year-on-year basis. It is pertinent to mention that pace of revenue growth on quarterly basis, however, accelerated during the year as rate of growth of last quarter's revenue over previous one was 3%.

In order to manage capacity challenges arising due to single 5MHz carrier on 2100MHz spectrum, in 2016 Ufone introduced a second carrier for 3G data through re-farming of the existing GSM900 MHz spectrum. This approach, referred to as 'U900 Implementation', was the first of its kind in the cellular industry of Pakistan which enabled Ufone to boost its 3G network performance and capacity with minimum network investment and more importantly, without undertaking costly acquisition of additional spectrum. During the year, the project was further extended to cover Lahore, Karachi, Hyderabad, Gujranwala and GT Road. Lahore and Karachi have shown encouraging reduction in churn and improvement in critical KPIs like congestion relief, user throughput experience, etc. Moreover, after price and resource optimization, comfortable space was created in the network for better customer experience.

Ufone's Super Card is an established product in Pakistan's telecom market. It has introduced a message of convenience and transparency into Ufone's communication with its customers. It has shown a growth of approximately 20% on a year-on-year basis. In 2017, the Super Card Family was expanded with add-ons like Super Minutes and Super Internet offers, which not only serve as monthly variants but also suffice for customers looking for weekly packages.

After the revamp of the brand strategy to ‘Real People, Real Connections’ platform last year, the communication, whether thematic or tactical, has further endorsed Ufone as a peoples’ brand in 2017. In addition to the brand values of honesty and integrity, the communication constantly reinforced the value proposition of convenience in the product portfolio as well.

During 2017, after a competitive open tendering process, Ufone won six of the nine zones auctioned by USF in Baluchistan province and Federally Administered Tribal Areas (FATA). The said success testifies to Ufone’s track record of significant contributions towards the extension of mobile network services to far-flung and rural areas of the country. The total value of subsidy through these auctions secured by Ufone during 2017 is Rs. 7.6 billion.

PTCL and Ufone are collaboratively working on the Joint Shops initiative. Currently 29 joint shops are already operational nationwide. This initiative has not only resulted in cost optimization but has also promoted the spirit of looking inwards for effective collaborative solutions. The two companies, through concerted efforts and rigorous tax planning, were also able to realize material tax savings through the Group Tax initiative.

The province of Baluchistan is an important region for Ufone, as our brand enjoys popularity amongst the province’s youth among whom it has created substantial goodwill through its community support initiatives. The primary driver for generation of goodwill for Ufone in Baluchistan has been its proactive organization of a football championship across four cities in Baluchistan including Khuzdar, Chaman, Pishin and Quetta. The football championship was a continuation of Ufone’s efforts to provide a much-needed platform to the youth for self-expression through a healthy outdoor activity.

To replicate the true spirit of care and generosity in Ramadan, Ufone continued the campaign of promoting different humanitarian initiatives in line with the practice in previous years. Ufone supported these initiatives by developing and running a complete 360-degree campaign for the entire month of Ramadan for each such initiative, resulting in a wide reach-out to the masses thus inspiring the public to either replicate or to participate actively in these initiatives.

U Microfinance Bank Limited- Ubank

Ubank, a wholly owned subsidiary of PTCL, has a network of 100 branches in urban and rural areas of Pakistan, offering a wide range of microfinance loans, deposit products and branchless banking solutions. Ubank also provides branchless banking services under brand name of 'U Paisa' in collaboration with Ufone. The service is offered at nearly 45,000 agent locations across Pakistan.

During the year, Ubank's performance increased significantly. The deposit portfolio at the end of 2017 grew by 48% while the increase in loan portfolio was 91%. Revenues and profitability also grew considerably. It is pertinent to mention that 30% of Ubank's customer base were women. Similarly, 9% of the bank's work force also consisted of women.

In view of the national agenda of National Financial Inclusion Strategy 2020, Ubank stands at the forefront of fighting poverty through economic enablement of underserved Pakistanis by contributing to bring the unbanked population into the formal banking net as access to microfinance services contributes significantly towards building a more inclusive society

DVCOM Data (Private) Limited – DVCOM Data

DVCOM Data, a 100% owned subsidiary of PTCL, possesses 5 MHz spectrum in 1900 MHz band. To realize synergies within the PTCL Group, the said spectrum is used through commercial arrangement with PTCL to supplement the wireless broadband services of PTCL. During 2017, the financial year-end of DVCOM Data was changed from June-end to December-end after fulfilling all the legal and regulatory requirements to coincide with financial year end of the parent company.

Smart Sky (Private) Limited – Smart Sky

Smart Sky, a 100% owned subsidiary of PTCL, was incorporated in October 2015 with the objective to provide Direct-to-Home (DTH) television services throughout Pakistan under license from the Pakistan Electronic Media Regulatory Authority (PEMRA). Auction for the DTH license was held in November 2016, in which Smart Sky also participated. The Honorable Lahore High Court through an order, however, declared the auction null and void advising PEMRA to restart the whole process. PEMRA has filed an appeal before the Honorable Supreme Court of Pakistan against the said order. Accordingly, Smart Sky has not started its commercial operations.

FINANCIAL REPORTING FRAMEWORK

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

- The financial information prepared by the management of the Company present fairly its state of affairs, the results of its operations, its cash flows and its changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial information and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial information and in case of any departure therefrom, the same has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in Pakistan Stock Exchange (PSX) regulations.
- The Audit Committee has recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of the Company for the financial year ending December 31, 2018 (a post-dated event).
- Information regarding outstanding taxes and levies is given in notes to the accounts of the financial information.
- The value of assets of Pension and Gratuity Funds as per audited accounts amounted to Rs. 109.2 billion and Rs. 1.19 billion respectively at December 31, 2017 (December 31, 2016: Rs. 103.8 billion and Rs. 1.12 billion respectively).
- During the year, no training program for Directors was arranged as the Board has already completed its required number of Certification during 2015 under the Directors Training Program as per the criteria specified by the Securities and Exchange Commission of Pakistan. However, applicable laws, duties and responsibilities of directors were shared with new Directors appointed during the year.

Historic business indicators, composition of Audit Committee, Human Resource & Remuneration (HR&R) Committee, Investment & Finance Committee, number of Board Meetings and attendance of Directors and Shareholding Pattern are part of this report.

AUDITORS
(A POST-DATED ITEM)

The Auditors, M/s Deloitte Yousuf Adil, Chartered Accountants, were appointed for the year ended December 31, 2017 and will stand retired on the conclusion of upcoming Annual General Meeting (AGM). The retiring auditors have been engaged with the Company for a period of three years with rotation of engagement partners as per the requirement of the Code of Corporate Governance. On the basis of Audit Committee's suggestion, through circulation of Board resolution in March 2018, the Board has recommended the appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants, as the Auditors of the Company for the year 2018, for the shareholders' approval at the next AGM to be held on April 26, 2018.

CHALLENGES & WAY FORWARD

Keeping in view the current market dynamics where future growth is projected in the direction of higher end data products, most telecom players are aggressively augmenting their footprints and improving service quality to capture the available opportunities in data and digital solutions segment.

Stiff competition, low data revenues and declining voice revenues due to competition from OTT players are making it harder to justify additional investments in infrastructure. In addition to competitive dynamics in one of the lowest ARPU (Average Revenue per User) market in the world, the telecom sector is among the most heavily taxed service in the country. In July 2017, 19.5% service sales tax was imposed on data services in Punjab, which may hamper the growth of internet penetration in that province. Furthermore, Pakistan Telecommunication Authority has also set Rs. 200 as the base price for sale of new SIMs in Pakistan.

Considering all these challenges and market opportunities, PTCL is pursuing a carefully articulated strategy to attain growth momentum in consumer broadband, maintain leadership in carrier business and aggressively build digital services capabilities. PTCL is determined to improve network quality in high ARPU areas and increase level of engagement with other operators to explore new business models in back-haul solutions. PTCL will further enhance its ICT services portfolio and will build new partnerships to offer customized digital solutions for corporate entities.

To complement investment in new technologies and infrastructure, 2018 will be a year of special focus on improving execution efficiency and cost effectiveness, further improvement in quality of service and cultural transformation based on 'customer-first' approach in the Company.

ACKNOWLEDGEMENTS

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

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

On behalf of the Board of Directors

Irfan Ali
Chairman PTCL Board

Dr. Daniel Ritz
President & Chief Executive Officer

Islamabad: February 14, 2018.

آڈٹ کمیٹی کی سفارشات پر بورڈ نے سرکولیشن کے ذریعے مارچ 2018 میں ریٹائرنگ آڈیٹر کی جگہ کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو برائے سال 2018 بطور آڈیٹر تقرری کی تجویز دی ہے، جس کی شیئر ہولڈرز سے توثیق سالانہ اجلاس عام مورخہ 26 اپریل 2018 میں ہوگی۔

درپیش مسائل اور متوقع مستقبل

مارکیٹ کی موجودہ صورتحال کو مدنظر رکھتے ہوئے جہاں اعلیٰ معیار کی حامل کمیونیکیشن خدمات اور صارفین کے لیے اطمینان بخش ڈیٹا کی ترسیل جیسی سہولیات کی فراہمی بارے مستقبل میں مثبت پیش گوئی کی جارہی ہے وہیں ٹیلی کام کی صنعت سے وابستہ کاروباری ادارے کارکردگی کے حوالے سے ایک دوسرے پر سبقت لے جانے اور کمیونیکیشن سے متعلق خدمات میں بہتری لانے میں ہنگامی بنیادوں پر اقدامات اٹھا رہے ہیں تا کہ ڈیجیٹل ڈیٹا کی دنیا میں دستیاب مواقعوں سے استفادہ حاصل کرتے ہوئے مذکورہ صنعت میں ایک نیا انقلاب لایا جائے۔

ٹیلی کام اداروں کے مابین موجودہ کاروباری مسابقت، ڈیٹا کی ترسیل اور ٹیلی فونک کالز کے مد میں حاصل ہونے والی آمدن میں کمی کی وجہ سے بذریعہ انٹرنیٹ صحت مند تفریحی سہولیات (OTT) کی فراہمی کے کاروباری اداروں کو انفراسٹرکچر میں اضافی سرمایہ کاری کا جواز تلاش کرنے میں مشکلات کا سامنا ہے۔ مارکیٹ میں موجودہ مسابقتی صورتحال کی وجہ سے اس وقت دنیا بھر اوسط آمدن فی صارف (APRU) تاریخ کی کم ترین سطح پر آ گئی ہے جبکہ ٹیلی کام سیکٹر دنیا کے کسی بھی ملک میں خدمات کی مد میں سب سے زیادہ ٹیکس ادا کرنے والا شعبہ ہے۔ جولائی 2017ء میں صوبہ پنجاب نے ڈیٹا سروسز پر 19.5 فیصد سروسز سیلز ٹیکس کا نفاذ کیا جس کی وجہ سے مذکورہ صوبے میں انٹرنیٹ کے استعمال کی شرح نمو متاثر ہوسکتی ہے۔ مزید براں پاکستان ٹیلی کمیونیکیشن اتھارٹی (PTA) نے پاکستان میں نئی سم کی کم از کم قیمت 200 روپے فی سم مقرر کردی ہے۔

ان تمام رکاوٹوں اور کاروباری مواقعوں کو مدنظر رکھتے ہوئے پی ٹی سی ایل ہنگامی بنیادوں پر ایک ایسی حکمت عملی کو ترتیب دینے میں کوشاں ہے جسے بروئے کار لاتے ہوئے صارفین کے لیے براڈ بینڈ کے ذریعے تیز ترین ڈیٹا کی ترسیل، مذکورہ مارکیٹ میں خود کو مارکیٹ لیڈر کے طور پر پیش کرنے اور ڈیجیٹل سروسز کے حصول کو یقینی بنایا جا سکے۔ پی ٹی سی ایل اہداف سے متصادم اوسط آمدن فی صارف (ARPU) کے علاقوں میں نیٹ ورک کے معیار کو بہتر بنانے اور دیگر ٹیلی کام آپریٹرز کے ساتھ شراکتی روابط بڑھاتے ہوئے بیک ہال (Back-Haul) ٹیکنالوجی کی طرز پر کاروبار کے لیے نئی راہیں تلاش کرنے کے لیے پُر عزم ہے۔ پی ٹی سی ایل ICT سروسز کا دائرہ کار مزید وسیع کرنے کا ارادہ رکھتی ہے تا کہ نئے شراکتی معاہدوں کو عملی جامہ پہناتے ہوئے کارپوریٹ اداروں کے لیے اعلیٰ معیار کی ڈیجیٹل سہولیات کی فراہمی کو یقینی بنایا جا سکے۔

نئی ٹیکنالوجیز اور انفراسٹرکچر میں سرمایہ کاری کے حوالے سے 2018ء سروسز کے معیار میں بہتری، "پہلے صارف" کے نظریہ کو سامنے رکھتے ہوئے صارف کو بہترین خدمات کی فراہمی کے لیے کمپنی کے ثقافتی ارتقاء میں تبدیلیوں کے علاوہ نئے منصوبوں کے اجراء اور لاگتی امور میں بہتری کا سال ثابت ہوگا۔

خدمات کا اعتراف

کمپنی کے بورڈ آف ڈائریکٹرز، کسٹمرز، سپلائیرز، سروس پرووائیڈرز، سٹیک ہولڈرز اور شیئر ہولڈرز کے لگاتار تعاون پر ان کا شکریہ ادا کرتے ہیں۔

ہم اپنے ملازمین کی محنت، انتھک کوشش اور جانفشانی کو سراہتے ہیں جس کی بدولت کمپنی اس مقابلے کے ماحول میں چیلنجز کا سامنا کرنے کے قابل ہوئی۔ ہم حکومت پاکستان اور اتصالات گروپ کے بھی مشکور ہیں جن کی مسلسل مدد اور حوصلہ افزائی سے ہم اپنے شیئر ہولڈرز کی ویلیو میں اضافے کا مقصد حاصل کرنے کے قابل ہوئے۔

عرفان علی
چیئرمین بورڈ آف ڈائریکٹرز

ڈاکٹر ڈینیئل رٹز
پریزیڈنٹ اینڈ چیف ایگزیکٹیو آفیسر

اسلام آباد: 14 فروری، 2018

مالیاتی جائزہ اور دیگر امور برائے -2017

پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) کے ڈائریکٹرز 31 دسمبر 2017 کو ختم ہونے والے سال کے آڈٹ شدہ مالی حسابات ہمراہ ڈائریکٹر رپورٹ اپنے شیئر ہولڈرز (حصص یافتگان) کو پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

آپکی کمپنی ٹیلی کام سیکٹر میں ہونے والے دور حاضر کے مسابقتی ماحول سے بخوبی واقف ہے جہاں سیلولر آپریٹرز ڈیٹا سروسز میں ترقی پا رہے ہیں۔ پی ٹی سی ایل اپنے نیٹ ورکس اور بزنس سے متعلقہ بروقت فیصلوں کی بدولت ان تمام چیلنجز سے نبرد آزما ہونے کے لئے تیار ہے۔

مالیاتی کارکردگی

گذشتہ سال 2017 کے دوران پاکستان ٹیلی کمیونیکیشن گروپ کی مالیاتی کارکردگی مستحکم رہی۔ مستحکم ریونیو کے ساتھ گروپ کی منافع پذیری میں گذشتہ برس کے مقابلے میں اضافہ ہوا۔ مسابقتی عمل کو برقرار رکھتے ہوئے کمپنی نے نیٹ ورکس کی صلاحیتوں میں اضافے کے لئے بھاری سرمایہ کاری کی۔

آمدن (ریونیو)

سال 2017 میں پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ کا ریونیو 69 ارب 80 کروڑ روپے رہا۔ ڈی ایس ایل سروسز، کارپوریٹ، بین الاقوامی اور چارجی (ایل ٹی ای) سروسز سے حاصل ہونے والی آمدن میں گذشتہ سال کے دوران بالترتیب 4 فیصد، 8 فیصد اور 26 فیصد اضافہ دیکھنے میں آیا ہے۔ تاہم وائر اور EVO سے حاصل ہونے والی آمدن میں سالانہ بنیادوں پر مجموعی طور پر 2 فیصد کمی دیکھنے میں آئی۔ پی ٹی سی ایل گروپ کے ریونیو مذکورہ سال کے دوران 117 ارب روپے پر مستحکم رہے۔ سیلولر مارکیٹ میں شدید مسابقت کے باوجود یوفون نے اس سال بھی اپنے ریونیو پچھلے سال کے مطابق رکھے۔ یو بینک (پی ٹی سی ایل کی 100 فیصدی ذیلی ملکیت) نے بھی گروپ کے مالیاتی معاملات میں مثبت کردار ادا کیا۔

منافع

گذشتہ سال VSS اخراجات سمیت دیگر آمدن اور قانونی معاملات میں کامیابی کے نتائج پر پی ٹی سی ایل کے بعد از ٹیکس منافع میں 22 فیصد اضافہ دیکھنے میں آیا۔ تاہم آپریٹنگ ریونیو میں مذکورہ بالا درج کمی کی وجہ سے منافع میں کمی رہی۔ جب کہ اخراجات کو گذشتہ سال کے مطابق رکھا گیا۔ اخراجات میں کئے گئے موثر کفایتی اقدامات کی وجہ سے آپریٹنگ اخراجات میں استحکام رہا۔ اسی طرح پی ٹی سی ایل گروپ کے بعد از ٹیکس منافع میں نمایاں اضافہ ہوا۔ جب کہ گروپ کے آپریٹنگ منافع میں کمی رہی۔ گروپ کے آپریٹنگ اخراجات میں متروک ٹیلی کمیونیکیشن آلات کی Depreciation میں اضافہ کی وجہ سے آپریٹنگ اخراجات میں 3 فیصد اضافہ دیکھنے میں آیا۔ اپنے ویلیوڈ صارفین کو بہترین خدمات فراہم کرنے، ہائی سپیڈ ڈیٹا کی فراہمی یقینی بنانے اور مستقبل میں مستحکم خدمات کے حصول کے لیے نیٹ ورک میں تبدیلیوں اور اپ گریڈیشن کی وجہ سے اضافہ دیکھنے میں آیا ہے۔ مذکورہ سال پی ٹی سی ایل کی فی شیئر آمدن 1.64 روپے رہی۔ جب کہ پی ٹی سی ایل گروپ کی فی شیئر آمدن 85 پیسے تھی۔

رقوم کا بہاؤ

پی ٹی سی ایل نے مذکورہ سال کے دوران نقد ادائیگیاں ابتدائی طور پر نیٹ ورک میں تبدیلی اور اپ گریڈیشن کے علاوہ گذشتہ سال VSS کی مد میں اکٹھے ہونے والے واجبات کی ادائیگیوں کے لیے کیں۔ گروپ کی سطح پر مذکورہ بالا بیان کردہ اقدامات جیسے پی ٹی سی ایل کے نیٹ ورک میں تبدیلیوں اور اپ گریڈیشن کے علاوہ یہ نقد ادائیگیاں یوفون کے نیٹ ورک کی اپ گریڈیشن اور ساتھ ہی ساتھ یوفون کے لائسنس کے حوالے سے پاکستان ٹیلی کمیونیکیشن اتھارٹی کے قواعد کے متعلق معاملات نمٹانے کی مد میں کی گئی ہیں۔ تا کہ آئندہ سالوں میں ممکنہ غیر یقینی متبادل شرح میں کمی لائی جا سکے۔

ڈیویڈنڈ اور اختصاص

زیر جائزہ سال میں ڈائریکٹرز نے عبوری کیش ڈیویڈنڈ کی مد میں 1 روپیہ فی شیئر (10 فیصد) دیا تھا مزید 186 ارب روپے کی آمدن بھی غیر مختص نفع سے انشورنس ریزرو میں ٹرانسفر کی گئی۔

دیگر معاملات

آپ کی توجہ اس سال کے پی ٹی سی ایل کے فنانشل سٹیٹمنٹس کی شق 12.7 اور منسلکہ مجموعی فنانشل سٹیٹمنٹس کی شق 19.7 کی جانب مبذول کروا رہے ہیں جن میں کمپنی، پاکستان ٹیلی کمیونیکیشن ایمپلائز ٹرسٹ اور فیڈرل گورنمنٹ کی جانب سے سپریم کورٹ کے حکم نامے مورخہ 17 مئی 2017 کے خلاف جمع کروائی گئی نظر ثانی کی درخواستوں کے بارے میں معلومات فراہم کی گئی ہیں جیسا کہ بیرونی آڈیٹرز نے اپنی آڈٹ رپورٹ میں اجاگر کیا ہے۔

آڈیٹرز (مستقبل میں ہونے والا آرٹیکل)

31 دسمبر 2017 کو مکمل ہونے والے سال کے لیے ڈیلوئٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس کو آڈیٹر مقرر کیا گیا تھا جو کہ آنے والے سالانہ اجلاس عام (AGM) کے مکمل ہونے پر ریٹائر ہو جائیں گے۔ ریٹائرنگ آڈیٹر تین سال کی مدت تک کمپنی کے ساتھ مصروف رہے۔

COMPOSITION OF AUDIT COMMITTEE AS AT FEB 14, 2018

Mr. Serkan Okandan.	Chairman
Mr. Abdulrahim A. Al Nooryani	Member
Mr. Irfan Ali	Member
Mr. Mudassar Hussain	Member
Mr. Mohamed Dukandar	Member

ATTENDANCE OF DIRECTORS-MEMBERS OF THE COMMITTEE DURING FY-2017.

Total 08 Meetings of the Audit Committee were held during the Financial Year ended December 31, 2017.

Name of Director-Member	Attendance
Mr. Serkan Okandan	8
Mr. Abdulrahim A. Al Nooryani	8
Sardar Ahmad Nawaz Sukhera	1
Mr. Shahid Mahmood	3
Mr. Mudassar Hussain	6

FUNCTIONS OF AUDIT COMMITTEE

Recommends to the Board in approving Company's financial statements and appointment of External Auditors. Review the scope of internal control, monitors statutory and corporate governance compliances, determines the appropriate measures to safeguard Company's assets, review enterprise risk management processes and exposures and recommends appropriate policies to the Board. Reviews and recommends significant policies and Company's delegation of fiduciary powers, oversees tax and fiscal exposures, discuss major internal audit findings with external auditors and establish procedures for and reviews whistle blowing material cases.

COMPOSITION OF HUMAN RESOURCE & REMUNERATION COMMITTEE AS AT FEB 14, 2018

Mr. Abdulrahim A. Al Nooryani	Chairman
Mr. Serkan Okandan	Member
Mr. Irfan Ali	Member
Mr. Mudassar Hussain	Member
Mr. Khalifa Al Shamsi	Member

ATTENDANCE OF DIRECTORS-MEMBERS OF THE COMMITTEE DURING FY-2017

Total 03 Meetings of the HR & R Committee were held during the Financial Year ended December 31, 2017.

Name of Director-Member	Attendance
Mr. Abdulrahim A. Al Nooryani	3
Mr. Serkan Okandan	3
Sardar Ahmad Nawaz Sukhera	1
Mr. Shahid Mahmood	1
Mr. Mudassar Hussain	3
Mr. Khalifa Al Shamsi	3

FUNCTIONS OF HUMAN RESOURCE & REMUNERATION COMMITTEE

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

COMPOSITION OF INVESTMENT & FINANCE COMMITTEE AS AT FEB 14, 2018

Mr. Hatem Dowidar	Chairman
Mr. Serkan Okandan	Member
Mr. Arif Ahmed Khan	Member
Mr. Mudassar Hussain	Member
Mr. Khalifa Al Shamsi	Member

ATTENDANCE OF DIRECTORS-MEMBERS OF THE COMMITTEE DURING FY-2017

Total 06 Meetings of the Investment and Finance Committee were held during the Financial Year ended December 31, 2017.

Name of Director-Member	Attendance
Mr. Hatem Dowidar	6
Mr. Serkan Okandan	6
Sardar Ahmad Nawaz Sukhera	1
Mr. Shahid Mahmood	3
Mr. Mudassar Hussain	6
Mr. Khalifa Al Shamsi	6

FUNCTIONS OF INVESTMENT AND FINANCE COMMITTEE

Review and recommend the Company's annual budgets and business plans, Company's treasury policies and framework including investment/divestment strategy, financial risk management strategy and rules, execution of mergers and acquisition strategy, procurement policy and procedures, investment projects encompassing expansions and new technologies based on evaluation measurement indicators and Company's capital structure strategy including external funding requirements. It also evaluates Company's dividend policies having regard to regulatory provisions and Company's funding and working capital requirements.

COMPOSITION OF PTCL BOARD & ATTENDANCE OF PTCL BOARD MEMBERS DURING THE FY-2017

Total 08 Board Meetings were held during the Financial Year ended December 31, 2017.

Name of Director	Portfolio	Attendance
Mr. Rizwan Bashir Khan	Chairman	8
Mr. Abdulrahim A. Al Nooryani	Member	8
Mr. Tariq Bajwa	Member	3
Sardar Ahmad Nawaz Sukhera	Member	3
Mr. Hatem Dowidar	Member	8
Mr. Shahid Mahmood	Member	6
Mr. Irfan Ali	Member	2
Mr. Serkan Okandan	Member	8
Mr. Mudassar Hussain	Member	8
Mr. Khalifa Al Shamsi	Member	8
Mr. Hesham Al Qassim	Member	7

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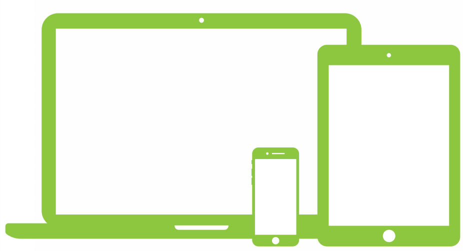
Enjoy the freedom of watching TV anytime, anywhere with PTCL Smart TV App. Accessible on multiple IOS and Android devices, digital TV entertainment is now at the palm of your hand.



Smart TV APP

PAKISTAN TELECOMMUNICATION COMPANY LIMITED
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2017

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Rule No. 5.19.24 of Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Pakistan Telecommunication Company Limited (the "Company") has applied the principles contained in the Code in following manner:

1. At present the Board includes:

Category	Names
Independent Director	The Board of Directors (the "Board") comprises nine Members. Pursuant to the provisions of the Share Purchase Agreement effected as per provisions of the Privatization Commission Ordinance, 2000, between Government of Pakistan ("GoP") and the Strategic Investor, as well as under the Articles of Association of the Company, the GoP nominates four (04) Members on the Board of the Company while Etisalat International Pakistan ("EIP") nominates five (05) Members. The afore-said constitution of PTCL Board is covered under the proviso to the clause of Code titled 'Composition of the Board'.
Executive Directors	None
Non-Executive Directors	1. Mr. Rizwan Bashir Khan (resigned, effective February 09, 2018) 2. Mr. Arif Ahmed Khan 3. Mr. Irfan Ali 4. Mr. Mudassar Hussain 5. Mr. Abdulrahim A Al Nooryani 6. Mr. Hatem Dowidar 7. Mr. Serkan Okandan 8. Mr. Khalifa Al Shamsi 9. Mr. Hesham Al Qassim

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution or a Non-Bank Financial Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancies occurring on the Board on February 08, 2017, April 13, 2017, July 19, 2017 and October 26, 2017 were filled by the Directors within ninety days.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executives have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except for one meeting, which was held in addition to the usual quarterly board meetings, the notice and agenda were dispatched six days before the date of the meeting. The minutes of the meetings, however, were appropriately recorded and circulated.

9. The Board has already completed its required number of certification during 2015 under the Directors Training Program as per the criteria specified by the Securities and Exchange Commission of Pakistan ("SECP") hence no training program for the directors was arranged by the Board during the year. However, applicable laws, duties and responsibilities of directors were shared with new directors appointed during the period.

10. The Board appoints the Chief Financial Officer, Company Secretary and Head of Internal Audit, and determines their respective remuneration and terms and conditions of employment. The post of Chief Financial Officer was filled on June 14, 2017 by the Board.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises five members, of whom four (04) members, including the Chairman of the Committee, are non-executive Directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee formulated by the Board have been communicated to the Committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises five members and all members including the Chairman of the Committee are non-executive Directors.

18. The Board has set up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan ("ICAP"), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The ‘Closed Period’, prior to the announcement of interim/final results was determined, and business decisions, which may materially affect the market price of Company’s securities, were determined and intimated to Directors, employees and the stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the Code have been complied with.

Dr. Daniel Ritz
President & Chief Executive Officer

Islamabad: February 14, 2018

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Pakistan Telecommunication Company Limited, (the Company) for the year ended December 31, 2017 to comply the requirements of the code contained in the Listing Regulations of the Pakistan Stock Exchange Limited where the Company is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2017.

Further, we highlight below an instance of non-compliance with the requirements of the Code as reflected in the paragraph reference where it is stated in the Statement of Compliance:

1. As stated in Paragraph 8 of the Statement of Compliance, all written notices, including the agenda, of meeting shall be circulated at least seven days prior to the date of meeting, except for one meeting, which was held in addition to the usual quarterly board meetings, the notice and agenda were dispatched six days before the date of the meeting. The minutes of the meetings, however, were appropriately recorded and circulated.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan
Islamabad
Date: February 14, 201


ENTERTAINMENT
NETFLIX
iflix
icflix

Digitally Connected

Entertainment

PTCL opens numerous avenues for global digital entertainment for the whole family. With Netflix, Iflix & ICFLIX collaborations, you can enjoy a complete range of TV shows, movies, documentaries and much more. Be entertained and enjoy digital content anywhere.

FINANCIAL STATEMENTS

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, 2017 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 the 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, 2017 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 12.7 to the financial statements, which describes the outcome of the review petition filed by the Company, Pakistan Telecommunication Employees Trust and the Federal Government before the Supreme Court of Pakistan vide order dated May 17, 2017. 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 14, 2018

STATEMENT OF
FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital	6	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		3,647,809	1,894,739
		33,951,874	32,013,099
		84,951,874	83,013,099
Liabilities			
Non-current liabilities			
Long term security deposits	7	553,446	553,049
Deferred income tax	8	7,086,423	7,264,575
Employees retirement benefits	9	23,503,831	24,068,008
Deferred government grants	10	8,059,878	8,594,920
		39,203,578	40,480,552
Current liabilities			
Trade and other payables	11	62,002,745	59,142,912
Total equity and liabilities		186,158,197	182,636,563
Contingencies and commitments	12		

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

Chief Financial Officer

President & CEO

Chairman

	Note	2017 Rs '000	2016 Rs '000
Assets			
Non-current assets			
Property, plant and equipment	13	98,250,679	94,779,483
Intangible assets	14	1,882,868	2,332,789
		100,133,547	97,112,272
Long term investments	15	7,977,300	7,977,300
Long term loans and advances	16	7,670,324	2,152,757
Investment in finance lease	17	17,268	38,513
		115,798,439	107,280,842
Current assets			
Stores, spares and loose tools	18	3,633,569	2,742,794
Trade debts	19	16,040,224	14,227,974
Loans and advances	20	1,511,669	676,556
Investment in finance lease	17	35,137	53,030
Income tax recoverable	21	15,263,357	14,261,078
Receivable from the Government of Pakistan	22	2,164,072	2,164,072
Prepayments and other receivables	23	11,860,653	11,328,073
Short term investments	24	5,607,778	24,000,000
Cash and bank balances	25	14,243,299	5,902,144
		70,359,758	75,355,721
Total assets		186,158,197	182,636,563

Chief Financial Officer

President & CEO

Chairman

STATEMENT OF
PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
Revenue	26	69,757,391	71,420,100
Cost of services	27	(51,043,742)	(50,358,343)
Gross profit		18,713,649	21,061,757
Administrative and general expenses	28	(8,617,477)	(8,770,136)
Selling and marketing expenses	29	(2,947,347)	(3,129,868)
		(11,564,824)	(11,900,004)
Operating profit		7,148,825	9,161,753
Voluntary separation scheme cost	30	-	(4,601,379)
Other income	31	6,001,194	5,834,131
Finance costs	32	(304,611)	(193,708)
Profit before tax		12,845,408	10,200,797
Provision for income tax	33	(4,495,894)	(3,366,263)
Profit after tax		8,349,514	6,834,534
Earnings per share - basic and diluted (Rupees)	34	1.64	1.34

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

Chief Financial Officer

President & CEO

Chairman

STATEMENT OF
COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Rs '000	2016 Rs '000
Profit for the year	8,349,514	6,834,534
Other comprehensive income for the year		
Items that will not be reclassified to profit and loss:		
Remeasurement (loss) / gain on employees retirement benefits	(1,872,484)	232,181
Tax effect	561,745	(71,976)
Other comprehensive income for the year- net of tax	(1,310,739)	160,205
Total comprehensive income for the year	7,038,775	6,994,739

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

Chief Financial Officer

President & CEO

Chairman

STATEMENT OF
CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
Cash flows from operating activities			
Cash generated from operations	36	32,636,073	37,497,687
Payment to Pakistan Telecommunication Employees Trust (PTET)		(5,253,506)	(11,972,112)
Employees retirement benefits paid		(872,100)	(997,164)
Payment of voluntary separation scheme		(4,711,600)	(29,815)
Long term security deposits		397	927
Consideration paid against purchase of PTML losses		(2,244,885)	-
Income tax paid		(2,869,695)	(827,492)
Net cash inflows from operating activities		16,684,684	23,672,031
Cash flows from investing activities			
Capital expenditure		(18,092,427)	(13,982,251)
Acquisition of intangible assets		(87,881)	(251,892)
Proceeds from disposal of property, plant and equipment		167,856	87,090
Short term investments		20,919,222	(988,608)
Finance lease		49,891	72,441
Long term loans and advances		(570,267)	66,844
Return on long term loans and short term investments		1,630,431	2,066,874
Government grants received		263,626	275,521
Subordinated long term loan to PTML		(5,000,000)	-
Dividend income on long term investments		-	12,500
Net cash outflows from investing activities		(719,549)	(12,641,481)
Cash flows from financing activities			
Dividend paid		(5,096,980)	(10,365,965)
Net increase in cash and cash equivalents		10,868,155	664,585
Cash and cash equivalents at the beginning of the year		5,902,144	5,237,559
Cash and cash equivalents at the end of the year	37	16,770,299	5,902,144

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

Chief Financial Officer

President & CEO

Chairman

STATEMENT OF
CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Issued, subscribed and paid-up capital		Revenue reserves			
	Class 'A'	Class 'B'	Insurance reserve	General reserve	Unappropriated profit	Total
	(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 year						
Profit for the year	-	-	-	-	6,834,534	6,834,534
Other comprehensive income - net of tax	-	-	-	-	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
Total comprehensive income for the year						
Profit for the year	-	-	-	-	8,349,514	8,349,514
Other comprehensive income - net of tax	-	-	-	-	(1,310,739)	(1,310,739)
	-	-	-	-	7,038,775	7,038,775
Transfer to insurance reserve	-	-	185,705	-	(185,705)	-
Interim dividend for the year ended December 31, 2017 - Re 1.00 per share	-	-	-	-	(5,100,000)	(5,100,000)
	-	-	185,705	-	(5,285,705)	(5,100,000)
Balance as at December 31, 2017	37,740,000	13,260,000	2,806,993	27,497,072	3,647,809	84,951,874

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

Chief Financial Officer

President & CEO

Chairman

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

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.

The Companies Act, 2017 was enacted on May 30, 2017. However, as per the requirements of Circular # 23 of 2017 dated October 4, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) and related clarification issued by The Institute of Chartered Accountants of Pakistan (ICAP) through its circular # 17 of 2017 dated October 6, 2017, companies whose financial year, including quarterly and other interim period, closes on or before December 31, 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance).

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 Standards, interpretation and amendment adopted during the year

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering year, beginning on or after the following dates:

a) New accounting standards / amendments and IFRSs interpretations that are effective for the year ended December 31, 2017.

The following standards, amendments and interpretations are effective for the year ended December 31, 2017. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.	Effective from accounting period beginning on or after January 01, 2017.
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses.	Effective from accounting period beginning on or after January 01, 2017.

b) New accounting standards / amendments and IFRS interpretations that are not yet effective

Amendments to IFRS 2: 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	'Effective from accounting period beginning on or after January 01, 2018.
IFRS 9: 'Financial Instruments', This standard contains the requirements for a) the classification and measurement of financial assets and liabilities, b) impairment methodology, and c) general hedge accounting. This standard will supersede IAS 39 "Financial instrument" recognition and measurement upon its effective date.	Effective from accounting period beginning on or after January 01, 2018. (Securities and Exchange Commission of Pakistan (SECP) has adopted for local application from accounting period beginning on or after July 01, 2018).
Amendments to IFRS 10: 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS 15: 'Revenue from Contracts with Customers' This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretation upon its effective date: IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 customer loyalty programmes, IFRIC 15 agreements for the construction of real estate, IFRIC 18 transfers of assets from customers and SIC 31 Revenue-barter transaction involving advertising services.	Effective from accounting period beginning on or after January 01, 2018 (SECP has adopted for local application from accounting period beginning on or after July 01, 2018).
Amendments to IAS 40: 'Investment Property' Clarification on transfers of property to or from investment property.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
IFRIC 22: 'Foreign Currency Transactions and Advance Consideration' Provides / guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
IFRIC 23: 'Uncertainty over Income Tax Treatments' Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	Effective from accounting period beginning on or after January 01, 2019.

The management is in process of determining the impact of IFRS 9 and 15 on its financial statements.

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, International Accounting Standard Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 14 Regulatory Deferral Accounts
- IFRS 16 Leases
- IFRS 17 Insurance Contracts

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, rate of increase in benevolent grant, expected long-term returns on plan assets and the discount rate used to discount future cash flows to present values.

(b) Provision for income tax

The Company recognizes income tax provisions using estimates based upon expert opinions of its tax and legal advisors. Differences, if any, between the recorded income tax provision and the Company's tax liability, are recorded on the final determination of such liability. Deferred income tax (note 5.19) is calculated at the rates that are expected to apply to the period when these temporary differences reverse, based on tax rates that have been enacted or substantively enacted, by the date of the statement of financial position.

(c) Recognition of government 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 provision.

5. Summary of significant accounting policies

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

5.1 Functional and presentation currency

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

5.2 Foreign currency transactions and translations

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

5.3 Insurance reserve

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

5.4 Government grants

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

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

5.5 Borrowings and borrowing costs

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

Borrowing costs, which are directly attributable to the acquisition and construction of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of that asset. All other borrowing costs are charged to income for the year.

5.6 Trade and other payables

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

5.7 Provisions

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

(v) Impairment

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) fair value through profit or loss

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

Financial liabilities at fair value through profit or loss are carried in the statement of financial position at their fair value, with changes therein recognized in the income for the year.

(ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method.

(c) Offsetting of financial assets and liabilities

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

5.17 Cash and cash equivalents

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

5.18 (a) 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.

5.18 (b) Income on bank deposits

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

5.18 (c) 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 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, 2017. 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

2017	2016		2017	2016
(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

2017	2016		2017	2016
(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 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, 2017, 599,545 thousand (December 31, 2016: 599,543 thousand) "A" class ordinary shares had been exchanged for such vouchers.

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

7. Long term security deposits

These represent non interest bearing security deposits received from the customers of the Company, including security deposits of Rs 3,623 thousand (December 31, 2016: Rs 3,623 thousand) from Pak Telecom Mobile Limited (PTML), a related party. The Company has adjusted / paid a sum of Rs 195 thousand (December 31, 2016: Rs 2,100 thousand) to its customers during the year against their balances.

	Note	2017 Rs '000	2016 Rs '000
8. Deferred income tax			
The liability for deferred taxation comprises of timing differences relating to:			
Accelerated tax depreciation / amortization		9,971,875	10,204,932
Provision for obsolete stores and receivables		(2,885,452)	(2,940,357)
		7,086,423	7,264,575
The gross movement in the deferred tax liability during the year is as follows:			
Balance at beginning of the year		7,264,575	5,754,847
Tax credit recognized in profit and loss	33	(178,152)	(1,089,563)
Tax charge recognized in other comprehensive income		-	71,976
Tax effect of prior period re-measurement losses reclassified to Income tax recoverable	21	-	2,527,315
Balance at end of the year		7,086,423	7,264,575
9. Employees retirement benefits			
Liabilities for pension obligations			
Funded	9.1	2,779,570	5,253,506
Unfunded	9.1	4,611,138	3,242,085
		7,390,708	8,495,591
Gratuity - funded	9.1	82,513	(106,878)
Accumulating compensated absences - unfunded	9.1	1,491,597	1,430,188
Post retirement medical facility- unfunded	9.1	10,939,243	10,757,583
Benevolent grants - unfunded	9.1	3,599,770	3,491,524
		23,503,831	24,068,008

9.1 The latest actuarial valuations of the Company's defined benefit plans, were conducted at December 31, 2017 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			
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
a) **The amounts recognized in the statement of financial position:**														
Present value of defined benefit obligations	112,027,257	109,098,686	4,611,138	3,242,085	1,275,611	1,015,885	1,491,597	1,430,188	10,939,243	10,757,583	3,599,770	3,491,524	133,944,616	129,035,951
Fair value of plan assets -note 9.2	(109,247,687)	(103,845,180)	-	-	(1,193,098)	(1,122,763)	-	-	-	-	-	-	(110,440,785)	(104,967,943)
Liability at end of the year	2,779,570	5,253,506	4,611,138	3,242,085	82,513	(106,878)	1,491,597	1,430,188	10,939,243	10,757,583	3,599,770	3,491,524	23,503,831	24,068,008
b) **Changes in the present value of defined benefit obligations:**														
Balance at beginning 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
Current service cost	931,116	713,588	260,661	204,895	148,564	139,787	76,353	61,148	75,438	79,587	44,891	43,575	1,537,023	1,242,580
Interest expense	11,587,763	11,018,573	355,054	312,340	94,107	87,058	133,532	140,628	1,153,417	1,337,244	354,960	344,424	13,678,833	13,240,267
Actuarial gain	-	-	-	-	-	-	(99,291)	(64,712)	-	-	-	-	(99,291)	(64,712)
(Gains) / losses on settlement	-	1,576,158	-	286,663	-	136,378	-	75,034	-	165,504	-	(48,350)	-	2,191,387
	12,518,879	13,308,319	615,715	803,898	242,671	363,223	110,594	212,098	1,228,855	1,582,335	399,851	339,649	15,116,565	16,609,522
Remeasurements:														
Gain due to change in financial assumptions	(3,860,439)	-	(372,815)	-	-	-	-	-	-	-	-	-	(4,233,254)	-
(Gain) / loss due to experience adjustments	1,780,902	553,609	1,154,799	(34,909)	67,618	(8,772)	-	-	(503,257)	(2,493,922)	(69,699)	(20,239)	2,430,363	(2,004,233)
VSS Settlements (Payable)	-	(1,294,606)	-	(358,515)	-	(176,079)	-	(192,580)	-	(241,515)	-	-	-	(2,263,295)
Benefits paid	(7,510,771)	(7,274,956)	(28,646)	(15,688)	(50,563)	(157,775)	(49,185)	(139,247)	(543,938)	(492,164)	(221,906)	(216,235)	(8,405,009)	(8,296,065)
Balance at end of the year	112,027,257	109,098,686	4,611,138	3,242,085	1,275,611	1,015,885	1,491,597	1,430,188	10,939,243	10,757,583	3,599,770	3,491,524	133,944,616	129,035,951

	Pension				Gratuity		Accumulating compensated absences		Post-retirement medical facility		Benevolent grants		Total	
	Funded		Unfunded		Funded		Unfunded		Unfunded		Unfunded			
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
c) Charge for the year:														
Profit and Loss:														
Current service cost	931,116	713,588	260,661	204,895	148,564	139,787	76,353	61,148	75,438	79,587	44,891	43,575	1,537,023	1,242,580
Net interest expense	288,943	658,467	355,054	312,340	(12,555)	(12,118)	133,532	140,628	1,153,417	1,337,244	354,960	344,424	2,273,351	2,780,985
Actuarial gain	-	-	-	-	-	-	(99,291)	(64,712)	-	-	-	-	(99,291)	(64,712)
Contribution from employees	-	-	-	-	-	-	-	-	-	-	(19,169)	(21,665)	(19,169)	(21,665)
Contribution from deputationists	(2,969)	(2,280)	-	-	-	-	-	-	-	-	-	-	(2,969)	(2,280)
	1,217,090	1,369,775	615,715	517,235	136,009	127,669	110,594	137,064	1,228,855	1,416,831	380,682	366,334	3,688,945	3,934,908
(Gains) / losses recognized on settlement included in VSS	-	1,576,158	-	286,663	-	136,378	-	75,034	-	165,504	-	(48,350)	-	2,191,387
	1,217,090	2,945,933	615,715	803,898	136,009	264,047	110,594	212,098	1,228,855	1,582,335	380,682	317,984	3,688,945	6,126,295
Other comprehensive income														
Remeasurements:														
Loss on remeasurement of assets	3,639,048	1,751,684	-	-	36,327	20,368	-	-	-	-	-	-	3,675,375	1,772,052
Gain due to change in financial assumptions	(3,860,439)	-	(372,815)	-	-	-	-	-	-	-	-	-	(4,233,254)	-
(Gain) / loss due to experience adjustments	1,780,902	553,609	1,154,799	(34,909)	67,618	(8,772)	-	-	(503,257)	(2,493,922)	(69,699)	(20,239)	2,430,363	(2,004,233)
	1,559,511	2,305,293	781,984	(34,909)	103,945	11,596	-	-	(503,257)	(2,493,922)	(69,699)	(20,239)	1,872,484	(232,181)
	2,776,601	5,251,226	1,397,699	768,989	239,954	275,643	110,594	212,098	725,598	(911,587)	310,983	297,745	5,561,429	5,894,114
d) Significant actuarial assumptions at the date of the statement of financial position:														
Discount rate	10.00%	11.00%	10.00%	11.00%	9.00%	9.50%	9.00%	9.50%	10.00%	11.00%	10.00%	10.50%		
Future Salary / medical cost increase	8.00%	7 to 10%	8.00%	7 to 10%	8.00%	8.50%	8.00%	8.50%	9.00%	10.00%	-	-		
Future pension increase	6.25%	7.50%	6.25%	7.50%	-	-	-	-	-	-	-	-		
Rate of increase in benevolent grant	-	-	-	-	-	-	-	-	-	-	2.00%	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 8 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	
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
9.2 Changes in the fair value of plan assets				
Balance at beginning of the year	103,845,180	91,834,208	1,122,763	1,043,955
Expected return on plan assets	11,298,820	10,360,106	106,662	99,176
Total payments made to members on behalf of fund	-	-	50,563	157,775
Loss on remeasurement of assets	(3,639,048)	(1,751,684)	(36,327)	(20,368)
Contributions made by the Company during the year	5,253,506	11,972,112	-	-
Benefits paid	(7,510,771)	(8,569,562)	(50,563)	(157,775)
Balance at end of the year	109,247,687	103,845,180	1,193,098	1,122,763

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

	2017		2016	
	Rs '000	Percentage	Rs '000	Percentage
Debt instruments - unquoted				
- Special Savings Accounts	88,656,118	81.16	83,863,724	80.75
- Defense Savings Certificates	1,944,002	1.78	1,730,540	1.67
- Pakistan Investment Bonds	3,045,689	2.79	3,042,900	2.93
	93,645,809	85.73	88,637,164	85.35
Cash and cash equivalents				
- Term deposits	4,829,676	4.42	5,019,748	4.83
- Cash and bank balances	429,724	0.39	1,856,934	1.79
	5,259,400	4.81	6,876,682	6.62
Investment property				
- Telecom tower	7,291,027	6.67	6,419,302	6.18
- Telehouse	1,881,680	1.72	1,734,653	1.67
	9,172,707	8.39	8,153,955	7.85
Fixed assets	6,597	0.01	7,950	0.01
Other assets	2,341,537	2.14	1,679,828	1.62
	110,426,050	101.08	105,355,579	101.45
Liabilities				
- Amount due to PTCL	(7,712)	(0.01)	(1,308,137)	(1.26)
- Accrued & other liabilities	(159,112)	(0.15)	(202,262)	(0.19)
- Provision for Zakat	(1,011,539)	(0.93)		
	(1,178,363)	(1.08)	(1,510,399)	(1.45)
	109,247,687	100.00	103,845,180	100.00

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

	2017		2016	
	Rs '000	Percentage	Rs '000	Percentage
Term deposit receipt	897,546	75.23	1,117,418	99.52
Other assets	293,239	24.58	963	0.09
Bank balances	2,313	0.19	4,382	0.39
	1,193,098	100.00	1,122,763	100.00

9.5 The expected contributions in the next financial year to be paid to the funded pension plan and funded gratuity plan by the Company is Rs 926,453 thousand and Rs 171,549 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	1,653,001	(1,512,079)
Pension - unfunded	467,252	(415,287)
Gratuity - funded	110,124	(97,916)
Accumulating compensated absences - unfunded	141,298	(125,748)
Post-retirement medical facility - unfunded	1,495,553	(1,221,659)
Discount rate		
Pension - funded	(8,673,613)	10,253,485
Pension - unfunded	(663,535)	830,145
Gratuity - funded	(96,236)	110,124
Accumulating compensated absences - unfunded	(123,589)	141,298
Post-retirement medical facility - unfunded	(1,219,426)	1,495,553
Benevolent grants - unfunded	(270,436)	313,797
Future pension increase		
Pension - funded	8,500,847	(7,289,145)
Pension - unfunded	335,139	(282,901)
Benevolent grants		
Benevolent grants - unfunded	316,163	(272,638)

Expected mortality rates

	Increase by 1 year	Decrease by 1 year
	Rs '000	Rs '000
Pension - funded	(2,572,231)	2,556,738
Pension - unfunded	(59,410)	57,815
Gratuity - funded	(16,434)	15,993
Accumulating compensated absences - unfunded	(19,219)	18,701
Post-retirement medical facility - unfunded	(304,031)	305,193
Benevolent grants - unfunded	(100,047)	100,429

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

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

	Note	2017 Rs '000	2016 Rs '000
10. Deferred government grants			
Balance at beginning of the year		8,594,920	8,926,403
Received during the year		263,626	275,521
Release of grants to profit and loss	31	(798,668)	(607,004)
Balance at end of the year		8,059,878	8,594,920

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	2017 Rs '000	2016 Rs '000
11. Trade and other payables			
Trade creditors	11.1	12,225,727	9,727,807
Accrued liabilities	11.1	24,654,398	23,532,610
Technical services assistance fee	28.2	12,347,648	8,251,719
VSS payable		251,483	4,963,083
Receipts against third party works		1,187,376	1,131,961
Advances from customers		4,824,950	5,409,286
Retention money / payable to contractors and suppliers	11.1	5,142,146	4,712,531
Income tax collected from subscribers / deducted at source		276,370	214,934
Sales tax payable		610,547	756,881
Dividend payable / unclaimed dividend		210,187	207,167
Other liabilities		271,913	234,933
		62,002,745	59,142,912
11.1 Trade and other payables include payables to the following related parties:			
Trade creditors			
Pak Telecom Mobile Limited		77,779	266,709
U Microfinance Bank Limited		2,851	4,610
DVCOM Data (Private) Limited		561,000	357,000
Etisalat - UAE		182,188	84,593
Etisalat - Afghanistan		61,627	29,529
Etisalat - Srilanka		1,700	15,551
Thuraya Satellite Telecommunication Company		871	3,700
Etisalat - Nigeria		806	1,176
Etisalat - Egypt		935	35
Telecom Foundation		57,611	63,064
TF Pipes Limited		5,558	4,160
The Government of Pakistan and its related entities		1,380,182	1,273,213
Retention money / payable to contractors and suppliers			
TF Pipes Limited		7,832	1,167

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

12. Contingencies and commitments

Contingencies

Indirect Taxes

12.1 Against the decision of Appellate Tribunal Inland Revenue (ATIR) upholding tax authorities' decision to impose FED amounting to Rs 365,098 thousand on Technical Services Assistance fee assuming that the fee is against franchise arrangement for the period from July 2008-09 & 2010-11, PTCL has filed reference in the Honorable Islamabad High Court. Accordingly, the stay order has been granted by the Honorable Islamabad High Court. Similarly, against an order of the Punjab Revenue Authority (PRA) for the services 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 sub judice before the Commissioner Appeals - PRA, and the stay order from the Honorable Lahore High Court is also in place against any coersive measures.

12.2 Based on an audit of certain monthly returns of 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 against any coersive measures.

12.3 Against the decision of Sindh Revenue Board (SRB) imposing sales tax of Rs 4,417,000 thousand on revenues from international incoming calls for 2012 and 2013, the appeal is pending adjudication before the Commissioner Appeals - SRB. Meanwhile, the Honorable Sindh High Court has granted a stay order against any coercive measures.

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 Sindh High Court has stayed the recovery of the levies amounting to Rs 932,942 thousand. Further, the Collector of Customs imposed additional duties and taxes amounting to Rs 1,622,593 thousand against which the company is in the process of filing the appeal.

Income Tax

12.5 For the tax years 2007, 2009, 2010 and 2011, Taxation Officer disallowed certain expenses and tax credits. The impugned orders were challenged at the relevant appellate forums which allowed partial relief thereof. After taking into account the orders of CIR (Appeals), ATIR as well as rectification orders tax impact of the disallowances is Rs 6,988,912 thousand. On the remaining outstanding items of tax years 2007, 2009 and 2011, appeals are pending adjudication before ATIR and references of aforementioned four years are pending adjudication in the Honorable Islamabad High Court as well.

12.6 For the tax years 2012, 2013, 2015 and 2016, Taxation Officer disallowed certain expenses having tax impact of Rs. 21,702,374 thousand. The Company has filed appeals before CIR-Appeals and ATIR against the disallowed expenses which are pending adjudication. For tax years 2012, 2015 and 2016, the Company has obtained stay orders from the Honorable Islamabad High Court and ATIR against any coersive measures.

Others

12.7 The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by the Company, the Pakistan Telecommunication Employees Trust (PTET) and the Federal Government (collectively, the Review Petitioners) vide the order dated 17th May 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2), CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. Under the circumstances, management of the Company is of the view that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the referred decision of the Apex Court which could be disclosed in these financial statements.

12.8 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.

12.9 A total of 1821 cases (December 31, 2016: 1,432) against PTCL involving Regulatory, Telecom Operators, Employees' and Subscribers. Because of number of cases and their uncertain nature, it is not possible to quantify their financial impact. Management and Legal advisors of the Company are of the view that the outcome of these cases is expected to be favorable and liability, if any, arising out on the settlement is not likely to be material.

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	2017 Rs '000	2016 Rs '000
12.10 Bank guarantees and bid bonds issued in favor of:			
Universal Service Fund (USF) against government grants		5,076,470	5,369,370
Others		1,769,436	887,721
		6,845,906	6,257,091
12.11 Commitments			
Contracts for capital expenditure		5,682,111	4,594,721

13. Property, plant and equipment

	Note	2017 Rs '000	2016 Rs '000
Operating fixed assets	13.1	91,196,004	85,046,586
Capital work in progress	13.6	7,054,675	9,732,897
		98,250,679	94,779,483

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 December 31, 2015												
Cost	1,637,689	90,026	11,984,586	1,014,020	122,226,024	180,835,049	11,804,197	1,460,680	1,564,470	569,692	1,972,807	335,159,240
Accumulated depreciation and impairment	-	(31,863)	(4,737,937)	(519,712)	(99,017,083)	(131,607,883)	(6,979,583)	(773,841)	(1,153,433)	(451,969)	(1,654,120)	(246,927,424)
Net book value	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
Movement during 2016												
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												
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 value	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 value	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
Movement during 2017												
Additions	-	-	209,287	23,959	4,957,908	9,263,917	5,492,357	323,601	173,067	14,481	290,812	20,749,389
Disposals - note 13.3												
Cost	(9)	-	-	-	-	-	-	-	(45,691)	-	(10,972)	(56,672)
Accumulated depreciation	-	-	-	-	-	-	-	-	45,627	-	8,306	53,933
	(9)	-	-	-	-	-	-	-	(64)	-	(2,666)	(2,739)
Depreciation charge for the year - note 13.4	-	(1,277)	(314,115)	(25,667)	(3,360,848)	(8,302,546)	(869,386)	(158,148)	(220,304)	(22,952)	(275,596)	(13,550,839)
Impairment charge - note 13.5	-	-	-	-	-	(1,046,393)	-	-	-	-	-	(1,046,393)
Net book value	1,637,680	55,609	7,276,617	469,742	25,978,159	44,483,918	9,156,392	1,188,529	349,722	117,275	482,361	91,196,004
As at December 31, 2017												
Cost	1,637,680	90,026	12,630,791	1,040,519	131,418,876	194,380,394	17,667,047	2,237,274	1,922,842	614,916	2,483,453	366,123,818
Accumulated depreciation and impairment	-	(34,417)	(5,354,174)	(570,777)	(105,440,717)	(149,896,476)	(8,510,655)	(1,048,745)	(1,573,120)	(497,641)	(2,001,092)	(274,927,814)
Net book value	1,637,680	55,609	7,276,617	469,742	25,978,159	44,483,918	9,156,392	1,188,529	349,722	117,275	482,361	91,196,004
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 value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rs '000	Rs '000	Rs '000	Rs '000		
Motor vehicle	2,452	327	2,125	2,125	Company Policy	Mr. Nehmatullah
Motor vehicle	2,495	1,967	528	528	Company Policy	Mr. Kamal Ahmed
Aggregate of others having net book value not exceeding Rs 50,000	51,725	51,639	86	165,203	Auction	Various buyers
	56,672	53,933	2,739	167,856		

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

	Note	2017 Rs '000	2016 Rs '000
Cost of services	27	13,258,895	12,972,406
Administrative and general expenses	28	218,958	210,800
Selling and marketing expenses	29	72,986	70,267
		13,550,839	13,253,473

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 1,046,393 thousand (December 31, 2016: Rs 799,875 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 WLL asset items in apparatus, plant and equipment and line and wire.

	Note	2017 Rs '000	2016 Rs '000
13.6 Capital work in progress			
Buildings		693,864	341,443
Lines and wires		4,009,433	7,377,479
Apparatus, plant and equipment		2,348,524	1,963,172
Others		2,854	50,803
	13.7	7,054,675	9,732,897
13.7 Movement during the year			
Balance at beginning of the year		9,732,897	6,680,230
Additions during the year		18,041,676	14,102,562
Transfers during the year		(20,698,638)	(11,049,895)
Write off		(21,260)	-
Balance at end of the year		7,054,675	9,732,897

Addition in capital work in progress includes an amount of Rs 1,646,663 thousand (December 31, 2016: Rs 1,473,347 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 December 31, 2015				
Cost		4,129,794	1,479,762	5,609,556
Accumulated amortization		(2,344,700)	(725,796)	(3,070,496)
Net book value		1,785,094	753,966	2,539,060
Movement during 2016				
Opening net book value		1,785,094	753,966	2,539,060
Additions		-	251,892	251,892
Amortization charge for the year	27	(206,180)	(251,983)	(458,163)
Net book value		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 value	14.1	1,578,914	753,875	2,332,789
Movement during 2017				
Opening net book value		1,578,914	753,875	2,332,789
Additions		37,000	50,881	87,881
Amortization charge for the year	27	(206,684)	(331,118)	(537,802)
Net book value		1,409,230	473,638	1,882,868
As at December 31, 2017				
Cost		4,166,794	1,782,535	5,949,329
Accumulated amortization		(2,757,564)	(1,308,897)	(4,066,461)
Net book value	14.1	1,409,230	473,638	1,882,868
Annual rate of amortization (%)		4 - 10	6.67 - 20	

	Note	2017 Rs '000	2016 Rs '000
14.1 Breakup of net book values as at year end is as follows :			
Licenses and spectrum			
Telecom	14.2	29,919	39,893
WLL spectrum	14.2	1,208,210	1,387,207
WLL and LDI License	14.3	138,418	151,814
IPTV	14.4	32,683	-
		1,409,230	1,578,914
Computer software		473,638	753,875
		1,882,868	2,332,789

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.

14.3 PTA has issued a license under section 5 of the Azad Jammu and Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 1996, the Northern Areas Telecommunication (Re-organization) Act, 2005 and the Northern Areas Telecommunication (Re-organization) (Adaptation and Enforcement) Order 2006, to the Company to establish, maintain and operate a telecommunication system in Azad Jammu and Kashmir and Gilgit-Baltistan, for a period of 20 years, commencing May 28, 2008, at an agreed license fee of Rs 109,270 thousand. During the year 2015, PTA allocated additional spectrum for WLL services in Azad Jammu & Kashmir (AJ&K) and Gilgit-Baltistan (GB) for Rs 98,487 thousand. The duration of the License shall be for the remaining period of the existing WLL licenses. The cost of the licenses is being amortized, on a straight line basis, over the period of the licenses.

14.4 IPTV license has been renewed by Pakistan Electronic Media Regulatory Authority (PEMRA) effective from its last renewal date i.e. November 02, 2016, at an agreed license fee of Rs 37,000 thousand. The cost of the license is being amortized, on a straight line basis, over a period of 10 years.

	Note	2017 Rs '000	2016 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)			
Wholly owned subsidiaries			
Pak Telecom Mobile Limited - Islamabad 650,000,000 (December 31, 2016: 650,000,000) ordinary shares of Rs 10 each Shares held 100% (December 31, 2016: 100%)		6,500,000	6,500,000
U Microfinance Bank Limited - Islamabad 128,571,429 (December 31, 2016: 128,571,429) ordinary shares of Rs 10 each Shares held 100% (December 31, 2016: 100%)		1,283,857	1,283,857
DVCOM Data (Private) Limited - Karachi 10,000 (December 31, 2016: 10,000) ordinary shares of Rs 100 each Shares held 100% (December 31, 2016: 100%)		1,000	1,000
Smart Sky (Private) Limited - Islamabad 10,000,000 (December 31, 2016: 10,000,000) ordinary shares of Rs 10 each Shares held 100% (December 31, 2016: 100%)		100,000	100,000
		7,884,857	7,884,857

	2017 Rs '000	2016 Rs '000
Associate		
TF Pipes Limited - Islamabad		
1,658,520 (December 31, 2016: 1,658,520) ordinary shares of Rs 10 each		
Shares held 40% (December 31, 2016: 40%)	23,539	23,539
Less: Accumulated 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

	2017 Rs '000	2016 Rs '000
Available for sale investments - unquoted		
Thuraya Satellite Telecommunication Company - Dubai, UAE 3,670,000 (December 31, 2016: 3,670,000) ordinary shares of AED 1 each	63,900	63,900
Alcatel - Lucent Pakistan Limited - Islamabad 2,000,000 (December 31, 2016: 2,000,000) ordinary shares of Rs 10 each	20,000	20,000
	83,900	83,900

16. Long term loans and advances - considered good

	Note	2017 Rs '000	2016 Rs '000
Loans to PTML - unsecured	16.1	5,000,000	-
Loans to employees - secured	16.2	599,598	476,060
Imputed interest		(156,290)	(107,471)
	16.3	443,308	368,589
		5,443,308	368,589
Advances to suppliers against turnkey contracts	16.4	2,286,440	1,858,636
Others		40,551	21,626
		7,770,299	2,248,851
Current portion shown under current assets			
Loans to employees - secured	20	(99,975)	(96,094)
		7,670,324	2,152,757

16.1 This represents unsecured loan of Rs 5,000,000 thousand (December 31, 2016:Nil) disbursed on 4th December, 2017 to Pak Telecom Mobile Limited (PTML), a wholly owned subsidiary of the Company, under subordinated debt agreement. It is recoverable in twelve equal quarterly installments commencing after a grace period of four years in 2022, and carries mark-up at the rate of three months KIBOR plus 24 basis points.

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

	As at January 01, 2017	Disbursements	Repayments	Write offs	As at December 31, 2017
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Executives	1,057	52,224	(25,919)	-	27,362
Other employees	475,003	226,171	(128,062)	(876)	572,236
	476,060	278,395	(153,981)	(876)	599,598

	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

	2017 Rs '000	2016 Rs '000
Maximum amount of loan to executives and other employees outstanding at any time during the year:		
Executives	27,362	2,173
Other Employees	579,987	583,203

16.3 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, 2016: 11.50% 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.

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

	2017 Rs '000	2016 Rs '000
17. Investment in finance lease		
Gross investment in finance lease	57,784	107,675
Unearned finance income	(5,379)	(16,132)
Present value of minimum lease payments receivable	52,405	91,543
Current portion shown under current assets	(35,137)	(53,030)
	17,268	38,513

17.1 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	37,233	20,551	57,784
Unearned finance income	(2,096)	(3,283)	(5,379)
Present value of minimum lease payments receivable	35,137	17,268	52,405

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

	Note	2017 Rs '000	2016 Rs '000
18. Stores, spares and loose tools			
Stores, spares and loose tools		4,899,323	4,044,970
Provision for obsolescence	18.1	(1,265,754)	(1,302,176)
		3,633,569	2,742,794
18.1 Provision for obsolescence			
Balance at beginning of the year		1,302,176	1,039,898
Provision during the year	27	51,138	262,278
		1,353,314	1,302,176
Provision reversed during the year		(87,560)	-
Balance at end of the year		1,265,754	1,302,176

	Note	2017 Rs '000	2016 Rs '000
19. Trade debts - unsecured			
Domestic			
Considered good	19.1	12,965,152	12,369,290
Considered doubtful		8,101,911	7,932,382
		21,067,063	20,301,672
International			
Considered good	19.2	3,075,072	1,858,684
Considered doubtful		65,270	65,270
		3,140,342	1,923,954
		24,207,405	22,225,626
Provision for doubtful debts	19.3	(8,167,181)	(7,997,652)
		16,040,224	14,227,974
19.1 These include amounts due from the following related parties:			
Pak Telecom Mobile Limited		925,100	596,219
U Microfinance Bank Limited		472	735
The Government of Pakistan and its related entities		1,290,212	1,504,503
		2,215,784	2,101,457

		2017 Rs '000	2016 Rs '000
19.2	These include amounts due from the following related parties:		
	Etisalat - UAE	893,675	290,364
	Etisalat - Afghanistan	39,237	7,712
	Etihad Etisalat Company	-	8,126
	The Government of Pakistan and its related entities	102,119	17,886
		1,035,031	324,088

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

		Note	2017 Rs '000	2016 Rs '000
19.3	**Provision for doubtful debts**			
	Balance at beginning of the year		7,997,652	7,392,334
	Provision for the year	28	1,946,019	2,350,210
			9,943,671	9,742,544
	Write off against provision		(1,776,490)	(1,744,892)
	Balance at end of the year		8,167,181	7,997,652
20.	**Loans and advances - considered good**			
	Current portion of long term loans to employees	16	99,975	96,094
	Advances to suppliers and contractors	20.1	1,411,694	580,462
			1,511,669	676,556

20.1 These include Rs 52,533 thousand (December 31, 2016: Rs 7,036 thousand) to TF Pipes Limited , a related party.

		Note	2017 Rs '000	2016 Rs '000
21.	**Income tax recoverable**			
	Balance at beginning of the year		14,261,078	15,362,097
	Current tax charge for the year-P&L		(4,674,046)	(4,455,826)
	Current tax credit for the year-OCI		561,745	-
	Tax paid during the year		2,869,695	2,493,286
	Consideration paid agints PTML losses	21.1	2,244,885	-
	Refunds received during the year		-	(1,665,794)
	Tax effect of prior period re-measurement losses - reclassified	8	-	2,527,315
	Balance at end of the year		15,263,357	14,261,078

21.1 The Company has purchased the tax loss for the financial year 2015, amounting to Rs 7,015,266 thousand having a tax impact of Rs 2,244,885 thousand from its subsidiary PTML, allowed under the Group relief clause 59B of the Income Tax Ordinance, 2001.

22. 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	2017 Rs '000	2016 Rs '000
23. Prepayments and other receivables			
Prepayments			
- Pakistan Telecommunication Authority, a related party		45,616	45,692
- Prepaid rent and others		393,243	236,731
		438,859	282,423
Other Receivables			
Due from related parties	23.1	8,062,937	7,764,768
Accrued interest receivable	23.2	216,958	231,902
Federal Excise Duty (FED)	23.3	2,816,935	2,816,935
Others - net of provision		324,964	232,045
		11,860,653	11,328,073
23.1 Pak Telecom Mobile Limited		5,194,148	3,427,483
Etisalat, UAE		71,305	71,305
Pakistan Telecommunication Employees Trust		7,712	1,308,137
PTCL Employees GPF Trust		55,748	258,844
DVCOM Data (Pvt) Limited		2,734,024	2,698,999
		8,062,937	7,764,768
23.2 Return on bank deposits		155,019	190,893
Interest receivable on loans to employees - secured		37,979	41,009
Interest on subordinated loan to PTML		23,960	-
		216,958	231,902
23.3 Federal Excise Duty		3,283,111	3,283,111
Provision for doubtful amount		(466,176)	(466,176)
	23.3.1	2,816,935	2,816,935

23.3.1 This represents payments under protest on account of FED on interconnect charges. Since Appellate Tribunal Inland Revenue (ATIR) has decided the case in favour of PTCL, tax department has filed reference in the Honorable Islamabad High Court.

	Note	2017 Rs '000	2016 Rs '000
24 Short term investments			
Term deposits			
- maturity upto 6 months	24.1	3,080,778	24,000,000
Available for sale investments			
-units of mutual funds		2,527,000	-
		5,607,778	24,000,000

24.1 Term deposits carry interest at the rate of 6.15% (December 31, 2016: 6.30% to 7.05%) per annum.

	Note	2017 Rs '000	2016 Rs '000
25. Cash and bank balances			
Cash in hand		85	51
Balances with banks:			
Deposit accounts - local currency	25.1	13,743,769	5,236,722
Current accounts			
Local currency		96,517	596,044
Foreign currency (USD 3,653 thousand (December 31, 2016: USD 663 thousand))		402,928	69,327
		499,445	665,371
		14,243,299	5,902,144

25.1 The balances in deposit accounts, carry mark-up ranging between 3.00% and 8.50% (December 31, 2016: 4% and 8.5%) per annum. These deposit accounts includes Rs 1,130,877 thousand (December 31, 2016: Rs 530,034 thousand) with U Microfinance Bank Limited - a related party.

25.2 Bank balance includes Rs 39,076 thousand (December 31, 2016: Rs 38,484 thousand) carrying profit ranging from 2.4% to 4% (December 31, 2016: 2.4% to 4%) per annum from Shariah arrangements.

	Note	2017 Rs '000	2016 Rs '000
26. Revenue			
Domestic	26.1	62,036,846	64,672,135
International	26.2	7,894,392	7,004,182
		69,931,238	71,676,317
Discount		(173,847)	(256,217)
		69,757,391	71,420,100

26.1 Domestic revenue is exclusive of Federal Excise Duty / Sales Tax of Rs 7,161,128 thousand (December 31, 2016: Rs 5,851,058 thousand).

26.2 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 2,268,616 thousand (December 31, 2016: Rs 3,519,111 thousand).

	Note	2017 Rs '000	2016 Rs '000
27. Cost of services			
Salaries, allowances and other benefits	27.1	12,141,285	11,998,145
Call centre charges		998,689	856,199
Interconnect costs		1,902,068	2,019,080
Foreign operators costs and satellite charges		7,043,864	6,801,085
Fuel and power		4,259,471	4,194,428
Communication		47,483	18,398
Stores, spares and loose tools consumed		2,925,146	2,818,073
Provision for obsolete stores, spares	18.1	51,138	262,278
Rent, rates and taxes		2,271,587	2,483,691
Repairs and maintenance		3,775,138	3,885,784
Printing and stationery		457,546	473,808
Travelling and conveyance		14,720	13,441
Depreciation on property, plant and equipment	13.4	13,258,895	12,972,406
Amortization of intangible assets	14	537,802	458,163
Impairment on property, plant and equipment	13.5	1,046,393	799,875
Annual license fee to Pakistan Telecommunication Authority (PTA)		312,517	303,489
		51,043,742	50,358,343

27.1 This includes Rs 3,069,286 thousand (December 31, 2016: Rs 3,273,934 thousand) in respect of employees retirement benefits.

	Note	2017 Rs '000	2016 Rs '000
28. Administrative and general expenses			
Salaries, allowances and other benefits	28.1	1,237,076	1,222,491
Call centre charges		149,803	128,430
Fuel and power		320,594	315,699
Rent, rates and taxes		174,143	219,814
Travelling and conveyance		117,760	107,525
Technical services assistance fee	28.2	2,361,541	2,364,028
Legal and professional charges		739,645	386,779
Auditors' remuneration	28.3	7,500	7,500
Depreciation on property, plant and equipment	13.4	218,958	210,800
Research and development fund	28.4	300,452	310,517
Provision against doubtful debts	28.5	1,695,310	2,132,017
Postage and courier services		267,127	282,109
Donations		6,386	390
Other expenses		1,021,182	1,082,037
		8,617,477	8,770,136

28.1 This includes Rs 312,730 thousand (December 31, 2016: Rs 333,581 thousand) in respect of employees retirement benefits.

28.2 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.

	2017 Rs '000	2016 Rs '000
28.3 Auditors' remuneration		
Statutory audit, including half yearly review	7,000	7,000
Out of pocket expenses	500	500
	7,500	7,500

28.4 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.

28.5 This amount is net of recoveries amounting to Rs 250,709 thousand (December 31, 2016: Rs 218,193 thousand)

29. Selling and marketing expenses

	Note	2017 Rs '000	2016 Rs '000
Salaries, allowances and other benefits	29.1	1,214,128	1,199,814
Call centre charges		99,869	85,620
Sales and distribution charges		632,940	809,928
Fuel and power		94,655	93,210
Printing and stationery		4,717	4,885
Travelling and conveyance		14,720	13,441
Advertisement and publicity		813,332	852,703
Depreciation on property, plant and equipment	13.4	72,986	70,267
		2,947,347	3,129,868

29.1 This includes Rs 306,929 thousand (December 31, 2016: Rs 327,393 thousand) in respect of employees retirement benefits.

30. 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 VSS, 1,262 belong to 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	2017 Rs '000	2016 Rs '000
Actuarial loss recognized on settlement	9.1	-	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
Loans written off	30.1	-	83,833
Others		-	15,083
		-	2,409,992
		-	4,601,379

30.1 This includes Nil (December 31, 2016: Rs 18,036 thousand) written off against receivables in respect of leased motorcycles.

	Note	2017 Rs '000	2016 Rs '000
31. Other income			
Income from financial assets:			
Return on bank deposits	31.1	1,591,527	2,170,602
Late payment surcharge from subscribers on overdue bills		304,568	289,016
Interest on subordinated long term loan to PTML		23,960	-
Dividend income		-	12,500
		1,920,055	2,472,118
Income from non financial assets:			
Gain on disposal of property, plant and equipment		165,117	25,624
Loss on disposal of capital work in progress		(21,260)	-
Late delivery charges		13,834	878,389
Recovery from written off receivables		80,243	1,274,781
Write back of liabilities	31.2	2,538,492	-
Release of deferred government grants	10	798,668	607,004
Pre-deposit income		326,085	472,446
Income from buildings rentals		32,616	-
Others		147,344	103,769
		6,001,194	5,834,131

31.1 Return on bank deposits includes Rs 314 thousand (December 31, 2016: Rs 372 thousand) earned from Shariah arrangements.

31.2 Liabilities written back on successful settlement and court decision in favour of the Company.

	Note	2017 Rs '000	2016 Rs '000
32. Finance costs			
Bank and other charges		189,545	192,171
Imputed Interest on finance lease		38,066	(30,141)
Exchange loss		77,000	31,678
		304,611	193,708
33. Provision for income tax			
Charge / (credit) for the year			
Current		4,674,046	4,455,826
Deferred			
- for the year		56,189	(909,724)
- due to change in tax rate		(234,341)	(179,839)
	8	(178,152)	(1,089,563)
		4,495,894	3,366,263

33.1 Reconciliation of effective tax rate

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

	2017 %	2016 %
Applicable tax rate	30.00	31.00
Tax effect of amounts not deductible for tax purposes	3.65	0.26
Tax effect of change in tax rate	(1.82)	(0.02)
Others	3.17	1.76
	5.00	2.00
Average effective tax rate	35.00	33.00

The applicable income tax rate was reduced from 31% to 30% during the year on account of the changes made to the Income Tax Ordinance, 2001 in 2017.

		2017	2016
34. Earnings per share - basic and diluted			
Profit for the year	Rupees in thousand	8,349,514	6,834,534
Weighted average number of ordinary shares	Numbers in thousand	5,100,000	5,100,000
Earnings per share	Rupees	1.64	1.34

35. 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 16,500,000 thousand (December 31, 2016: Rs 14,600,000 thousand) and Rs 17,300,000 thousand (December 31, 2016: Rs 17,800,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facility availed at the year end is Rs 4,216,000 thousand (December 31, 2016: Rs 2,459,901 thousand) and Rs 6,845,906 thousand (December 31, 2016: Rs 6,257,091 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, 2016: Rs 26,718,000 thousand).

	Note	2017 Rs '000	2016 Rs '000
36. Cash generated from operations			
Profit before tax		12,845,408	10,200,797
Adjustments for non-cash charges and other items:			
Depreciation and amortization		14,088,641	13,711,636
Impairment		1,046,393	799,875
Provision for obsolete stores, spares and loose tools		51,138	262,278
Provision for doubtful debts		1,695,310	2,132,017
Provision for employees retirement benefits		3,688,945	3,934,908
Provision for Voluntary Separation Scheme		-	4,601,379
Gain on disposal of property, plant and equipment		(165,117)	(25,624)
Loss on disposal of capital work in progress		21,260	-
Return on bank deposits		(1,591,527)	(2,170,602)
Imputed interest on long term loans		48,819	(14,525)
Imputed interest on finance lease		(10,753)	(15,616)
Return on subordinated long term loan to PTML		(23,960)	-
Dividend income		-	(12,500)
Release of deferred government grants		(798,668)	(607,004)
		30,895,889	32,797,019
Effect of cash flows due to working capital changes			
Decrease / (increase) in current assets:			
Stores, spares and loose tools		(941,913)	(64,647)
Trade debts		(3,507,560)	(2,274,145)
Loans and advances		(831,232)	888,760
Prepayments and other receivables		(547,524)	(1,744,379)
		(5,828,229)	(3,194,411)
Increase in current liabilities:			
Trade and other payables		7,568,413	7,895,079
		32,636,073	37,497,687
37. Cash and cash equivalents			
Short term investments	24.2	2,527,000	-
Cash and bank balances	25	14,243,299	5,902,144
		16,770,299	5,902,144

38. Capacity

	Access Lines Installed (ALI)		Access Lines In Service (ALIS)	
	2017 Number	2016 Number	2017 Number	2016 Number
Number of lines	7,300,500	7,078,327	3,009,823	3,420,998

ALI represent switching lines. ALI include 247,038 (December 31, 2016: 237,314) and ALIS include 51,178 (December 31, 2016: 85,066) Primary Rate Interface (PRI) and Basic Rate Interface (BRI) respectively. ALI and ALIS also include 1,916,762 (December 31, 2016: 1,265,000) and 570,971 (December 31, 2016: 867,425) WLL connections, respectively.

39. 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	
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
Managerial remuneration	-	-	203,358	334,336	230,937	221,266	1,011,319	791,553
Honorarium	300	300	-	-	-	-	34,097	5,427
Bonus	-	-	60,488	25,056	27,240	22,641	90,127	58,686
Retirement benefits	-	-	18,240	16,353	16,934	31,887	68,740	74,553
Housing	-	-	11,699	6,143	80,302	82,161	355,136	304,080
Utilities	-	-	-	-	33,601	33,600	80,503	67,518
	300	300	293,785	381,888	389,014	391,555	1,639,922	1,301,817
Number of persons	1	1	1	2	40	39	880	716

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, 2016: 9 non executive directors), is Rs 56,520 thousand (December 31, 2016: Rs 55,470 thousand) for attending the Board of Directors and its sub-committee meetings.

The aggregate amount of the remuneration paid in the year 2016 to the Chief Executive Officer was inclusive of the amount paid for settlement to the previous Chief Executive Officer.

40. Rates of exchange

Assets in US dollars have been translated into Rupees at USD 1 = Rs 110.30 (December 31, 2016: USD 1 = Rs 104.60), while liabilities in US dollars have been translated into Rupees at USD 1 = Rs 110.50 (December 31, 2016: USD 104.80).

41. Investment in PTCL Employees GPF Trust

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

	2017 Rs '000	2016 Rs '000
Total assets	3,940,869	3,988,334
Cost of investments made	3,478,444	3,556,491
Percentage of investments made	88.27	89.20
Fair value of investments	3,658,399	3,772,802

	2017		2016	
	Rs '000	Percentage	Rs '000	Percentage
Break up of investments - at cost				
Mutual Funds	1,100,000	31.6	400,000	11.3
Term deposits	2,357,926	67.8	2,447,336	68.8
Interest bearing accounts	20,518	0.6	709,155	19.9
	3,478,444	100.0	3,556,491	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.

42. Financial instruments and risk management

42.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2017 Rs '000	2016 Rs '000
USD		
Trade and other payables	(4,012,680)	(4,158,004)
Trade debts	3,140,342	1,923,954
Cash and bank balances	402,928	69,327
Net exposure	(469,410)	(2,164,723)
AED		
Trade and other payables	(57,893)	(53,258)
EUR		
Trade and other payables	(3,348)	(2,799)

The following significant exchange rates were applied during the year:

	2017	2016
Rupees per USD		
Average rate	105.54	104.66
Reporting date rate		
Assets	110.30	104.60
Liabilities	110.50	104.80
Rupees per AED		
Average rate	28.73	28.51
Reporting date rate	30.08	28.53
Rupees per EUR		
Average rate	119.46	115.75
Reporting date rate	131.97	110.32

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 17,246 thousand (December 31, 2016: Rs 74,396 thousand) respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is exposed to equity securities price risk, because of the investments held by the Company in money market mutual funds, and classified on the statement of financial position as available for sale. To manage its price risk arising from investments in mutual funds, the Company diversifies its portfolio.

The other financial assets include available for sale investments of Rs 2,527,000 thousand (December 31, 2016: NIL) which were subject to price risk.

If redemption price on mutual funds, at the year end date, fluctuate by 5% higher / lower with all other variables held constant, total comprehensive income for the year would have been Rs 82,128 thousand (December 31, 2016: NIL) higher / lower, mainly as a result of higher / lower redemption price on units of mutual funds.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the date of the statement of financial position, the interest rate profile of the Company's interest bearing financial instruments is:

	2017 Rs '000	2016 Rs '000
Financial assets		
Fixed rate instruments:		
Staff loans	599,598	476,060
Short term investments - term deposits	5,607,778	24,000,000
Bank balances - deposit accounts	13,743,769	5,236,722
	19,951,145	29,712,782
Variable rate instruments:		
Subordinated long term loan to PTML	5,000,000	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long-term loans to subsidiary at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs 2,431 thousand (December 31, 2016: NIL) higher / lower, mainly as a result of higher / lower mark-up 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:

	2017 Rs '000	2016 Rs '000
Long term loans and advances	7,670,324	2,152,757
Trade debts	16,040,224	14,227,974
Loans and advances	1,411,694	580,462
Other receivables	8,604,859	8,228,715
Short term investments	5,607,778	24,000,000
Bank balances	14,243,299	5,902,093
	53,578,178	55,092,001

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.The long term loans include a sub-ordinated loan of Rs 5,000,000 thousands (December 31, 2016: Nil) to the subsidiary-PTML.

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

	Rating		Rating
	Short term	**Long term**	**Agency**
National Bank of Pakistan	A1+	AAA	PACRA
Bank Alfalah Limited	A1+	AA+	PACRA
MCB Bank Limited	A1+	AAA	PACRA
Soneri Bank Limited	A1+	AA-	PACRA
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
The Bank of Punjab	A1+	AA	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
Askari Bank Limited	A1+	AA+	PACRA
Allied Bank Limited	A1+	AA+	PACRA
United Bank Limited	A-1+	AAA	JCR-VIS
BankIslami Pakistan Limited	A1	A+	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Faysal Bank Limited	A1+	AA	PACRA
Citi Bank, N.A	P-1	A1	Moody's
HSBC Bank Middle East Limited	P-1	A2	Moody's
Albaraka Bank (Pakistan) Limited	A1	A	PACRA
Mobilink Microfinance Bank Limited	A1	A	PACRA
Summit Bank Limited	A-1	A-	JCR-VIS
Dubai Islamic Bank Pakistan Limited	A-1	AA-	JCR-VIS
JS Bank Limited	A1+	AA-	PACRA
Sindh Bank Limited	A-1+	AA	JCR-VIS
SME Bank Limited	B	B	PACRA
SilkBank Limited	A-2	A-	JCR-VIS
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
Meezan Bank Limited	A-1+	AA	JCR-VIS
The Bank of Khyber	A-1	A	JCR-VIS
First Women Bank Limited	A2	A-	PACRA
Samba Bank Limited	A-1	AA	JCR-VIS
U Microfinance Bank Limited	A-2	A-	JCR-VIS
Khushhali Microfinance Bank Limited	A-1	A+	JCR-VIS
Telenor Microfinance Bank Limited	A-1	A+	JCR-VIS
NRSP Microfinance Bank Limited	A-1	A	JCR-VIS
Mutual Funds:			
- MCB Cash Management Optimizer Fund	-	AA(f)	PACRA
- ABL Cash Fund	-	AA(f)	JCR-VIS
- HBL Money Market Fund	-	AA(f)	JCR-VIS
- UBL Liquidity Plus Fund	-	AA(f)	JCR-VIS

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, 2017:

	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	553,446	-	553,446	-
Trade and other payables	60,815,369	60,815,369	-	-
	61,368,815	60,815,369	553,446	-

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	-
Trade and other payables	58,010,951	58,010,951	-	-
	58,564,000	58,010,951	553,049	-

42.2 Fair value of financial instruments

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.

Fair value measurements are categorized into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and significance of the inputs to the fair value measurement in its entirety, which is as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Details of the Company's assets' fair value hierarchy as at December 31, 2017 are as follows:

		Level 1 Rs '000	Level 2 Rs '000	Level 3 Rs '000	Total Rs '000
Investment in mutual funds	2017	2,527,000	-	-	2,527,000
Investment in mutual funds	2016	-	-	-	-

There has been no transfers from one level of hierarichy to another level during the year.

	Available for sale		Loans and receivables		Total	
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
42.3 Financial instruments by categories						
Financial assets as per statement of financial position						
Long term other investments	83,900	83,900	-	-	83,900	83,900
Long term loans and advances	-	-	7,670,324	2,152,757	7,670,324	2,152,757
Investment in finance lease	-	-	52,405	91,543	52,405	91,543
Trade debts	-	-	16,040,224	14,227,974	16,040,224	14,227,974
Loans and advances	-	-	1,511,669	676,556	1,511,669	676,556
Receivable from the Government of Pakistan	-	-	2,164,072	2,164,072	2,164,072	2,164,072
Other receivables	-	-	11,421,794	11,045,650	11,421,794	11,045,650
Short term investments	2,527,000	-	3,080,778	24,000,000	5,607,778	24,000,000
Cash and bank balances	-	-	14,243,299	5,902,144	14,243,299	5,902,144
	2,610,900	83,900	56,184,565	60,260,696	58,795,465	60,344,596

	Liabilities at fair value through profit and loss		Other financial liabilities		Total	
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
Financial liabilities as per statement of financial position						
Long term security deposits	-	-	553,446	553,049	553,446	553,049
Trade and other payables	-	-	60,815,369	58,010,951	60,815,369	58,010,951
	-	-	61,368,815	58,564,000	61,368,815	58,564,000

42.4 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.

43. 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 39 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

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

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

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

	2017 Rs '000	2016 Rs '000
Details of transactions with related parties		
Shareholders		
Technical services assistance fee	2,361,541	2,364,028
Subsidiaries		
Sale of goods and services	5,080,119	5,055,966
Purchase of goods and services	3,410,346	3,773,720
Return on deposit	83,961	33,264
Other income	-	11,213
Mark-up on long term loans	23,960	-
Associated undertakings		
Sale of goods and services	1,086,843	1,716,653
Purchase of goods and services	797,728	1,030,170
Employees retirement benefit plans	5,253,506	11,972,112
Other related Parties		
Sale of goods and services	1,676,921	1,473,171
Charge under license obligations	1,655,227	1,671,720

44. 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, 2017					
Trade debts	10,294,641	(7,556,453)	2,738,188	21,469,217	24,207,405
Trade creditors	(8,628,339)	7,556,453	(1,071,886)	(11,153,841)	(12,225,727)
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)

45. Number of employees

	2017 Number	2016 Number
Total number of persons employed at end of the year	16,585	16,404
Average number of employees during the year	16,546	18,251

46. Corresponding figures

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

Reclassification From	Reclassification To	Rs '000
Statement of Financial Position:		
Current Assets Accrued Interest	Current Assets Prepayments & Other Receivables	231,902
Current Assets Recoverable from tax authorities	Current Assets Prepayments & Other Receivables	2,816,935
Non-current liabilities Deferred income tax	Current Assets Income tax recoverable	2,527,315

47. Date of authorization for issue

These financial statements were authorized for issue by the Board of Directors of the Company on February 14, 2018.

Chief Financial Officer

President & CEO

Chairman

CONSOLIDATED FINANCIAL STATEMENTS

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, 2017 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 as applicable in Pakistan 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, 2017, and the results of their operations for the year then ended.

Emphasis of Matter Paragraph

We draw attention to note 19.7 to the consolidated financial statements, which describes the outcome of the review petitions filed by the Holding Company, Pakistan Telecommunication Employees Trust and the Federal Government before the Supreme Court of Pakistan vide order dated May 17, 2017. 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 14, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital	6	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		4,717,685	7,047,199
		35,021,750	37,165,559
Statutory and other reserves		84,837	20,096
Unrealized (loss) / gain on available for sale investments		(28)	1,063
		86,106,559	88,186,718
Liabilities			
Non-current liabilities			
Long term loans from banks	7	25,584,999	26,136,667
Subordinated debt	8	600,000	-
Customers deposits	9	3,884,344	2,400,425
Liability against assets subject to finance lease	10	-	1,888
License fee payable	11	-	11,228,196
Long term security deposits	12	1,445,262	1,493,178
Deferred income tax	13	10,471,742	12,089,801
Employees retirement benefits	14	23,590,276	24,121,967
Deferred government grants	15	15,619,006	11,570,655
Long term vendor liability	16	31,150,659	28,987,270
		112,346,288	118,030,047
Current liabilities			
Trade and other payables	17	69,384,174	70,001,837
Customer deposits	9	6,937,146	5,179,565
Interest accrued		503,096	580,142
Short term running finance	18	834,233	-
Current portion of:			
Long term loans from banks	7	4,001,154	838,333
Liability against assets subject to finance lease	10	10,146	34,401
License fee payable	11	-	4,504,874
Long term vendor liability	16	7,474,057	9,679,951
Unearned income		5,818,447	5,575,708
		94,962,453	96,394,811
Total equity and liabilities		293,415,300	302,611,576

Contingencies and commitments 19

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

Chief Financial Officer | President & CEO | Chairman

	Note	2017 Rs '000	2016 Rs '000
Assets			
Non-current assets			
Property, plant and equipment	20	167,490,798	170,800,044
Intangible assets	21	34,164,307	37,111,800
		201,655,105	207,911,844
Long term investments	22	93,600	101,224
Long term loans and advances	23	2,698,518	2,200,034
Investment in finance lease	24	17,268	38,513
		204,464,491	210,251,615
Current assets			
Stock in trade, stores and spares	25	3,827,171	2,917,145
Trade debts	26	16,805,595	15,008,567
Loans to banking customers	27	10,554,357	5,528,421
Loans and advances	28	1,613,562	753,977
Investment in finance lease	24	35,137	53,030
Income tax recoverable	29	19,838,282	18,173,380
Receivable from the Government of Pakistan	30	2,164,072	2,164,072
Deposits, prepayments and other receivables	31	9,660,732	10,605,771
Short term investments	32	9,394,153	28,380,131
Cash and bank balances	33	15,057,748	8,775,467
		88,950,809	92,359,961
Total assets		293,415,300	302,611,576

Chief Financial Officer

President & CEO

Chairman

CONSOLIDATED STATEMENT OF
PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
Revenue	34	117,026,533	117,202,376
Cost of services	35	(90,113,595)	(87,025,891)
Gross profit		26,912,938	30,176,485
Administrative and general expenses	36	(17,362,501)	(16,954,194)
Selling and marketing expenses	37	(6,505,461)	(7,111,055)
		(23,867,962)	(24,065,249)
Operating profit		3,044,976	6,111,236
Voluntary separation scheme cost	38	-	(4,601,379)
Other income	39	9,842,166	6,379,225
Finance costs	40	(6,457,612)	(3,628,626)
		6,429,530	4,260,456
Share of (loss) / profit from Associate		(7,624)	8,781
Profit before tax		6,421,906	4,269,237
Provision for income tax	41	(2,079,664)	(2,646,390)
Profit after tax		4,342,242	1,622,847
Earnings per share - basic and diluted (Rupees)	42	0.85	0.32

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

Chief Financial Officer

President & CEO

Chairman

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Rs '000	2016 Rs '000
Profit for the year	4,342,242	1,622,847
Other comprehensive income for the year		
Items that will not be reclassified to consolidated statement of profit and loss:		
Remeasurement (loss) /gain on employees retirement benefits	(1,887,585)	254,384
Tax effect	566,275	(78,637)
	(1,321,310)	175,747
Items that may be subsequently reclassified to consolidated statement of profit and loss:		
Gain on available for sale investments arising during the year	3,178	2,940
Gain on disposal of investment transferred to income for the year	(4,736)	-
Tax effect of revaluation of available for sale invesments	467	(882)
Unrealized gain on available for sale investments - net of tax	(1,091)	2,058
Other comprehensive income for the year - net of tax	(1,322,401)	177,805
Total comprehensive income for the year	3,019,841	1,800,652

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

Chief Financial Officer

President & CEO

Chairman

CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
Cash flows from operating activities			
Cash generated from operations	44	47,864,999	55,156,600
Employees retirement benefits paid		(934,328)	(1,064,256)
Payment of voluntary separation scheme cost		(4,711,600)	(29,815)
Payment made to Pakistan Telecommunication Employees Trust (PTET)		(5,253,506)	(11,972,112)
Finance costs paid		(6,494,401)	(3,625,151)
Long term security deposits		(47,916)	(83,257)
Income tax paid		(4,795,882)	(2,763,030)
Net cash inflow from operating activities		25,627,366	35,618,979
Cash flows from investing activities			
Capital expenditure		(29,212,116)	(30,679,273)
Acquisition of Intangible assets		(615,098)	(354,985)
Proceeds from disposal of property, plant and equipment		367,389	317,537
Short term investments - net		19,919,222	(1,638,608)
Long term loans and advances		(547,303)	108,478
Finance lease		49,891	54,405
Return on long term loans and short term investments		1,688,481	1,927,160
Government grants received		5,307,086	2,803,653
Dividend income on long term investments		-	12,500
Net cash outflow from investing activities		(3,042,448)	(27,449,133)
Cash flows from financing activities			
Loans from banks - net		2,611,153	5,975,000
Subordinated debt		600,000	-
License fee payable		(15,733,070)	(11,670,706)
Customers deposits		1,483,919	2,294,117
Vendor liability		(42,505)	11,864,618
Liability against assets subject to finance lease		(26,143)	(26,220)
Dividend paid		(5,096,980)	(10,365,965)
Net cash outflow from financing activities		(16,203,626)	(1,929,156)
Net increase in cash and cash equivalents		6,381,292	6,240,690
Cash and cash equivalents at beginning of the year		12,155,598	5,914,908
Cash and cash equivalents at end of the year	45	18,536,890	12,155,598

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

Chief Financial Officer

President & CEO

Chairman

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	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, 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 year								
Profit for the year	-	-	-	-	1,622,847	-	-	1,622,847
Other comprehensive income - net of tax	-	-	-	-	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
Total Comprehensive income for the period								
Profit for the year	-	-	-	-	4,342,242	-	-	4,342,242
Other comprehensive income - net of tax	-	-	-	-	(1,321,310)	-	(1,091)	(1,322,401)
	-	-	-	-	3,020,932	-	(1,091)	3,019,841
Transfer to insurance reserve	-	-	185,705	-	(185,705)	-	-	-
Transfer to statutory and other reserves	-	-	-	-	(64,741)	64,741	-	-
Interim dividend for the year ended December 31, 2017 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	-	(5,100,000)
	-	-	185,705	-	(5,350,446)	64,741	-	(5,100,000)
Balance as at December 31, 2017	37,740,000	13,260,000	2,806,993	27,497,072	4,717,685	84,837	(28)	86,106,559

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

Chief Financial Officer

President & CEO

Chairman

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), 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. DVCOM Data has a Wireless Local Loop (WLL) License of 1900 MHz spectrum in nine telecom regions of Pakistan. The registered office of DVCOM Data 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 through out the country under the license from Pakistan Electronic Media Regulatory Authority (PEMRA). Auction for DTH license was held on 23 November 2016, in which Smartsky 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. Smartsky is a wholly owned subsidiary of PTCL. The registered office of Smartsky 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.

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.

The Companies Act, 2017 was enacted on May 30, 2017. However, as per the requirements of Circular # 23 of 2017 dated October 4, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) and released clarification issued by The Institute of Chartered Accountants of Pakistan (ICAP) through its circular # 17 of 2017 dated October 6, 2017, companies whose financial year, including quarterly and other interm period, closes on or before December 31, 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance).

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 Standards, interpretations and amendments adopted during the year

The following amendments to existing standards have been published that are applicable to the Groups's financial statements covering years, beginning on or after the following dates:

a) New accounting standards / amendments and IFRSs interpretations that are effective for the year ended December 31, 2017.

The following standards, amendments and interpretations are effective for the year ended December 31, 2017. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.	Effective from accounting period beginning on or after January 01, 2017.
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses.	Effective from accounting period beginning on or after January 01, 2017.

b) New accounting standards / amendments and IFRS interpretations that are not yet effective

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	'Effective from accounting period beginning on or after January 01, 2018.
IFRS 9: 'Financial Instruments', This standard contains the requirements for a) the classification and measurement of financial assets and liabilities, b) impairment methodology, and c) general hedge accounting. This standard will supersede IAS 39 "Financial instrument" recognition and measurement upon its effective date.	Effective from accounting period beginning on or after January 01, 2018. (Securities and Exchange Commission of Pakistan (SECP) has adopted for local application from accounting period beginning on or after July 1, 2018).

Amendments to IFRS 10: 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS 15: 'Revenue from Contracts with Customers' This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretation upon its effective date: IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 customer loyalty programmes, IFRIC 15 agreements for the construction of real estate, IFRIC 18 transfers of assets from customers and SIC 31 Revenue-barter transaction involving advertising services.	Effective from accounting period beginning on or after January 01, 2018 (SECP has adopted for local application from accounting period beginning on or after July 1, 2018).
Amendments to IAS 40: 'Investment Property' Clarification on transfers of property to or from investment property.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
IFRIC 22:'Foreign Currency Transactions and Advance Consideration' Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
IFRIC 23:'Uncertainty over Income Tax Treatments' Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	Effective from accounting period beginning on or after January 01, 2019.

The management is in process of determining the impact of IFRS 9 and 15 on its group financial statements.

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, International Accounting Standard Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 14 Regulatory Deferral Accounts
- IFRS 16 Leases
- IFRS 17 Insurance Contracts

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 5.29) 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 rate 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 5.28-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 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 loans to banking customers

U Bank maintains a provision against loans 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 loans 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 provision.

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 rate 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 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.

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 Customer Deposits

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 period.

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 current best 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 20.1.

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 20.1. 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.

(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 Loans to banking customers

Loans to banking customers are stated net of provisions for non-performing loans. The outstanding principal and mark-up of the loans and advances, payments against which are overdue for 30 days or more, shall be classified as Non- Performing Loans (NPLs).

U Bank maintains a general provision equivalent to 1% of the net outstanding loans (loans net of specific provisions). However, general provision shall not be required in cases where loans have been secured against gold or other cash collateral with appropriate margin.

General and specific provisions for the year are charged to the profit and loss.

In accordance with the Regulation R-10, non-performing loans are written-off one month after the loan is categorized as Loss. However, the Bank continues its efforts for recovery of the written-off balances.

5.20 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.

5.21 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.

5.22 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.

5.23 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.

5.24 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.

5.25 Sale and repurchase 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.

5.26 (a) 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.

(ii) Mark-up / return on loans to banking customers

Mark-up / return on loans is recognized on accrual / time proportion basis, except for in come, 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.

5.26 (b) Income on bank deposits

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

5.26 (c) Dividend income

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

5.26 (d) 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 to maturity.

5.26 (e) 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.

5.26 (f) Fee, commission and other income

Fee, commission and other income is recognized when earned.

5.27 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.

5.28 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.

5.29 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. 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, 2017. 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 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 rupee 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.

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.

5.30 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.

5.31 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

2017 (Number of shares '000)	2016 (Number of shares '000)		2017 Rs '000	2016 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

2017 (Number of shares '000)	2016 (Number of shares '000)		2017 Rs '000	2016 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, 2017: 599,545 thousand (December 31, 2016: 599,543 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.

7. Long term loans from banks

These represent secured loans from following banks:

	Annual mark-up rate	Repayment commencement date		Quarterly / semi annual repayment installments		Outstanding loan balance	
	3-month Kibor plus	Interest	Principal		Note	2017 Rs '000	2016 Rs '000
Allied Bank Limited	0.25%	July 2014	July 2017	12		833,333	1,000,000
United Bank Limited	0.25%	July 2014	July 2016	16		850,000	975,000
MCB Bank Limited	0.25%	July 2014	July 2017	12		833,333	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
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	2,000,000
Allied Bank Limited	0.25%	May 2016	May 2020	12		3,000,000	3,000,000
MCB Bank Limited	0.24%	May 2018	May 2021	12		1,000,000	-
United Bank Limited	0.25%	July 2014	July 2018	12		1,000,000	1,000,000
					7.1	26,516,666	25,975,000
United Bank Limited	1.50%	March 2017				-	100,000
	6-Month KIBOR plus						
Pak Oman Investment Co. Limited	2.00%	April 2016	April 2017	5		300,000	500,000
Bank Alfalah Limited	1.50%	September 2016	September 2017	5		240,000	300,000
United Bank Limited	1.50%	December 2016	December 2017	5		80,000	100,000
Allied Bank Limited	1.10%	September 2017	September 2018	8		1,500,000	-
Commercial Paper	9-Month KIBOR + 1.00%	September 2018	September 2018	1.5		949,487	-
					7.2	3,069,487	1,000,000
						29,586,153	26,975,000
Current portion						(4,001,154)	(838,333)
						25,584,999	26,136,667

7.1 Loan 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 license) of PTML. The unavailed available facility of PTML from MCB Bank Limited as of December 31, 2017 was Rs 1,500,000 thousand.

7.2 Secured by way of first charge Pari passu on book debts, advances and receivable of U Bank

8. Subordinated debt

This represents Term Finance Certificates (TFCs) of Rs. 600,000 thousand distributed in 120,000 TFCs of Rs. 5,000 each issued as subordinated loan by U Bank in June 2017. The facility tenure is 7 years and is priced at 6 Month KIBOR + 3.50%. The instrument is structured to redeem at 0.02% of principal, semiannually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal installments starting from 66th month. The TFCs are subordinated as to the payment of principal and profit to all other indebtness of U Bank. The rating of these certificates issued by JCR-VIS in March 2017 was BBB+ with a stable outlook.

	2017 Rs '000	2016 Rs '000
9. Customers deposits		
Fixed deposits	7,313,253	5,761,515
Saving deposits	2,375,025	1,176,753
Current deposits	1,133,212	641,722
	10,821,490	7,579,990
Current portion	(6,937,146)	(5,179,565)
	3,884,344	2,400,425

10. 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	2017 Rs '000	2016 Rs '000
Minimum lease payments due			
Not later than 1 year		10,750	37,982
Later than 1 year and not later than 5 years		-	2,513
Gross obligation under finance lease		10,750	40,495
Finance charges allocated to future periods		(604)	(4,206)
Net obligation under finance lease		10,146	36,289
Due within one year		(10,146)	(34,401)
		-	1,888
The present value of finance lease liabilities is as follows:			
Not later than 1 year		10,146	34,401
Later than 1 year and not later than 5 years		-	1,888
		10,146	36,289
11. License fee payable			
Non interest bearing	11.1	-	15,733,070
Current portion		-	(4,504,874)
		-	11,228,196

11.1 During the year, the liability against 2G license fee of PTML has been paid in full as early settlement before maturity. As a consequence thereof, the remaining amount of imputed interest aggregating to Rs 2,583,000 thousand has also been recognised as an expense in the consolidated financial statements.

12. 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.

	Note	2017 Rs '000	2016 Rs '000
13. Deferred income tax			
The liability for deferred taxation comprises of timing differences relating to:			
Accelerated tax depreciation / amortization		14,861,745	19,251,936
Provision against stock, stores and receivables		(3,023,668)	(3,048,365)
Remeasurement of employees retirement benefits		2,528	7,057
Unused tax losses		-	(3,780,206)
Tax credits in respect of minimum tax		-	(25,234)
Liabilities claimable on payment		(1,542,511)	-
Others		173,648	(315,387)
		10,471,742	12,089,801
The gross movement in the deferred tax liability during the year is as follows:			
Balance as at beginning of the year		12,089,801	12,379,290
Tax credit recognized in consolidated profit and loss	41	(3,857,946)	(2,896,323)
Tax (credit) / charge recognized in consolidated other comprehensive income		(4,998)	79,519
Tax effect of prior period re-measurment losses reclassified to income tax recoverable	29	-	2,527,315
Deferred tax asset reclassified to income tax recoverable	29	2,244,885	-
Balance as at end of the year		10,471,742	12,089,801
14. Employees retirement benefits			
Liabilities for pension obligations			
Funded - PTCL	14.1	2,779,570	5,253,506
Unfunded - PTCL	14.1	4,611,138	3,242,085
		7,390,708	8,495,591
Gratuity Funded - PTCL, PTML and U Bank	14.1	168,958	(52,919)
Accumulating compensated absences - PTCL	14.1	1,491,597	1,430,188
Post retirement medical facility - PTCL	14.1	10,939,243	10,757,583
Benevolent grants - PTCL	14.1	3,599,770	3,491,524
		23,590,276	24,121,967

14.1 The latest actuarial valuations of the Group's defined benefit plans, were conducted at December 31, 2017 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			
		2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
a)	**The amounts recognized in the consolidated statement of financial position:**														
	Present value of defined benefit obligations	112,027,257	109,098,686	4,611,138	3,242,085	1,867,642	1,527,885	1,491,597	1,430,188	10,939,243	10,757,583	3,599,770	3,491,524	134,536,647	129,547,951
	Fair value of plan assets - note 14.2	(109,247,687)	(103,845,180)	-	-	(1,698,684)	(1,580,804)	-	-	-	-	-	-	(110,946,371)	(105,425,984)
	Liability at end of the year	2,779,570	5,253,506	4,611,138	3,242,085	168,958	(52,919)	1,491,597	1,430,188	10,939,243	10,757,583	3,599,770	3,491,524	23,590,276	24,121,967
b)	**Changes in the present value of defined benefit obligations:**														
	Balance at beginning of the year	109,098,686	103,806,320	3,242,085	2,847,299	1,527,839	1,509,573	1,430,188	1,549,917	10,757,583	12,402,849	3,491,524	3,388,349	129,547,905	125,504,307
	Current service cost	931,116	713,588	260,661	204,895	226,343	218,431	76,353	61,148	75,438	79,587	44,891	43,575	1,614,802	1,321,224
	Interest expense	11,587,763	11,018,573	355,054	312,340	140,368	131,853	133,532	140,628	1,153,417	1,337,244	354,960	344,424	13,725,094	13,285,062
	Actuarial gain	-	-	-	-	-	-	(99,291)	(64,712)	-	-	-	-	(99,291)	(64,712)
	(Gains) / losses on settlement	-	1,576,158	-	286,663	-	136,378	-	75,034	-	165,504	-	(48,350)	-	2,191,387
		12,518,879	13,308,319	615,715	803,898	366,711	486,662	110,594	212,098	1,228,855	1,582,335	399,851	339,649	15,240,605	16,732,961
	Remeasurements:														
	Gain due to change in financial assumption	(3,860,439)	-	(372,815)	-	-	-	-	-	-	-	-	-	(4,233,254)	-
	(Gain) / loss due to experience adjustments	1,780,902	553,609	1,154,799	(34,909)	73,653	1,052	-	-	(503,257)	(2,493,922)	(69,699)	(20,239)	2,436,398	(1,994,409)
	VSS Settlement	-	(1,294,606)	-	(358,515)	-	(176,079)	-	(192,580)	-	(241,515)	-	-	-	(2,263,295)
	Benefits paid	(7,510,771)	(7,274,956)	(28,646)	(15,688)	(100,561)	(293,323)	(49,185)	(139,247)	(543,938)	(492,164)	(221,906)	(216,235)	(8,455,007)	(8,431,613)
	Balance at end of the year	112,027,257	109,098,686	4,611,138	3,242,085	1,867,642	1,527,885	1,491,597	1,430,188	10,939,243	10,757,583	3,599,770	3,491,524	134,536,647	129,547,951

	Pension				Gratuity		Accumulating compensated absences		Post-retirement medical facility		Benevolent grants		Total	
	Funded		Unfunded		Funded		Unfunded		Unfunded		Unfunded			
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
c) Charge for the year														
Profit and loss:														
Current service cost	931,116	713,588	260,661	204,895	226,343	218,431	76,353	61,148	75,438	79,587	44,891	43,575	1,614,802	1,321,224
Net interest expense	288,943	658,467	355,054	312,340	(10,721)	(9,089)	133,532	140,628	1,153,417	1,337,244	354,960	344,424	2,275,185	2,784,014
Actuarial gain	-	-	-	-	-	-	(99,291)	(64,712)	-	-	-	-	(99,291)	(64,712)
Contribution from employees	-	-	-	-	-	-	-	-	-	-	(19,169)	(21,665)	(19,169)	(21,665)
Contribution from deputationists	(2,969)	(2,280)	-	-	-	-	-	-	-	-	-	-	(2,969)	(2,280)
	1,217,090	1,369,775	615,715	517,235	215,622	209,342	110,594	137,064	1,228,855	1,416,831	380,682	366,334	3,768,558	4,016,581
(Gain) / losses recognized on settlement included in VSS	-	1,576,158	-	286,663	-	136,378	-	75,034	-	165,504	-	(48,350)	-	2,191,387
	1,217,090	2,945,933	615,715	803,898	215,622	345,720	110,594	212,098	1,228,855	1,582,335	380,682	317,984	3,768,558	6,207,968
Other comprehensive income														
Remeasurements:														
(Gain) / loss on remeasurement of assets	3,639,048	1,751,684	-	-	45,439	(11,659)	-	-	-	-	-	-	3,684,487	1,740,025
Gain due to change in financial assumptions	(3,860,439)	-	(372,815)	-	-	-	-	-	-	-	-	-	(4,233,254)	-
(Gain) / loss due to experience adjustments	1,780,902	553,609	1,154,799	(34,909)	73,607	1,052	-	-	(503,257)	(2,493,922)	(69,699)	(20,239)	2,436,352	(1,994,409)
	1,559,511	2,305,293	781,984	(34,909)	119,046	(10,607)	-	-	(503,257)	(2,493,922)	(69,699)	(20,239)	1,887,585	(254,384)
	2,776,601	5,251,226	1,397,699	768,989	334,668	335,113	110,594	212,098	725,598	(911,587)	310,983	297,745	5,656,143	5,953,584
d) Significant actuarial assumptions at the date of consolidated statement of financial position:														
Discount rate	10.00%	11.00%	10.00%	11.00%	9% to 10.75%	9.50%	9.00%	9.50%	10.00%	11.00%	10.00%	10.50%		
Future salary / medical cost increase	8.00%	7 to10%	8.00%	7 to10%	7.25% to 9.75%	8.5% to 9.5%	8.00%	8.50%	9.00%	10.00%	8.00%	9.50%		
Future pension increase	6.25%	7.50%	6.25%	7.50%	-	-	-	-	-	-	-	-		
Rate of increase in benevolent grants	-	-	-	-	-	-	-	-	-	-	2.00%	2.5%		
Average duration of obligation	10 years	10 years	18 years	18 years	6 - 22 years	6 - 23 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	
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
14.2 Changes in the fair value of plan assets						
Balance at beginning of the year	103,845,180	91,834,208	1,580,804	1,496,659	105,425,984	93,330,867
Expected return on plan assets	11,298,820	10,360,106	151,089	141,203	11,449,909	10,501,309
Total payment made to members on behalf of fund	-	-	53,265	157,775	53,265	157,775
Gain / (loss) on remeasurement of assets	(3,639,048)	(1,751,684)	(45,439)	11,659	(3,684,487)	(1,740,025)
Contributions made by the Group during the year	5,253,506	11,972,112	59,526	66,831	5,313,032	12,038,943
Benefits paid	(7,510,771)	(8,569,562)	(100,561)	(293,323)	(7,611,332)	(8,862,885)
Balance at end of the year	109,247,687	103,845,180	1,698,684	1,580,804	110,946,371	105,425,984

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

	2017		2016	
	Rs '000	Percentage	Rs '000	Percentage
Debt instruments - unquoted				
- Special saving accounts	88,656,118	81.15	83,863,724	80.76
- Defense saving certificates	1,944,002	1.78	1,730,540	1.67
- Pakistan Investment Bonds	3,045,689	2.79	3,042,900	2.93
	93,645,809	85.72	88,637,164	85.36
Cash and cash equivalents				
- Term deposits	4,829,676	4.42	5,019,748	4.83
- Cash and bank balances	429,724	0.39	1,856,934	1.79
	5,259,400	4.81	6,876,682	6.62
Investment property				
- Telecom tower	7,291,027	6.67	6,419,302	6.18
- Telehouse	1,881,680	1.72	1,734,653	1.67
	9,172,707	8.40	8,153,955	7.85
Fixed assets	6,597	0.01	7,950	0.01
Other assets	2,341,537	2.13	1,679,828	1.61
	110,426,050	101.08	105,355,579	101.45
Liabilities				
Amount due to PTCL	(7,712)	(0.01)	(1,308,137)	(1.26)
Accrued & other liabilities	(159,112)	(0.15)	(202,262)	(0.19)
Provision for Zakat	(1,011,539)	(0.93)	-	0.00
	(1,178,363)	(1.09)	(1,510,399)	(1.45)
	109,247,687	100.00	103,845,180	100.00

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

	2017		2016	
	Rs '000	Percentage	Rs '000	Percentage
Units of mutual funds	452,717	26.65	262,480	16.60
Term deposit receipts	897,546	52.84	1,117,417	70.70
Fixed deposit receipts	-	-	109,778	6.94
Other assets	293,239	17.26	19,299	1.22
Bank balances	55,182	3.25	71,830	4.54
	1,698,684	100.00	1,580,804	100.00

14.5 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 926,453 thousand and Rs 254,529 thousand respectively.

14.6 Sensitivity analysis

The calculations of the defined benefit obligations is sensitive to the significant actuarial assumptions set out in note 14.1 (d). 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	1,653,001	(1,521,079)
Pension - unfunded	467,252	(415,287)
Gratuity - funded	208,394	(128,030)
Accumulating compensated absences - unfunded	141,298	(125,748)
Post-retirement medical facility - unfunded	1,495,553	(1,221,659)
Discount rate		
Pension - funded	(8,673,613)	10,253,485
Pension - unfunded	(66,535)	830,145
Gratuity - funded	(123,450)	206,125
Accumulating compensated absences - unfunded	(123,589)	141,298
Post-retirement medical facility - unfunded	(1,219,426)	1,495,553
Benevolent grants - unfunded	(270,436)	313,797
Future pension		
Pension - funded	8,500,847	(7,289,145)
Pension - unfunded	335,139	(282,901)
Benevolent grants		
Benevolent grants - unfunded	316,163	(272,638)

Expected mortality rates

	Increase by 1 year	Decrease by 1 year
	Rs '000	Rs '000
Pension - funded	(2,572,231)	2,556,738
Pension - unfunded	(59,410)	57,815
Gratuity - funded	(16,434)	15,993
Accumulating compensated absences - unfunded	(19,219)	18,701
Post-retirement medical facility - unfunded	(304,031)	305,193
Benevolent grants - unfunded	(100,047)	100,429

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

14.7 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, longevity risk for pension plan and salary risk for all the plans.

	Note	2017 Rs '000	2016 Rs '000
15. Deferred government grants			
Balance at beginning of the year		11,570,655	9,497,840
Received during the year		5,307,086	2,803,653
Release of grants to consolidate profit and loss	39	(1,258,735)	(730,838)
Balance at end of the year		15,619,006	11,570,655

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.

16. Long term vendor liability

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

	Note	2017 Rs '000	2016 Rs '000
Obligation under acceptance of bills of exchange	16.1	33,696,431	27,965,304
Other accrued liabilities		4,928,285	10,701,917
		38,624,716	38,667,221
Current portion		(7,474,057)	(9,679,951)
		31,150,659	28,987,270

16.1 These include liability of Rs 14,432,462 thousand (December 31, 2016: Rs 9,874,145 thousand) carrying interest in the range of 5.50% to 5.91% per annum (December 31, 2016: 5.40% to 5.90% per annum).

	Note	2017 Rs '000	2016 Rs '000
17. Trade and other payables			
Trade creditors	17.1	9,143,874	11,207,133
Accrued liabilities	17.2	36,618,938	33,688,268
Voluntary Seperation Scheme		251,483	4,963,083
Receipts against third party works		1,187,376	1,131,961
Advances from customers		2,464,206	3,947,127
Employees provident fund		19,091	18,110
Income tax collected from subscribers / deducted at source		496,826	452,927
Sales tax payable		620,574	758,617
Technical services assistance fee, Etisalat - UAE	36.2	12,347,648	8,251,719
Retention money / payable to contractors and suppliers	17.3	5,142,146	4,712,531
Dividend payable / unclaimed dividend		210,187	207,167
Other liabilities		881,825	663,194
		69,384,174	70,001,837

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

	2017 Rs '000	2016 Rs '000
Etisalat - UAE	403,758	186,913
Other Etisalat's subsidiaries and associates	17,363	11,721
Etisalat - Afghanistan	61,627	29,529
Etisalat - Srilanka	1,700	15,551
Etisalat - Egypt	935	35
Etisalat - Nigeria	806	1,176
Thuraya Satellite Telecommunication Company PJSC	871	3,700
Emirates data clearing house	7,008	5,230
Telecom Foundation	57,611	63,064
TF Pipes Limited	5,558	4,160
The Government of Pakistan and its related entities	1,380,182	1,273,213

17.2 (i) PTML has reversed SIM Activation tax liability amounting to Rs. 1,728,000 thousand consequent to a judgement of Lahore High Court in favor of PTML dated May 03, 2017. PTML had recognized this liability from May 30, 2013 till June 2014 on the reinstatement of activation tax regime vide SRO 460(I)/2013 dated May 30, 2013. The said notification was challenged by PTML through a writ petition before the Lahore High Court (LHC) and the implementation of the SRO was suspended as an interim relief by the LHC. Now, the LHC has given the judgement in favor of PTML based on a precedent set by the Supreme Court of Pakistan by striking down the said SRO in another case.

(ii) PTML has reversed liability amounting to Rs. 694,000 thousand, carried in respect of Sales Tax exposure allegedly chargeable on issuance of SIMs to subscribers under 9th Schedule to the Sales Tax Act, 1990 (STA). PTML had recognized the liability from July 2014 till December 2016. Agitated by the position taken by tax department, PTML filed writ petition before the Lahore High Court on grounds that issuance of SIM did not constitute taxable supply in terms of provisions of the STA, and being provision of a service, it was subject to provincial sales tax acts and the Federal Excise Act, 2005. The LHC vide order dated 4 October 2017 has accepted this position of PTML.

	2017 Rs '000	2016 Rs '000
17.3 Retention money / payable to contractors and suppliers		
TF Pipes Limited	7,832	1,167

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

	2017 Rs '000	2016 Rs '000
18. Short term running finance	834,233	-

Short term running finance facilities available under mark-up arrangements with banks amounting to Rs 3,000,000 thousand (December 31, 2016: Rs 3,000,000 thousand), out of which the amount availed at the year end was 834,233 thousand (December 31, 2016: nil). 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.

19. Contingencies and commitments

Contingencies

PTCL

Indirect Taxes

19.1 Against the decision of Appellate Tribunal Inland Revenue (ATIR) upholding tax authorities' decision to impose Federal Excise Duty (FED) amounting to Rs 365,098 thousand on Technical Services Assistance fee assuming that the fee is against franchise arrangement for the period from July 2008-09 & 2010-11, PTCL has filed reference in Honorable Islamabad High Court. Accordingly, the stay order has been granted by the Honorable Islamabad High Court. Similarly, against an order of the Punjab Revenue Authority (PRA) for the services 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 sub judice before the Commissioner Appeals - PRA, and the stay order from the Honorable Lahore High Court is also in place against any coercive measures.

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

19.3 Against the decision of Sindh Revenue Board (SRB) imposing sales tax of Rs 4,417,000 thousand on revenues from international incoming calls for 2012 and 2013, the appeal is pending adjudication before the Commissioner Appeals - SRB. Meanwhile, the Honorable Sindh High Court has granted a stay order against any coercive measures.

19.4 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. Further, the Collector of Customs imposed additional duties and taxes amounting to Rs 1,622,593 thousand against which the company is in the process of filing the appeal.

Income Tax

19.5 For the tax years 2007, 2009, 2010 and 2011, Taxation Officer disallowed certain expenses and tax credits. The impugned orders were challenged at the relevant appellate forums which allowed partial relief thereof. After taking into account the orders of CIR (Appeals), ATIR as well as rectification orders tax impact of the disallowances is Rs 6,988,912 thousand. On the remaining outstanding items of tax years 2007, 2009 and 2011, appeals are pending adjudication before ATIR and references of aforementioned four years are pending adjudication in Honorable Islamabad High Court as well.

19.6 For the tax years 2012, 2013, 2015 and 2016, Taxation Officer disallowed certain expenses having tax impact of Rs. 21,702,374 thousand. PTCL has filed appeals before CIR-Appeals and ATIR against the disallowed expenses which are pending adjudication. For tax years 2012, 2015 and 2016, PTCL has obtained stay orders from Honorable Islamabad High Court and ATIR against any coercive measures.

Others

19.7 The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by PTCL, the Pakistan Telecommunication Employees Trust (PTET) and the Federal Government (collectively, the Review Petitioners) vide the order dated 17th May 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2), CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. Under the circumstances, management of PTCL is of the view that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the referred decision of the Apex Court which could be disclosed in the consolidated financial statements.

19.8 PTCL 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.

19.9 A total of 1821 cases (December 31, 2016: 1,432) against PTCL involving Regulatory, Telecom Operators, Employees' and Subscribers. Because of number of cases and their uncertain nature, it is not possible to quantify their financial impact. Management and Legal advisors of PTCL are of the view that the outcome of these cases is expected to be favorable and liability, if any, arising out on the settlement is not likely to be material.

PTML

Indirect Taxes

19.10 Tax authorities have raised Federal Excise Duty (FED) demands by assessing PTML's payments of technical services fee to Etisalat as fee for "Franchise Services" which has not been agreed by PTML 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 as reflected in these financial statements. The total exposure in the case is Rs. 1,628,295 thousand (December 31, 2016: Rs. 1,628,295 thousand).

19.11 The taxation authorities have raised demand amounting to Rs 1,830,000 thousand (December 31, 2016: Rs. 1,830,000 thousand) which represents the amount of advance income tax paid by PTML under section 148 at import stage on the premise that such tax paid fall under final tax regime. PTML has claimed adjustment of this amount against its tax liability for tax years 2008 to 2014. PTML is of the view that these demands are not based on sound principles as PTML 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 PTML as commercial importer to derive income. The references were filed before the Islamabad High Court (IHC) against the unfavorable order of the Appellate Tribunal Inland Revenue (ATIR). The Islamabad High Court has remanded the cases back to ATIR for fresh hearing in the light of the directions of the Court. The tax authorities have filed constitutional petition before the Supreme Court against the order of the Islamabad High Court.

19.12 PTML and other telecom operators contested a position taken by the tax authorities 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..

Income Tax

19.13 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 Commissioner Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR) and 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.

DVCOM Data (Private) Limited

19.14 The determination dated 20 March, 2015 in respect of restoration of license of DVCOM Data passed by Pakistan Telecommunication Authority (PTA) imposing, inter-alia, late payment charges of Rs 1,697,081 thousand on DVCOM Data pertaining to the period before acquisition of DVCOM Data by the Holding Company, was challenged by the way of filing a statutory appeal viz. FAO No. 22/2015 before Honorable Islamabad High Court on March 30, 2015. On dismissal of the said appeal by Islamabad High Court, DVCOM Data filed a writ petition before the Islamabad High Court in which the vires of the rules / regulation pertaining to the imposition of the late payment charges were challenged and the Islamabad High Court also suspended the recovery notice issued by PTA.

Simultaneously, DVCOM Data also filed the leave to appeal before the Honorable Supreme Court of Pakistan against the judgement passed by the Islamabad High Court. The Supreme Court dismissed the petitions filed as not pressed based on the factum of the writ petition being perused before Islamabad High Court challenging the vires of the rules / regulation pertaining to the imposition of the late payment charges. The said writ petition is reserved for Order by the Court.

Based on the opinion of legal advisor on the writ petition, the management is of the view that outcome of the petition is expected to be favorable and considering the commercial arrangements relating to acquisition of DVCOM Data by the Holding Company which stipulates that in case of eventual adverse decision, the substantial portion of related financial liability would predominantly be on account of Seller of DVCOM Data.

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 Group are of the view that these matters will eventually be settled in favour of the Group.

		2017 Rs '000	2016 Rs '000
19.15 Bank guarantees and bid bonds of Group issued in favour of:			
Universal Service Fund (USF) against government grants		11,705,469	9,941,570
Pakistan Telecommunication Authority against 3G and 2G Licenses		919,471	872,041
Others		1,769,436	887,721
		14,394,376	11,701,332
19.16 Commitments - Group			
Standby letter of guarantee		6,365	6,365
Letter of credit for purchase of stock		48,780	16,747
Contracts for capital expenditure		7,793,694	11,866,645
		7,848,839	11,889,757

20. Property, plant and equipment

		2017 Rs '000	2016 Rs '000
Operating fixed assets	20.1	157,193,242	158,693,829
Capital work in progress	20.7	10,297,556	12,106,215
		167,490,798	170,800,044

20.1 Operating fixed assets

	Land		Buildings on										
	Freehold - note 20.2	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 December 31, 2015													
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 value	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
Movement during 2016													
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													
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	-	(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	-	-	-	-	(135,960)	(1,156,049)	-	-	-	-	-	-	(1,292,009)
Net book value	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 value	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
Movement during 2017													
Additions - note 20.3	-	-	209,287	213,876	4,957,910	18,297,800	323,601	1,038,704	106,603	359,377	5,492,357	-	30,999,515
Disposals - note 20.4													
Cost	(9)	-	-	(5,865)	-	(2,458,259)	-	(224,467)	(133)	(64,051)	-	-	(2,752,784)
Accumulated depreciation	-	-	-	5,865	-	2,378,006	-	215,282	133	54,754	-	-	2,654,040
	(9)	-	-	-	-	(80,253)	-	(9,185)	-	(9,297)	-	-	(98,744)
Depreciation charge for the year - note 20.5	-	(1,277)	(314,115)	(192,191)	(3,360,848)	(23,645,780)	(158,148)	(1,031,416)	(41,268)	(333,034)	(869,386)	(20,519)	(29,967,982)
Impairment charge - note 20.6	-	-	-	-	-	(2,433,376)	-	-	-	-	-	-	(2,433,376)
Net book value	1,652,934	55,609	7,276,617	855,573	25,978,165	108,606,406	1,188,519	1,524,912	293,633	603,572	9,156,392	910	157,193,242
As at December 31, 2017													
Cost	1,652,934	90,026	12,630,791	2,780,012	131,418,882	361,883,894	2,226,280	10,337,112	860,396	2,930,028	17,667,047	153,889	544,631,291
Accumulated depreciation and impairment	-	(34,417)	(5,354,174)	(1,924,439)	(105,440,717)	(253,277,488)	(1,037,761)	(8,812,200)	(566,763)	(2,326,456)	(8,510,655)	(152,979)	(387,438,049)
Net book value	1,652,934	55,609	7,276,617	855,573	25,978,165	108,606,406	1,188,519	1,524,912	293,633	603,572	9,156,392	910	157,193,242
Annual rate of depreciation (%)	1 to 3.3		2.5		7	10 to 33	10	20 to 33.33	10	20	6.67 to 8.33	13.33	

20.2 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.

20.3 The amounts of apparatus, plant and equipment are net of adjustments aggregating to Rs. 1,652,000 thousand and Rs. 344,000 thousand on account of reversal of cost and accumulated depreciation respectively.

20.4 Disposal of property, plant and equipment:

	Cost Rs '000	Accumulated depreciation Rs '000	Net book value Rs '000	Sale proceeds Rs '000	Mode of disposal	Particulars of purchaser
Apparatus, plant and equipment	2,072,135	2,065,377	6,758	80,060	Auction	M/S Dilawar and Brothers
	183,850	161,082	22,768	26,303	Auction	Mr. Muhammad Aslam Rehman
	202,274	151,547	50,727	53,078	Insurance	EFU General Insurance Company
	2,458,259	2,378,006	80,253	159,441		
Motor Vehicles	2,452	327	2,125	2,125	Group's Policy	Mr. Nehmatullah
	2,495	1,967	528	528	Group's Policy	Mr. Kamal Ahmed
	9,460	4,890	4,570	1,422	Auction	M/S Dawa Jan
	9,617	8,332	1,285	2,404	Group's Policy	Mr. Moqeem ul Haq
	7,298	7,178	120	1,825	Group's Policy	Mr. Jaffar Khalid
	7,298	7,178	120	1,825	Group's Policy	Mr. Naveed Khalid Butt
	7,298	7,178	120	1,825	Group's Policy	Mr. Ahmed Kamal
	2,974	2,688	286	2,109	Auction	Mr. Chaudhary Adeel Masood
	980	850	130	743	Auction	Mr. Sajjad Hussain
	49,872	40,588	9,284	14,806		
Computer and electrical equipment	31,078	24,414	6,664	14,071	Insurance	EFU General Insurance Company
	304	135	169	169	Group's Policy	Mr. Rainer Rathgeber-Ex CEO
	241	102	139	143	Group's Policy	Mr. Omer Farooq
	229	103	126	130	Group's Policy	Mr. Muhammad Atif Bilal
	152	26	126	126	Group's Policy	Mr. Muhammad Akbar
	106	74	32	32	Group's Policy	Mr. Sufi Muhammad Mohsin Durrani
	106	79	27	27	Group's Policy	Mr. Shahreyar Ahmed
	106	79	27	27	Group's Policy	Mr. Muhammad Arif
	1,788	894	894	278	Auction	M/S Dawa Jaan
	32,467	32,238	229	7,229	Auction	M/S H&L
	11,480	11,311	169	196	Auction	Mr. Muhammad Aslam Rehman
	78,057	69,455	8,602	22,428		
Aggregate of others having net book value not exceeding Rs 50,000	166,596	165,991	605	170,714	Auction	Various buyers
	2,752,784	2,654,040	98,744	367,389		

	Note	2017 Rs '000	2016 Rs '000
20.5 The depreciation charge for the year has been allocated as follows:			
Cost of services	35	28,622,647	27,383,333
Administrative and general expenses	36	1,272,349	1,254,736
Selling and marketing expenses	37	72,986	70,267
		29,967,982	28,708,336

20.6 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 2,433,376 thousand (December 31, 2016: 1,292,009 thousand). This loss has been included in 'cost of services' in the consolidated 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	2017 Rs '000	2016 Rs '000
20.7 Capital work in progress			
Buildings		693,864	341,443
Lines and wires		4,009,433	7,377,479
Apparatus, plant and equipment		5,224,467	3,857,193
Others		369,792	530,100
	20.8	10,297,556	12,106,215
20.8 Movement during the year			
Balance at beginning of the year		12,106,215	8,326,928
Additions during the year		29,487,775	30,782,414
Transfers during the year		(31,275,174)	(27,003,127)
Write off		(21,260)	-
Balance at end of the year		10,297,556	12,106,215

Addition in capital work in progress includes an amount of Rs 10,891,967 thousand (December 31, 2016: Rs 1,913,544 thousand), in respect of direct overheads relating to development of assets.

	Note	2017 Rs '000	2016 Rs '000
21. 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	21.1	32,894,415	35,841,908
		34,164,307	37,111,800

	Note	Licenses and spectrum Rs '000	Computer software Rs '000	Total Rs'000
21.1 Other intangible assets				
As at December 31, 2015				
Cost		44,871,714	3,796,127	48,667,841
Accumulated amortization		(7,237,294)	(2,373,996)	(9,611,290)
Net book value		37,634,420	1,422,131	39,056,551
Movement during 2016				
Opening net book value		37,634,420	1,422,131	39,056,551
Additions		-	354,985	354,985
Amortization charge for the year		(2,979,008)	(590,620)	(3,569,628)
Closing net book value		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 value		34,655,412	1,186,496	35,841,908
Movement during 2017				
Opening net book value		34,655,412	1,186,496	35,841,908
Additions		37,000	578,098	615,098
Amortization charge for the year	21.6	(2,980,032)	(582,559)	(3,562,591)
Closing net book value		31,712,380	1,182,035	32,894,415
As at December 31, 2017				
Cost		44,908,714	4,729,210	49,637,924
Accumulated amortization		(13,196,334)	(3,547,175)	(16,743,509)
Net book value	21.2	31,712,380	1,182,035	32,894,415
Amortization rate per annum (%)		4 - 20	6.67 - 33.33	

		Note	2017 Rs '000	2016 Rs '000
21.2	Breakup of net book value as at year end is as follows:			
	Licenses and spectrum - PTCL			
	Telecom	21.3	29,919	39,893
	WLL spectrum	21.3	1,208,211	1,387,208
	WLL and LDI License	21.4	138,418	151,814
	IPTV 21.5		32,683	-
	2G & 3G Licenses - PTML		29,259,746	31,877,824
	WLL licenses- DVCOM Data		1,040,524	1,192,796
	Licenses - U Bank		2,879	5,877
			31,712,380	34,655,412
	Computer software		1,182,035	1,186,496
			32,894,415	35,841,908

21.3 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 PTCL 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.

21.4 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 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.

21.5 IPTV license has been renewed by Pakistan Electronic Media Regulatory Authority (PEMRA) effective from its last renewal date i.e. November 02, 2016, at an agreed license fee of Rs 37,000 thousand. The cost of the license is being amortized, on a straight line basis, over a period of 10 years.

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

	Note	2017 Rs '000	2016 Rs '000
Cost of services	35	3,308,152	3,228,513
Administrative and general expenses	36	254,439	341,115
		3,562,591	3,569,628

22. Long term investments

	Note	2017 Rs '000	2016 Rs '000
Investment in associate	22.1	9,700	17,324
Other investments	22.2	83,900	83,900
		93,600	101,224

		Note	2017 Rs '000	2016 Rs '000
22.1	**Investment in Associate - unquoted**			
	TF Pipes Limited - Islamabad, Pakistan 1,658,520 (December 31, 2016: 1,658,520) ordinary shares of Rs 10 each Shares held 40% (December 31, 2016: 40%)			
	Cost of investment		23,539	23,539
	Group share of post acquisition loss / impairment		(13,839)	(6,215)
	Balance at end of the year	22.1.1	9,700	17,324
22.1.1	**Change in carrying value of investment in associate**			
	Balance at beginning of the year		17,324	8,543
	Share of (loss) / profit from associate during the year		(7,624)	8,781
	Balance at end of the year		9,700	17,324
22.1.2	The net assets of the Associate - TF Pipes Limited as at June 30, 2017 (audited accounts) are as follows:			
	Total assets		125,703	90,080
	Total liabilities		101,453	46,154
	Revenue		109,534	89,350
	Expenses		129,470	100,681
	(loss) / profit after tax		(20,675)	23,634
22.2	**Other investments**			
	Available for sale investments - unquoted			
	Thuraya Satellite Telecommunication Company - Dubai, UAE 3,670,000 (December 31, 2016: 3,670,000) ordinary shares of AED 1 each		63,900	63,900
	Alcatel - Lucent Pakistan Limited - Islamabad, Pakistan 2,000,000 (December 31, 2016: 2,000,000) ordinary shares of Rs 10 each		20,000	20,000
			83,900	83,900

23. Long-term loans and advances - considered good

	Note	2017 Rs '000	2016 Rs '000
Loans to employees - secured			
PTCL	23.1	599,598	476,060
PTML	23.2	56,499	84,624
	23.3	656,097	560,684
Imputed Interest		(163,584)	(122,076)
		492,513	438,608
Advances to suppliers against turnkey contracts	23.4	2,286,440	1,858,636
Others		40,551	21,626
		2,819,504	2,318,870
Current portion shown under current assets			
Loans to employees - secured	28	(120,986)	(118,836)
		2,698,518	2,200,034

23.1 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% per annum (December 31, 2016: 11.5% 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.

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

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

	As at January 01, 2017	Disbursements	Repayments	Write offs	As at December 31, 2017
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Executives	85,681	52,224	(54,044)	-	83,861
Other employees	475,003	226,171	(128,062)	(876)	572,236
	560,684	278,395	(182,106)	(876)	656,097

	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

	2017 Rs '000	2016 Rs '000
Maximum amount of loan to executives and other employees outstanding at any time during the year		
Executives	111,986	180,693
Other employees	579,987	583,203

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

	2017 Rs '000	2016 Rs '000
24. Investment in finance lease		
Gross investment in finance lease	57,784	107,675
Unearned finance income	(5,379)	(16,132)
Present value of minimum lease payments receivable	52,405	91,543
Current portion shown under current assets	(35,137)	(53,030)
	17,268	38,513

24.1 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	37,233	20,551	57,784
Unearned finance income	(2,096)	(3,283)	(5,379)
Present value of minimum lease payments receivable	35,137	17,268	52,405

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	2017 Rs '000	2016 Rs '000
25. Stock in trade, stores and spares			
Stores and spares	25.1	3,633,569	2,742,794
Stock in trade	25.2	193,602	174,351
		3,827,171	2,917,145
25.1 Stores and spares		4,899,323	4,044,970
Provision for obsolescence	25.1.1	(1,265,754)	(1,302,176)
		3,633,569	2,742,794
25.1.1 Provision for obsolescence			
Balance at beginning of the year		1,302,176	1,039,898
Provision during the year	35	51,138	262,278
		1,353,314	1,302,176
Provision reversed during the year		(87,560)	-
Balance at end of the year		1,265,754	1,302,176
25.2 Stock in trade			
SIM cards		115,069	100,889
Scratch cards		29,161	35,323
ATM cards		1,845	957
Mobile phones and accessories		94,479	81,181
		240,554	218,350
Provision for slow moving stock and warranty against mobile phones	25.2.1	(46,952)	(43,999)
		193,602	174,351
25.2.1 Provision for slow moving stock and warranty against mobile phones			
Balance at beginning of the year		43,999	28,408
Provision during the year		2,953	15,591
Balance at end of the year		46,952	43,999

	Note	2017 Rs '000	2016 Rs '000
26. Trade debts			
Domestic			
Considered good - secured	26.1	733,046	721,475
- unsecured	26.2	12,997,477	12,428,408
Considered doubtful - unsecured		8,421,324	8,200,032
		22,151,847	21,349,915
International			
Considered good - unsecured	26.2	3,075,072	1,858,684
Considered doubtful - unsecured		65,270	65,270
		3,140,342	1,923,954
Provision for doubtful debts	26.3	(8,486,594)	(8,265,302)
		16,805,595	15,008,567

26.1 These are secured against customer and dealer deposits aggregating to Rs 777,358 thousand (December 31, 2016: Rs 823,688 thousand). These also include unbilled revenue related to postpaid subscribers, aggregating to Rs 250,025 thousand (December 31, 2016: Rs 238,580 thousand). The normal credit period of debtors is not more than one month.

26.2 These include amounts due from the following related parties:

Etisalat - UAE	1,023,705	317,407
Etisalat - Afghanistan	39,237	7,712
Etihad Etisalat Company	-	8,126
Etisalat other subsidiaries and associates	3,099	17,471
The Government of Pakistan and its related entities	1,392,331	1,522,389

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

	Note	2017 Rs '000	2016 Rs '000
26.3 Provision for doubtful debts			
Balance at beginning of the year		8,265,302	7,624,439
Provision for the year	36	1,997,782	2,385,755
		10,263,084	10,010,194
Write off against provision		(1,776,490)	(1,744,892)
Balance at end of the year		8,486,594	8,265,302
27. Loans to banking customers		10,648,712	5,576,802
Provisions held	27.1	(94,355)	(48,381)
		10,554,357	5,528,421
27.1 Provision against non-performing loans to banking customers			
Balance at the beginning of the year		48,381	6,480
Provision during the year	36	86,252	44,490
Loans written off against provision		(40,278)	(2,589)
		94,355	48,381

	Note	2017 Rs '000	2016 Rs '000
28. Loans and advances			
Loans			
Current portion of long term loans to employees - secured	23	120,986	118,836
Advances - considered good			
Advances to employees	28.1	17,068	11,825
Advances to suppliers and contractors	28.2	1,475,508	623,316
		1,492,576	635,141
		1,613,562	753,977

28.1 These include advances to executives and key management personnel amounting to Rs.5,568 thousand (December 31, 2016: Rs. 2,234 thousand) and Rs. 117 thousand (December 31, 2016: Rs. 670 thousand) respectively.

	Note	2017 Rs '000	2016 Rs '000
28.2 These include amounts due from the following related parties:			
TF Pipes Limited		52,533	7,036
Pakistan MNP Database (Guarantee) Limited		10,900	7,700
29. Income tax recoverable			
Balance at beginning of the year		18,173,380	18,425,716
Current tax charge for the year - P&L	41	(5,937,610)	(5,542,713)
Current tax charge for the year - OCI		561,745	-
Tax paid during the year		4,795,882	4,428,856
Deferred tax asset reclassified to income tax recoveable	13	2,244,885	-
Refunds received during the year		-	(1,665,794)
Tax effect of prior period remeasurement losses - reclassified	13	-	2,527,315
Balance at end of the year		19,838,282	18,173,380

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	2017 Rs '000	2016 Rs '000
31. Deposits, prepayments and other receivables			
Deposits		208,004	127,967
Prepayments			
- Pakistan Telecommunication Authority - a related party		45,616	45,692
- Prepaid rent and others	31.4	2,326,392	1,976,224
		2,372,008	2,021,916
Other receivables			
Due from related parties	31.1	258,193	3,132,776
Accrued interest receivable	31.2	1,256,068	727,644
Federal Excise Duty (FED)	31.3	3,466,815	3,610,946
Forward exchange contracts	31.5	155,791	-
Others - net of provision	31.6	1,943,853	984,522
		9,660,732	10,605,771
31.1 - Etisalat - UAE		71,305	71,305
- Pakistan Telecommunication Employees Trust		7,712	1,308,137
- PTCL employees GPF Trust		55,748	258,844
- USF Grants		123,428	1,494,490
		258,193	3,132,776
31.2 Return on bank deposits		146,161	187,261
Interest receivable on loans to employees - secured		37,979	41,009
Mark up accrued on advances and investments		1,071,928	499,374
		1,256,068	727,644
31.3 Federal Excise Duty	31.3.1	3,932,991	4,077,122
Provision for doubtful amount		(466,176)	(466,176)
		3,466,815	3,610,946

31.3.1 (i) This includes payments under protest on account of FED on interconnect charges. Since Appellate Tribunal Inland Revenue (ATIR) has decided the case in favor of PTCL, tax department has filed reference in Honorable Islamabad High Court.

(ii) This includes federal excise duty on technical service fee of Rs. 501,541 thousand (December 31, 2016: Rs. 501,541 thousand) paid by PTML to the taxation authority under protest.

31.4 This includes prepaid rent of Rs. 83,959 thousand (December 31, 2016: Rs. 78,456 thousand) paid to Pakistan Telecommunication Employees Trust, a related party of the Group.

31.5 This represents fair value of forward foreign exchange contracts entered into by PTML to hedge its foreign currency exposure. As at December 31, 2017, PTML had forward exchange contracts to purchase USD 48,028 thosand (December 31, 2016: USD 90,464 thousand) at various maturity dates matching the anticipated payment dates for network liability.

31.6 This includes an amount of Rs. 103,264 thousand (December 31, 2016: Rs. 90,616 thousand) receivable from SBP in respect of insurance premium paid by U Bank for livestock and crop loans under AC& MFD circular no. 01 of 2013 dated November 01, 2013.

	Note	2017 Rs '000	2016 Rs '000
32. Short term investments			
Held to maturity			
Market Treasury Bills		-	791,701
Term Deposits Receipts			
- maturity up to 3 months		-	2,250,000
- maturity up to 6 months		3,080,778	24,500,000
- maturity up to 12 months		2,000,000	500,000
	32.1	5,080,778	27,250,000
Available for sale investments			
Pakistan Investment Bonds		-	338,430
Units of mutual fund		2,527,000	-
Market treasury bills	32.2	1,786,375	-
	32.3	4,313,375	338,430
		9,394,153	28,380,131

32.1 Term deposit receipts carry interest at the rate of 6.15% to 8.55% (December 31, 2016: 6.10% to 7.05%) per annum.

32.2 This represents Market Treasury Bills maturing within 3 months and having yield ranging from 5.99% to 6.00%

	2017 Rs '000	2016 Rs '000
32.3 Movement in available for sale investments during the year:		
Balance at beginning of the year	338,430	180,483
Additions during the year	4,313,415	155,889
Disposals during the year	(338,430)	-
(Deficit) / surplus on revaluation of available for sale investments	(40)	2,058
Balance at end of the year	4,313,375	338,430

	Note	2017 Rs '000	2016 Rs '000
33. Cash and bank balances			
Cash in hand		385,444	204,354
Balances with banks:			
Local currency			
Current account maintained with SBP	33.1	463,461	300,865
Current accounts	33.2	111,108	868,551
Saving accounts	33.3	13,329,907	6,966,995
		13,904,476	8,136,411
Foreign currency			
Current accounts (USD 3,653 thousand: December 31, 2016: USD 663 thousand)		402,929	69,327
Saving accounts (USD 2,895 thousand: December 31, 2016: USD 3,416 thousand, Euro 341 thousand: December 31, 2016: Euro 73 thousand)		364,899	365,375
		767,828	434,702
		15,057,748	8,775,467

33.1 This represents balance held with SBP in a current account to meet the requirement of maintaining minimum balance equivalent to 5% (December 31, 2016: 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 17,375 thousand (December 31, 2016: Rs 4,427 thousand) placed for the Depositors' Protection Fund.

33.2 This includes Rs 6,365 thousand (December 31, 2016: Rs. 6,365 thousand held as deposit under lien in respect of standby letter of guarantee issued to Union Pay International.

33.3 These carry mark-up ranging between 3.5% to 8.5% (December 31, 2016: 4% to 10.3%) per annum.

	Note	2017 Rs '000	2016 Rs '000
34. Revenue			
Telecommunication			
Domestic	34.1	105,653,991	107,885,500
International	34.2	10,691,468	10,414,412
Markup on banking loans		2,796,249	1,181,055
		119,141,708	119,480,967
Discount on prepaid cards and load		(2,115,175)	(2,278,591)
		117,026,533	117,202,376

34.1 Revenue is exclusive of FED / Sales tax amounting to Rs 14,171,128 thousand (December 31, 2016: Rs 13,693,058 thousand).

34.2 International revenue includes 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 2,268,616 thousand (December 31, 2016: Rs 3,519,111 thousand).

	Note	2017 Rs '000	2016 Rs '000
35. Cost of services			
Salaries, allowances and other benefits	35.1	13,016,049	12,878,135
Call centre charges		984,890	834,084
Interconnect cost		6,621,793	6,263,857
Foreign operators cost and satellite charges		7,300,366	7,084,372
Leased line charges		250,625	219,916
Fuel and power		9,330,211	9,214,749
Stock in trade, stores and spares consumed		3,109,499	3,257,934
Provision for obsolete stores and spares	25.1.1	51,138	262,278
Rent, rates and taxes		3,232,050	3,602,118
Repair and maintenance		7,891,099	8,098,456
Depreciation on property, plant and equipment	20.5	28,622,647	27,383,333
Amortization of intangible assets	21.6	3,308,152	3,228,513
Impairment on property, plant and equipment		2,433,376	1,292,009
Annual license fee to Pakistan Telecommuncation Authority (PTA)		1,381,588	1,403,536
Others		2,580,112	2,002,601
		90,113,595	87,025,891

35.1 This includes Rs 3,082,607 thousand (December 31, 2016: Rs 3,287,453 thousand) in respect of employees retirement benefits.

	Note	2017 Rs '000	2016 Rs '000
36. Administrative and general expenses			
Salaries, allowances and other benefits	36.1	3,488,666	2,926,527
Outsourced staff cost		993,873	1,078,315
Call centre charges		149,803	128,430
Fuel and power		358,788	348,098
Rent, rates and taxes		657,829	642,752
Technical services assistance fee	36.2	4,095,929	4,102,083
Legal and professional charges		907,344	593,084
Depreciation on property, plant and equipment	20.5	1,272,349	1,254,736
Amortization of intangible assets	21.6	254,439	341,115
Research and development fund	36.3	301,405	311,909
Provision against doubtful debts	36.4	1,747,073	2,167,562
Provision against non-performing loans	27.1	86,252	44,490
Other expenses	36.5	3,048,751	3,015,093
		17,362,501	16,954,194

36.1 This includes Rs 359,038 thousand (December 31, 2016: Rs 377,732 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.

36.3 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.

36.4 This amount is net of recoveries amounting to Rs 250,709 thousand (December 31, 2016: Rs. 218,193 thousand).

	2017 Rs '000	2016 Rs '000
36.5 (i) This includes auditors' remuneration as follows		
Statutory audit, including half yearly review	9,800	9,700
Out of pocket expenses	770	770
Other services	3,772	500
	14,342	10,970

36.5 (ii) This includes donations amounting to Rs.6,386 thousand (December 31, 2016 Rs.390 thousand). There were no donations during the year in which the directors or their spouses had any interest.

	Note	2017 Rs '000	2016 Rs '000
37. Selling and marketing expenses			
Salaries, allowances and other benefits	37.1	2,001,492	2,046,884
Call centre charges		99,869	85,620
Sales and distribution charges		1,304,876	1,602,344
Fuel and power		94,655	93,210
Advertisement and publicity		2,895,350	3,092,623
Depreciation on property, plant and equipment	20.5	72,986	70,267
Others		36,233	120,107
		6,505,461	7,111,055

37.1 This includes Rs 324,720 thousand (December 31, 2016: Rs 348,315 thousand) in respect of employees retirement benefits.

38. Voluntary Separation Scheme Cost

In financial year 2016, PTCL 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 VSS, 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 also been adjusted / charged against the VSS cost. The break-up of the VSS cost is as follows:

	Note	2017 Rs '000	2016 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
Loan written off	38.1	-	83,833
Others		-	15,083
		-	2,409,992
		-	4,601,379

38.1 This includes nil (December 31, 2016: Rs. 18,036 thousand) written off against receivable in respect of leased motor cycles.

	Note	2017 Rs '000	2016 Rs '000
39. Other income			
Income from financial assets:			
Return on bank deposits		2,062,064	2,404,812
Interest on investment in Government securities		82,003	24,411
Late payment surcharge from subscribers on overdue bills		304,568	289,016
Dividend income		-	12,500
Gain on fair value remeasurement of forward exchange contracts		233,448	-
Gain on disposal of available for sale investments		74,396	1,464
Others		12,409	26,033
		2,768,888	2,758,236
Income from non financial assets			
Gain on disposal of property, plant and equipment		268,645	149,644
Loss on disposal of capital work in progress		(21,260)	-
Late delivery charges		13,834	878,389
Recovery from written off receivables		80,243	1,274,781
Write back of activation tax liability		2,423,068	-
Write back of liabilities	39.1	2,538,492	-
Release of deferred government grants	15	1,258,735	730,838
Pre-deposit income		326,085	472,446
Income from building rentals		32,616	-
Others		152,820	114,891
		7,073,278	3,620,989
		9,842,166	6,379,225

39.1 This represents liabilities written back on successful settlement and court decision in favour of PTCL.

	2017 Rs '000	2016 Rs '000
40. Finance cost		
Interest on:		
Long term loans from banks	1,646,697	1,698,900
Long term vendor liability	606,782	516,175
License fee	2,583,426	688,325
Bank and other charges	259,593	269,537
Exchange loss	1,323,048	485,830
Imputed interest on finance lease	38,066	(30,141)
	6,457,612	3,628,626

	2017 Rs '000	2016 Rs '000
41. Provision for income tax		
Charge / (credit) for the year		
Current	5,937,610	5,542,713
Deferred		
- for the current year	(3,698,381)	(2,716,484)
- for the prior year	74,776	-
- due to change in tax rate	(234,341)	(179,839)
	(3,857,946)	(2,896,323)
	2,079,664	2,646,390

41.1 Reconciliation of effective tax rate

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

	2017 Percentage	2016 Percentage
Applicable tax rate	30.00	31.00
Minimum tax on services	0.23	24.99
Minimum tax not recognized as deferred tax assets - prior periods	(6.17)	-
Tax effect of amounts that are not deductible for tax purposes	7.75	0.63
Tax effect of change in tax rate	(5.81)	-
Others	6.38	5.37
	2.38	30.99
Average effective tax rate charged to the consolidated statement of profit and loss	32.38	61.99

41.2 Tax on items directly charged / (credited) to other comprehensive income amounting to Rs. 2,516 thousand (December 31, 2016: Rs 79,519 thousand) represents deferred tax charge in respect of remeasurement gain on defined benefit plans and gain on remeasurement of available for sale investments.

The applicable income tax rate was reduced from 31% to 30% during the year on account of changes made to the Income Tax Ordinance, 2001.

		2017	2016
42. Earnings per share - basic and diluted			
Profit for the year	Rupees in thousand	4,342,242	1,622,847
Weighted average number of ordinary shares	Number in thousand	5,100,000	5,100,000
Earnings per share	Rupees	0.85	0.32

43. Non funded finance facilities

PTCL 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 16,500,000 thousand (December 31, 2016: Rs 14,600,000 thousand) and Rs 17,300,000 thousand (December 31, 2016: Rs 17,800,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facility availed at the year end is Rs 4,216,000 thousand (December 31, 2016: Rs 2,459,901 thousand) and Rs 6,845,906 thousand (December 31, 2016: Rs 6,257,091 thousand) respectively. The letter of guarantee facility is secured by a hypothecation charge over certain assets of PTCL, amounting to Rs 26,718,000 thousand (December 31, 2016: Rs 26,718,000 thousand).

44. Cash generated from operations

	2017 Rs '000	2016 Rs '000
Profit before tax	6,421,906	4,269,237
Adjustments for non-cash charges and other items:		
Depreciation and amortization	33,530,573	32,277,964
Impairment	2,433,376	1,292,009
Provision for obsolete stores, spares and loose tools	51,138	262,278
Provision for doubtful trade debts and other receivables	1,747,073	2,167,562
Provision for stock and warranty against mobile phones	2,953	15,591
Provision for non performing advances	86,252	44,490
Employees retirement benefits	3,768,558	4,016,581
Voluntary separation scheme cost	-	4,601,379
Gain on disposal of property, plant and equipment	(268,645)	(149,645)
Loss on disposal of Capital work in progress	21,260	-
Return on bank deposits and Government securities	(2,144,067)	(2,429,222)
Dividend income	-	(12,500)
Gain on disposal of available for sale investments	(74,396)	(1,464)
Release of deferred government grants	(1,258,735)	(730,838)
Finance cost	6,417,355	3,655,947
Imputed interest on loans and advances	48,819	(15,616)
Imputed interest on finance lease	(10,753)	(14,525)
Share of loss / (profit) from Associate	7,624	(8,781)
	50,780,291	49,240,447
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stock in trade, stores and spares	(964,117)	(6,003)
Trade debts	(3,544,101)	(1,845,288)
Loans to banking customers	(5,025,937)	(4,615,520)
Loans and advances	(945,837)	932,201
Deposits, prepayments and other receivables	1,473,463	(1,492,915)
	(9,006,529)	(7,027,525)
Increase in current liabilities:		
Trade and other payables	4,090,917	7,841,340
Deposits from customers	1,757,581	4,220,557
Advances from customers	242,739	881,781
	6,091,237	12,943,678
	47,864,999	55,156,600

		2017 Rs '000	2016 Rs '000
45. Cash and cash equivalents			
Short term investments	32	4,313,375	3,380,131
Cash and bank balances	33	15,057,748	8,775,467
Short term running finance	18	(834,233)	-
		18,536,890	12,155,598

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	
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
Managerial remuneration	-	-	203,358	334,336	583,065	566,458	2,212,799	1,868,152
Honorarium	300	300	-	-	-	-	34,097	5,427
Bonus	-	-	60,488	25,056	180,222	24,570	407,057	174,233
Retirement benefits	-	-	18,240	16,353	46,208	56,745	206,070	197,135
Housing	-	-	11,699	6,143	197,372	179,853	819,168	724,247
Utilities	-	-	-	-	49,389	46,651	146,793	127,542
	300	300	293,785	381,888	1,056,256	874,277	3,825,984	3,096,736
Number of persons	1	1	1	2	76	70	1,653	1,387

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 12 non executive directors (December 31, 2016: 13 non executive directors) is Rs 128,880 thousand (December 31, 2016: Rs 119,890 thousand) for attending the Board of Directors, and its sub-committee meetings.

The aggregate amount of the remuneration paid in financial year 2016 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 110.30 (December 31, 2016: USD 1 = Rs 104.60), while liabilities in US dollars have been translated into Rupees at USD 1 = Rs 110.50 (December 31, 2016: 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:

	2017 Rs '000	2016 Rs '000
USD		
Trade and other payables	(4,256,664)	(4,289,945)
Long term vendor liability	(19,742,925)	(18,091,158)
Trade debts	3,379,142	2,075,654
Cash and bank balances	722,357	426,670
Net exposure	(19,898,090)	(19,878,779)
EUR		
Trade and other payables	(99,026)	(77,027)
Trade debts	48,477	57,300
Cash and bank balances	44,920	8,032
Net exposure	(5,629)	(11,695)
AED		
Trade and other payables	(57,893)	(53,258)

	2017	2016
The following significant exchange rates were applied during the year:		
Rupees per USD		
Average rate	105.54	104.66
Reporting date rate		
Assets	110.30	104.60
Liabilities	110.50	104.80
Rupees per EURO		
Average rate	119.46	115.75
Reporting date rate		
Assets	131.73	110.11
Liabilities	131.97	110.32
Rupees per AED		
Average rate	28.73	28.51
Reporting date rate	30.08	28.53

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. 648,752 thousand (December 31, 2016: Rs 668,115 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 4,313,375 thousand (December 31, 2016: Rs 338,430 thousand) which were subject to price risk.

If redemption price on mutual funds / MTBs / 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 146,655 thousand (December 31, 2016: Rs 11,337 thousand) higher / lower, mainly as a result of higher / lower redemption price on units of mutual funds.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the date of the statement of financial position, the interest rate profile of the Group's interest bearing financial instruments at the year end :

	2017 Rs '000	2016 Rs '000
Financial assets		
Fixed rate instruments:		
Staff loans	656,097	560,684
Short term investments - term deposits	9,394,153	28,380,131
Bank balances - savings accounts	13,247,642	5,890,627
Market treasury bills	-	791,701
	23,297,892	35,623,143
Floating rate instruments:		
Bank balances - savings accounts	447,164	1,441,743
Loans to banking customers	10,554,357	5,528,421
	11,001,521	6,970,164
	34,299,413	42,593,307

	2017 Rs '000	2016 Rs '000
Financial liabilities		
Fixed rate instruments:		
Customers deposits	10,821,490	7,579,990
Floating rate instruments:		
Long term loans from banks	29,586,153	26,975,000
Liability against assets subject to finance lease	10,146	36,289
Long term vendor liability	14,432,462	9,874,145
Short term running finance	834,233	-
	44,862,994	36,885,434
	55,684,484	44,465,424

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 floating 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 220,100 thousand (December 31, 2016: Rs 237,473 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:

	2017 Rs '000	2016 Rs '000
Long term loans and advances	2,819,504	2,318,870
Trade debts	16,805,595	15,008,567
Loans to banking customers	10,554,358	5,528,421
Loans and advances	12,046,933	6,163,562
Deposits and other receivables	3,821,909	4,972,909
Short term investments	9,394,153	28,380,131
Bank balances	14,672,304	8,571,113
	70,167,161	71,035,116

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
	Short term	Long term	Agency
National Bank of Pakistan	A1+	AAA	PACRA
Bank Alfalah Limited	A1+	AA+	PACRA
MCB Bank Limited	A1+	AAA	PACRA
Soneri Bank Limited	A1+	AA-	PACRA
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
Faysal Bank Limited	A1+	AA	PACRA
Askari Bank Limited	A1+	AA+	PACRA
HSBC Bank Middle East	P-1	A2	Moody's
Al Baraka Bank Pakistan Limited	A1	A	PACRA
Allied Bank Limited	A1+	AA+	PACRA
United Bank Limited	A-1+	AAA	JCR-VIS
BankIslami Pakistan Limited	A1	A+	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Summit Bank Limited	A-1	A-	JCR-VIS
Dubai Islamic Bank (Pakistan) Limited	A-1	AA-	JCR-VIS
Citibank, N.A	P-1	A1	Moody's
SME Bank Limited	B	B	PACRA
Silkbank Limited	A-2	A-	JCR-VIS
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
JS Bank Limited	A1+	AA-	PACRA
Meezan Bank Limited	A-1+	AA	JCR-VIS
Sindh Bank Limited	A-1+	AA	JCR-VIS
Khushhali Microfinance Bank Limited	A-1	A+	JCR-VIS
Telenor Microfinance Bank Limited	A-1	A+	JCR-VIS
Mobilink Microfinance Bank Limited	A1	A	PACRA
NRSP Microfinance Bank Limited	A-1	A	JCR-VIS
The Bank of Khyber	A-1	A	JCR-VIS
Samba Bank Limited	A-1	AA	JCR-VIS
First Women Bank Limited	A2	A-	PACRA
The Bank of Punjab	A1+	AA	PACRA
The First Microfinance Bank Limited	A-1	A+	JCR-VIS
Mutual Funds			
- HBL Cash Management Fund	-	AA(f)	JCR-VIS
- ABL Cash Management Fund	-	AA(f)	JCR-VIS
- UBL Cash Management Fund	-	AA(f)	JCR-VIS
- MCB Cash Management Optimizer Fund	-	AA(f)	JCR-VIS

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.

(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, 2017:

	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	30,186,153	4,001,154	25,768,333	416,666
Liability against assets subject to finance lease	10,146	10,146	-	-
Long term security deposits	1,445,262	-	549,823	895,439
Long term vendor liability	38,624,716	7,474,057	31,150,659	-
Trade and other payables	66,919,968	66,919,968	-	-
Interest accrued	527,056	527,056	-	-
Short term running finance	834,233	834,233	-	-
Customers deposits	10,821,489	6,937,146	3,884,343	-
	149,369,023	86,703,760	61,353,158	1,312,105

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
Long term vendor liability	38,667,221	9,679,951	28,987,270	-
Trade and other payables	68,869,876	68,869,876	-	-
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	-
	160,012,422	89,764,799	60,176,338	10,071,285

48.2 Fair value of financial instruments

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.

Fair value measurements are categorized into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and significance of the inputs to the fair value measurement in its entirety, which is as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Details of the Group's assets' fair value hierarchy as at December 31, 2017 are as follows:

	Level 1 Rs '000	Level 2 Rs '000	Level 3 Rs '000	Total Rs '000
Investment in mutual funds	2,527,000	-	-	2,527,000
Market Treasury Bills	1,786,375	-	-	1,786,375
Forward exchange contracts	-	155,791	-	155,791

Details of the Groups's assets' fair value hierarchy as at December 31, 2016 are as follows:

	Level 1 Rs '000	Level 2 Rs '000	Level 3 Rs '000	Total Rs '000
Investment in mutual funds	-	-	-	-
Pakistan Investment Bond	338,430	-	-	338,430
Forward exchange contracts	-	77,657	-	77,657

48.3 Financial instruments by categories

	Available for sale		Loans and receivables		Total	
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 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	-	-	2,698,518	2,200,034	2,698,518	2,200,034
Trade debts	-	-	16,805,595	15,008,567	16,805,595	15,008,567
Loans to banking customers	-	-	10,554,358	5,528,421	10,554,358	5,528,421
Loans and advances	-	-	1,613,562	753,977	1,613,562	753,977
Investment in finance lease	-	-	52,405	91,543	52,405	91,543
Receivable from the Government of Pakistan	-	-	2,164,072	2,164,072	2,164,072	2,164,072
Deposits and other receivables	-	-	3,821,909	4,972,909	3,821,909	4,972,909
Short-term investments	4,313,375	338,430	5,080,778	28,041,701	9,394,153	28,380,131
Cash and bank balances	-	-	15,057,748	8,775,467	15,057,748	8,775,467
	4,397,275	422,330	57,848,945	67,536,691	62,246,220	67,959,021

	Liabilities at fair value through profit and loss		Other financial liabilities		Total	
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
Financial liabilities as per statement of financial position						
Loans from Banks	-	-	29,586,153	26,975,000	29,586,153	26,975,000
Liability against assets subject to finance lease	-	-	10,146	36,289	10,146	36,289
License fee payable	-	-	-	15,733,070	-	15,733,070
Long term security deposits	-	-	1,445,262	1,493,178	1,445,262	1,493,178
Vendor liability	-	-	38,624,716	38,667,221	38,624,716	38,667,221
Customers deposits	-	-	10,821,490	7,579,990	10,821,490	7,579,990
Trade and other payables	-	-	66,919,968	68,792,219	66,919,968	68,792,219
Interest accrued	-	-	503,096	580,142	503,096	580,142
Short term running finance	-	-	834,233	-	834,233	-
Forward foreign exchange contracts	-	77,657	-	-	-	77,657
	-	77,657	148,745,064	159,857,109	148,745,064	159,934,766

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.

	2017 Rs '000	2016 Rs '000
49. Employees' Provident Funds		
Details of the Group's employees provident funds are given below:		
Total assets	4,829,040	4,789,123
Cost of investments made	4,290,483	4,311,712
Percentage of investments made	88.8%	90.0%
Fair value of investments	4,502,437	4,534,478

	2017		2016	
	Rs '000	Percentage	Rs '000	Percentage
Break up of investments - at cost				
Mutual funds	1,650,000	38.46	750,000	17.39
Term Deposit Receipts	2,557,926	59.62	2,747,336	63.72
Interest bearing accounts	82,557	1.92	814,376	18.89
	4,290,483	100.00	4,311,712	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
- 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
- The Government of Pakistan and its related entities

	2017 Rs '000	2016 Rs '000
Shareholders		
Technical services assistance fee	4,095,929	4,102,083
Associates		
Sale of goods and services	1,196,828	1,825,743
Purchase of goods and services	984,026	1,207,424
Expenses reimbursed to Pakistan MNP Database (Guarantee) Limited	19,961	16,350
Rentals paid to Pakistan Telecommunication Employees Trust (PTET)	498,263	465,667
Employees retirement benefit plan		
Contribution to PTET	5,253,506	11,972,112
Contribution to Gratuity Fund	59,526	66,831
Other related parties		
Sales of goods and services	1,676,921	1,473,171
Charge under license obligations	1,655,227	2,763,458

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, 2017			
Segment revenue	65,162,452	58,578,652	123,741,104
Inter - segment revenue	(5,080,120)	(1,634,451)	(6,714,571)
Revenue from external customers	60,082,332	56,944,201	117,026,533
Segment results	7,759,336	(3,417,094)	4,342,242
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

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, 2017			
Segment assets	145,538,464	147,876,835	293,415,299
Segments liabilities	97,439,251	109,869,489	207,308,740
As at December 31, 2016			
Segment assets	146,499,639	156,111,937	302,611,576
Segments liabilities	94,693,411	119,731,447	214,424,858

51.4 Other segment information is as follows:

	Wire line Rs '000	Wireless Rs '000	Total Rs '000
Year ended December 31, 2017			
Depreciation	12,602,279	17,365,703	29,967,982
Amortization	500,156	3,062,435	3,562,591
Finance cost	282,381	6,175,231	6,457,612
Interest income	1,394,483	749,584	2,144,067
Income tax expense	4,181,181	(2,101,517)	2,079,664
Share of loss from associate	7,624	-	7,624
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

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:

	2017 Rs '000	2016 Rs '000
Voice	52,698,030	50,677,860
Data	50,667,218	53,524,555
Other services	13,661,285	12,999,961
	117,026,533	117,202,376

52. Number of employees

	2017 (Number)	2016 (Number)
Total number of persons employed at year end	19,016	18,509
Average number of employees during the year	18,770	20,131

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, 2017					
Trade debts	7,813,324	(5,348,941)	2,464,383	22,827,806	25,292,189
Trade creditors	(6,645,866)	5,348,941	(1,296,925)	(7,846,949)	(9,143,874)
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)

54. Corresponding figures

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

Reclassification From	Reclassification To	Rs '000
Statement of Financial Position:		
Current Assets	Current Assets	
Accrued Interest	Deposits, prepayments & other receivables	727,644
Current Assets	Current Assets	
Recoverable from tax authorities	Deposits, prepayments & other receivables	3,610,946
Non Current Liabilities	Current Assets	
Deferred income tax	Income Tax recoverable	2,527,315
Current Liabilities	Current Liabilities	
Trade and other payables	Unearned income	1,462,159
Current Assets	Current Assets	
Loans and advances	Loans to banking customers	5,528,421
Statement of Profit and Loss:		
Administrative Expenses	Cost of Services	
Salaries, wages and other benefits	Salaries, wages and other benefits	332,656

55. Date of authorization for issue

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on Febuary 14, 2018.

Chief Financial Officer

President & CEO

Chairman

ANNEXES

PATTERN OF
SHAREHOLDING
AS AT DECEMBER 31, 2017

No. of shareholders	Shareholdings From	To	Total shares held
24,791	1	100	2,447,639
8,841	101	500	2,732,450
2,877	501	1,000	2,551,289
3,291	1,001	5,000	9,020,327
963	5,001	10,000	7,987,469
341	10,001	15,000	4,389,830
254	15,001	20,000	4,697,475
175	20,001	25,000	4,141,142
113	25,001	30,000	3,221,726
72	30,001	35,000	2,379,165
49	35,001	40,000	1,903,052
33	40,001	45,000	1,424,970
118	45,001	50,000	5,849,494
29	50,001	55,000	1,545,418
31	55,001	60,000	1,828,300
18	60,001	65,000	1,139,500
21	65,001	70,000	1,446,964
18	70,001	75,000	1,337,090
11	75,001	80,000	867,100
11	80,001	85,000	908,000
21	85,001	90,000	1,849,800
12	90,001	95,000	1,113,500
67	95,001	100,000	6,676,156
7	100,001	105,000	718,000
9	105,001	110,000	977,500
2	110,001	115,000	227,000
8	115,001	120,000	952,500
8	120,001	125,000	987,306
7	125,001	130,000	903,017
9	130,001	135,000	1,201,360
5	135,001	140,000	698,000
3	140,001	145,000	432,000
20	145,001	150,000	2,995,028
5	150,001	155,000	758,500
5	155,001	160,000	794,323
3	160,001	165,000	488,000
1	165,001	170,000	166,000
5	170,001	175,000	873,000
5	175,001	180,000	885,600
2	180,001	185,000	365,077
3	185,001	190,000	562,500
17	195,001	200,000	3,397,500
5	205,000	210,000	1,037,500
5	210,001	215,000	1,070,500
4	220,000	225,000	892,917
2	230,000	235,000	465,000
4	235,001	240,000	947,500
2	240,001	245,000	486,000
6	250,000	255,000	1,505,300
1	255,001	260,000	257,500
3	265,000	270,000	801,500
2	270,001	275,000	549,000
1	275,001	280,000	275,900
1	280,001	285,000	280,200
8	295,001	300,000	2,398,000
3	300,001	305,000	906,000
2	310,000	315,000	621,000
1	315,001	320,000	319,500
3	325,000	330,000	975,232
1	335,000	340,000	335,000
4	345,001	350,000	1,397,500

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2017

No. of shareholders	Shareholdings From	Shareholdings To	Total shares held
2	350,001	355,000	708,400
3	355,001	360,000	1,077,000
1	360,001	365,000	363,884
2	365,001	370,000	733,184
1	370,001	375,000	371,000
1	375,001	380,000	378,000
2	385,001	390,000	776,873
8	395,000	400,000	3,193,500
2	405,000	410,000	815,000
1	440,001	445,000	443,500
1	455,001	460,000	457,000
1	465,001	470,000	469,500
7	500,000	505,000	3,500,000
1	505,001	510,000	509,877
1	525,000	530,000	525,000
3	570,001	575,000	1,719,649
2	595,001	600,000	1,197,500
1	605,001	610,000	608,000
1	630,001	635,000	630,500
1	635,001	640,000	639,000
2	650,000	655,000	1,300,000
1	690,001	695,000	690,400
2	700,000	705,000	1,400,000
1	705,001	710,000	709,500
1	740,001	745,000	742,000
2	750,001	755,000	1,506,750
1	770,001	775,000	772,000
4	785,001	790,000	3,148,856
1	830,001	835,000	833,580
1	835,001	840,000	838,000
1	855,000	860,000	855,000
1	875,000	880,000	875,000
1	945,001	950,000	948,200
1	960,001	965,000	964,500
1	990,001	995,000	991,180
2	1,000,000	1,005,000	2,000,000
1	1,035,001	1,040,000	1,036,500
1	1,100,000	1,105,000	1,100,000
1	1,115,001	1,120,000	1,117,500
1	1,145,001	1,150,000	1,145,700
1	1,170,001	1,175,000	1,172,500
1	1,180,001	1,185,000	1,183,103
2	1,195,001	1,200,000	2,395,292
1	1,220,001	1,225,000	1,222,500
1	1,230,001	1,235,000	1,233,000
1	1,325,001	1,330,000	1,326,000
1	1,400,000	1,405,000	1,400,000
1	1,425,001	1,430,000	1,427,000
1	1,470,000	1,475,000	1,470,000
2	1,495,001	1,500,000	2,996,000
1	1,505,001	1,510,000	1,508,500
1	1,535,001	1,540,000	1,538,700
1	1,650,000	1,655,000	1,650,000
2	1,700,000	1,705,000	3,400,000
1	1,750,000	1,755,000	1,750,000
1	1,860,001	1,865,000	1,861,500
1	1,920,001	1,925,000	1,922,000
1	1,940,001	1,945,000	1,941,000
1	1,945,001	1,950,000	1,949,200
3	2,000,000	2,005,000	6,000,000

No. of shareholders	Shareholdings From	To	Total shares held
1	2,150,001	2,155,000	2,153,500
1	2,280,001	2,285,000	2,280,500
1	2,310,001	2,315,000	2,314,000
1	2,435,001	2,440,000	2,439,884
1	2,575,000	2,580,000	2,575,000
1	2,615,001	2,620,000	2,617,562
1	2,765,001	2,770,000	2,767,500
1	2,820,001	2,825,000	2,820,500
1	3,010,001	3,015,000	3,014,000
1	3,080,001	3,085,000	3,084,050
1	3,345,001	3,350,000	3,347,600
1	3,450,001	3,455,000	3,451,639
1	3,540,000	3,545,000	3,540,000
1	3,600,001	3,605,000	3,603,600
1	4,365,001	4,370,000	4,368,500
1	4,500,000	4,505,000	4,500,000
1	5,070,001	5,075,000	5,072,500
1	5,635,001	5,640,000	5,636,000
1	6,075,001	6,080,000	6,077,500
1	6,080,001	6,085,000	6,084,000
1	6,515,001	6,520,000	6,518,500
1	8,635,001	8,640,000	8,638,500
1	9,030,001	9,035,000	9,032,500
1	10,725,000	10,730,000	10,725,000
1	16,225,001	16,230,000	16,227,500
1	24,275,001	24,280,000	24,278,000
1	27,185,001	27,190,000	27,188,000
1	27,285,001	27,290,000	27,286,000
1	34,360,001	34,365,000	34,361,854
1	55,890,001	55,895,000	55,893,800
1	57,060,001	57,065,000	57,060,074
1	67,175,001	67,180,000	67,176,000
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
42,469			5,100,000,000

CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2017

S. No.	Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouses and minor children	9	9	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 Banking Financial Institutions	21	154,762,587	3.03
6	Insurance Companies	16	68,427,936	1.34
7	Modarabas and Mutual Funds	34	15,134,253	0.30
8	Shareholders holding 10%	4	4,497,067,993	88.18
9	General Public :			
	a. local	41,638	148,559,899	2.91
	b. Foreign	479	5713427	0.11
10	Others	265	210,330,496	4.12
	Total (excluding : shareholders holding 10%)	42,469	5,100,000,000	100.00

Trades in PTCL Shares

The Directors, Chief Executive Officer, Chief Financial 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, 2017

INFORMATION AS REQUIRED UNDER CCG

AS AT DECEMBER 31, 2017

INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

S. No.	Shareholder's category	Number of shareholders	Number of shares held
i.	**Associated Companies, Undertaking and Related Parties (name wise details)**		
	ETISALAT INTERNATIONAL PAKISTAN (LLC) - FIRST CDC ACCOUNT	1	918,190,476
	ETISALAT INTERNATIONAL PAKISTAN (LLC) SECOND CDC ACCOUNT	1	407,809,524
	TOTAL	2	1,326,000,000
ii.	**Mutual Funds (name wise details)**		
	CDC - TRUSTEE AKD INDEX TRACKER FUND	1	127,017
	CDC - TRUSTEE AKD OPPORTUNITY FUND	1	1,750,000
	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	100,000
	CDC - TRUSTEE APIF - EQUITY SUB FUND	1	400,000
	CDC - TRUSTEE ATLAS INCOME FUND - MT	1	5,500
	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	81,500
	CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	400,000
	CDC - TRUSTEE FAYSAL MTS FUND - MT	1	31,000
	CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	1	52,500
	CDC - TRUSTEE MCB DCF INCOME FUND	1	61,500
	CDC - TRUSTEE MCB DYNAMIC CASH FUND - MT	1	348,500
	CDC - TRUSTEE MEEZAN BALANCED FUND	1	10
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	50,000
	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1	4,500
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,439,884
	CDC - TRUSTEE NIT INCOME FUND - MT	1	1,000
	CDC - TRUSTEE NIT STATE ENTERPRISE FUND	1	1,183,103
	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	3,451,639
	CDC - TRUSTEE PAKISTAN INCOME ENHANCEMENT FUND - MT	1	6,500
	CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	1	13,000
	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	1,700,000
	MCBFSL - TRUSTEE NAFA INCOME FUND - MT	1	1,000
	MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND - MT	1	25,500
	SAFE WAY FUND LIMITED	1	400,000
	TOTAL	24	12,633,653
iii.	**Directors and their spouse (to be confirmed by company)**		
	MR. ABDULRAHIM A. AL NOORYANI	1	1
	MR. SERKAN OKANDAN	1	1
	MR. MUDASSAR HUSSAIN	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
	MR. SHAHID MAHMOOD	1	1
	MR. IRFAN ALI	1	1
	TOTAL	9	9

INFORMATION AS REQUIRED UNDER

CODE OF CORPORATE GOVERNANCE

AS AT DECEMBER 31, 2017

S. No.	Shareholder's category	Number of shareholders	Number of shares held
iv.	Executives (To be filled by company)		
	TOTAL	-	-
v.	Public Sector Companies and Corporations		
	TOTAL	4	113,627,274
vi.	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds		
	TOTAL	51	175,420,626
vii.	Shareholders holding five percent or more voting Rights in the Listed Company (name wise details)		
	ETISALAT INTERNATIONAL PAKISTAN (LLC) - FIRST CDC ACCOUNT	1	918,190,476
	ETISALAT INTERNATIONAL PAKISTAN (LLC) SECOND CDC ACCOUNT	1	407,809,524
	PRESIDENT OF PAKISTAN	1	2,974,680,002
	PRESIDENT OF PAKISTAN	1	196,387,991
	TOTAL	4	4,497,067,993

NOTICE OF THE
TWENTY THIRD ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Third Annual General Meeting (the "meeting") of Pakistan Telecommunication Company Limited (the "Company") will be held on Thursday, April 26, 2018 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 22nd Annual General Meeting held on April 27, 2017.

2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2017, 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, 2017.

4. To appoint Auditors for the financial year ending December 31, 2018 and to fix their remuneration. The present auditors Deloitte Yousuf Adil, Chartered Accountants will stand retired on the conclusion of this meeting.

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

By order of the Board

Saima Akbar Khattak
Company Secretary

Islamabad
Dated: February 14, 2018

NOTICE OF THE
TWENTY THIRD 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, 2018 to April 26, 2018 (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, 2018 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)

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividends directly into their bank account, shareholders holding shares in physical form are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Company's 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.

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.

(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. **Electronic transmission of Audited Financial Statements and Notice of AGM**

The shareholders of the Company in their general meeting held on April 27, 2017 consented to receive audited financial statements along with notice of annual general meeting electronically through CD/DVD/USB instead of receiving the same in hard copies. Soft copies of the Annual Audited Financial Statements and Notice of the AGM are 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: 15%

b) For non-filers of income tax returns: 20%

All 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.

THE NOTICE UNDER SECTION 246 (2) OF THE COMPANIES ACT, 2017

The Board of Directors of Pakistan Telecommunication Company Limited (the 'PTCL') recommends the appointment of KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of PTCL for the financial year 2018 in place of retiring auditors Deloitte Yousuf Adil, Chartered Accountants (the 'retiring auditors'), for approval by the shareholders at the Annual General Meeting ('AGM') scheduled for April 26, 2018. The proposed auditors have submitted their consent to act as auditors of PTCL, provided the shareholders approve their appointment at the AGM.

The members of PTCL are hereby notified, in compliance with Section 246 (2) of the Companies Act, 2017 that appointment of KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of PTCL for the financial year 2018 in place of the retiring auditors will be part of PTCL AGM agenda on April 26, 2018. If approved, the AGM shall also determine the new auditors' remuneration as recommended by the Board. The notice has also been shared with the retiring auditors.

Saima Akbar Khattak
Company Secretary

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 Third Annual General Meeting of the Company to be held on Thursday, April 26, 2018 at 10:30 a.m. and at any adjournment thereof.

Signed this ______________ day of ______________ 2018.

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
تعدادحصص (شیئرز)

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

ساکن ____________________ کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ اور

میری طرف سے کمپنی کے 23 ویں سالانہ اجلاس عام، جو بتاریخ 26 اپریل 2018ء بروز جمعرات بوقت 10:30 بجے صبح منعقد ہورہا 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

Pakistan Telecommunication Company Limited

PTCL Headquarters,
G-8/4, Islamabad, Pakistan.

/ptcl.official
/ptclofficial
/theptclcompany
www.ptcl.com.pk