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BOARD OF DIRECTORS

Chairman PTCL Board

Aamir Ashraf Khawaja

Members PTCL Board

Abdulrahim A. Al Nooryani

Arif Ahmed Khan

Hatem Dowidar

Serkan Okandan

Irfan Ali

Khalifa Al Shamsi

Hesham Al Qassim

Mudassar Hussain

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 and Information Officer

Sikandar Naqi
Chief Business Development Officer

Adnan Shahid
Chief Commercial Officer

Adil Rashid
Chief Business 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)

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
The Bank of Khyber
U Microfinance Bank Limited
United Bank Limited
Islamic
Meezan Bank

Registered Office

PTCL Headquarters,
Sector G-8/4,
Islamabad-44000, Pakistan.
Fax: +92-51-2263733
E-mail:company.secretary@ptcl.net.pk
Web: www.ptcl.com.pk

Auditors

KPMG Taseer Hadi & Co.,
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: +92-21-34380101-2
Fax: +92-21-34380106
E-mail:info.shares@famco.com.pk

DIRECTORS' REPORT

The Directors of Pakistan Telecommunication Company Limited (PTCL) are pleased to present to the shareholders the financial statements of the Company for the half year ended 30th June 2018. The financial statements have been reviewed by the statutory auditors.

During the period under review, PTCL's revenue was Rs. 35.4 billion - at par with the revenue of same period last year (SPLY). The revenue of second quarter during the period registered 1% growth over the previous quarter's revenue. PTCL's leading fixed Broadband DSL service posted revenue growth of 8% over SPLY. Investments made in Charji/LTE during previous years also yielded positive results with year-on-year (YoY) revenue growth in double digits. Similarly, revenue from Corporate services also grew considerably by 14% over SPLY. However, due to continued conversion of subscribers to OTT and cellular services resulting in reduced voice traffic volumes, revenue from Voice services, both domestic and international, declined during the period.

PTCL's operating profit of Rs. 4.2 billion and net profit after tax of Rs. 3.7 billion during the period decreased by 2% and 21% respectively over SPLY. Main reasons for the said reduction were higher marketing and customer acquisition costs incurred at the beginning of the current financial year as well as lower non-operating income mainly due to reduced availability of funds on account of VSS payments and CAPEX investments during last year. Excluding the one-off items, PTCL's net profitability, however, decreased by 12% in a like-to-like manner. Based upon cost optimization measures undertaken, the overall operating expenses during the period remained at the same level as of SPLY.

PTCL Group's revenue of Rs. 60.7 billion during the period grew by 4% over SPLY. Besides the stability in PTCL's revenue as aforesaid, Ufone's revenue increased by 5% YoY despite tough competition in cellular market. Similarly, revenue of Ubank grew by 71% over SPLY as well.

PTCL Group's operating profit of Rs. 4.2 billion for the period increased by 57% over SPLY mainly on account of growth in Group's revenue. However, the Group's net profit after tax at Rs. 2.1 billion declined by 45% over SPLY mainly due to enhanced financial costs on account of devaluation of Pakistani currency as well as reduced non-operating income during the period. Excluding the one-off items including the said devaluation, the operating and net profitability of the Group increased by 30% and 28% respectively in a like-to-like manner.

For the financial year 2018, the Directors declared an interim cash dividend of 10% (Re. 1.00 per share).

Your attention is drawn to note 13 of PTCL's interim financial statements for the period, which, inter-alia, describe that the matter relating to certain employees' rights under the PTCL pension scheme is pending before the Supreme Court of Pakistan, as highlighted by external auditors in their review report.

During the period, your Company continued with its comprehensive Network Transformation project and accordingly several additional exchanges were fully transformed in various regions. In this regard, 368 new MSAGs were commissioned, adding over 109K additional VDSL2 broadband ports. Moreover, 25K new GPON lines were also added in the network to provide high speed FTTH (Fiber to the Home) broadband services. The ongoing transformation program delivers positive results in terms of reduced customer complaints, higher customer numbers, better ARPU and increased revenue in upgraded exchanges. Besides, various commercial promotions with attractive terms were continued to encourage new subscriptions of DSL broadband services as well as conversion of existing customers to higher speed and volume packages. Resultantly, customer base availing 5Mbps and above DSL broadband packages grew by 54% during the period.

In view of the increasing demand of Charji LTE services, the wireless broadband access network is being continuously transformed in different regions / cities to provide Charji LTE services with higher speeds and volumes thus considerably improving customer experience. At the same time, through various promotions having attractive commercial terms e.g. free device swapping, double volume offers etc., existing EVO 3.1Mbps and 9.3Mbps subscribers are being persuaded to shift to the Charji LTE services which can provide speeds up to 75Mbps. Consequently, the Charji customer base increased by 62% during the period.

PTCL also partnered with Netflix, the world's leading streaming content provider, to give customers access to quality international content, thus further enhancing their viewing experience. Customers having 8Mbps and above unlimited internet packages can enjoy Netflix subscription for six months free of cost.

During the period, your Company signed new Cloud Infrastructure Services and Connectivity Services agreements with various enterprise customers thus expanding its customer base. At the same time, the Enterprise Solutions and Cloud Services portfolio was further enhanced by signing reseller partnership agreements with global IT companies. PTCL and Telenor Pakistan, for the third consecutive year, have entered into a fiber leasing agreement, under which PTCL will deliver fiber footprint to Telenor Pakistan for 2018. Further, PTCL has introduced Cyber Threat Intelligence (CTI) services to its valuable customers by leveraging Etisalat-Telefonica CTI capabilities.

Being the leading national telecom operator, PTCL contributed in supporting the national sports by sponsoring Hockey Cup 2018, Pakistan team in T20 cricket series i.e. Pakistan vs. New Zealand, West Indies and Scotland as well as Islamabad United Team in Pakistan Super League Season 3 (PSL3) held during the period. The said contribution aided significantly in enhancing brand value of your Company. PTCL was recognized by Brand Finance as the 'Fastest Growing Brand in Pakistan'.

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

On behalf of the Board

Dr. Daniel Ritz
President & Chief Executive Officer

Aamir Ashraf Khawaja
Chairman

Islamabad: July 18, 2018

مالیاتی جائزہ برائے ششماہی 30 جون 2018

پاکستان ٹیلی کمیونیکیشن کمپنی لمٹیڈ (پی ٹی سی ایل) کے ڈائریکٹرز 30 جون 2018 کو ختم ہونے والی ششماہی کی مالیاتی معلومات حصص یافتگان کے سامنے پیش کرتے ہوئے مسرت محسوس کررہے ہیں۔قانونی آڈیٹرز (Statutory Auditors) نے مالی معلومات کا جائزہ لیا ہے۔

زیر جائزہ ششماہی کے دوران پی ٹی سی ایل کی آمدن 35.4 ارب روپے رہی۔دوسری سہ ماہی کی آمدن میں گذشتہ سہ ماہی کے مقابلے میں ایک فیصد اضافہ ہوا۔ گذشتہ برس کی تقابلی ششماہی کے مقابلے میں DSL سروسز کی آمدن میں 8 فیصد اضافہ ہوا۔گذشتہ برسوں کے دوران CharJi LTE کی مد میں کی گئی سرمایہ کاری کے نتیجے میں سال بہ سال کی نسبت سے آمدن میں خاطرخواہ اضافہ ہوا۔اسی طرح کارپوریٹ سروسز کی مد میں گذشتہ برس کی تقابلی ششماہی کے مقابلے میں ہونے والی آمدن میں 14 فیصد کا معتدبہ اضافہ ہوا۔تاہم صارفین کی OTT اور سیلولر سروسز پر مسلسل منتقلی کی وجہ سے مذکورہ ششماہی میں اندرون اور بیرون ملک وائس سروسز کی مد میں ہونے والی آمدن میں کمی دیکھنے میں آئی ہے۔

پی ٹی سی ایل کا آپریٹنگ منافع گذشتہ برس کی اس ششماہی کے مقابلے میں 2 فیصد کمی کے ساتھ 4.2 ارب روپے رہا اور اس کا بعداز ٹیکس منافع 21 فیصد کمی کے ساتھ 3.7 ارب روپے رہا۔مذکورہ کمی کی نمایاں وجہ حالیہ مالی سال کے شروع میں کیے گئے اضافی مارکیٹنگ اور کسٹمر ایکوزیشن اخراجات اور ساتھ ہی دیگر آمدن میں تنزلی ہے جو کہ فنڈز کی کمی کے باعث ہوئی جس کی وجہ گذشتہ برس میں کیے گئے VSS کے اخراجات اور CAPEX کی مد میں کی گئی سرمایہ کاری ہے۔تاہم غیر معمولی انفرادی نوعیت کے اخراجات کی شمولیت کے بغیر پی ٹی سی ایل کے خالص منافع پذیری میں 12 فیصد کمی ہوئی۔ اخراجات میں کیے گئے موثر کفایتی اقدامات کی بدولت مذکورہ ششماہی میں آپریٹنگ اخراجات کی مد میں استحکام رہا۔

گزشتہ برس کی اسی ششماہی کے مقابلے میں پی ٹی سی ایل گروپ کا آپریٹنگ منافع 4 فیصد اضافے کے ساتھ 60.7 ارب روپے رہا۔پی ٹی سی ایل کی آمدن میں استحکام کے ساتھ یوفون کی آمدن میں باوجود سخت سیلولر مارکیٹ مقابلے کے سال بہ سال کی نسبت 5 فیصد اضافہ ہوا۔اسی طرح یو بینک کی آمدن میں گزشتہ برس کی اسی ششماہی کے مقابلے میں 71 فیصد اضافہ ہوا۔

پی ٹی سی ایل گروپ کی آمدن میں اضافے کی بدولت پی ٹی سی ایل گروپ کا آپریٹنگ منافع 57 فیصد اضافے کے ساتھ 4.2 ارب روپے رہا۔تاہم رواں ششماہی میں پاکستانی روپے کی قدر میں ہونے والی کمی کی وجہ سے, اضافی فنانشل اخراجات اور ساتھ ہی نان آپریٹنگ آمدن کی کمی کی وجوہات کی بنا پر گروپ کی خالص منافع پذیری گزشتہ برس کی اسی ششماہی کے مقابلے میں 45 فیصد کمی کے ساتھ 2.1 ارب روپے رہی مذکورہ بیان کردہ غیر معمولی انفرادی نوعیت کے اخراجات بشمول روپے کی قدر میں مذکورہ کمی کی عدم شمولیت سے گروپ آپریٹنگ اور خالص منافع پذیری میں بالترتیب 30 فیصد اور 28 فیصد اضافہ ہوا۔

رواں مالی سال 2018 کیلئے ڈائریکٹرز نے عبوری کیش ڈیویڈنڈ کی مد میں 10 فیصد (ایک روپیہ فی شیئر) کی منظوری دی ہے۔

آپ کی توجہ زیر جائزہ ششماہی کے پی ٹی سی ایل کی عبوری فنانشل سٹیٹمنٹس کی شق 13 کی جانب مبذول کروا رہے ہیں جس میں پی ٹی سی ایل پینشن سکیم کے تحت کچھ ملازمین کے حقوق جو کہ سپریم کورٹ آف پاکستان کے سامنے زیر التواء ہیں کو بیان کیا گیا ہے جیسا کہ بیرونی آڈیٹرز نے اپنی جائزہ رپورٹ میں اجاگر کیا ہے۔

پی ٹی سی ایل کی انتظامیہ اور ملازمین پُرعزم ہیں کہ وہ اپنی انتھک محنت کے ذریعے صارفین کو اعلیٰ خدمات مسابقتی قیمت پر مہیا کریں اور صارفین کے لئے بہترین معاون تصور ہوں اور حصص یافتگان کی قدر میں بھی اضافہ ہو۔

منجانب بورڈ آف ڈائریکٹرز

عامر اشرف خواجہ
چیئرمین پی ٹی سی ایل بورڈ

ڈاکٹر ڈینئیل رٹز
صدر و چیف ایگزیکٹو آفیسر

اسلام آباد 18 جولائی 2018

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

ptcl

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF PAKISTAN TELECOMMUNICATION COMPANY LIMITED

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

INTRODUCTION

We have reviewed the accompanying condensed interim financial statement of financial position of Pakistan Telecommunication Company Limited ("the Company") as at 30 June 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to Note 13 to the interim financial statements, which describes that the matter relating to certain employees' rights under the PTCL pension scheme are pending with the Supreme Court of Pakistan. The ultimate outcome of the matter cannot presently be determined and, accordingly, no provision for any effects on the Company that may result has been made in the interim financial statements. Our conclusion is not modified in respect of this matter.

OTHER MATTERS

1. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended 30 June 2018, have not been reviewed and we do not express a conclusion on them.

2. The condensed interim financial statements and financial statements of the Company for the six-month period ended 30 June 2017 and for the year ended 31 December 2017 were reviewed and audited by another auditor whose reports dated 19 July 2017 and 14 February 2018 respectively, expressed an unqualified conclusion and opinion thereon. However, the

reports included emphasis of matter para on the matter relating to certain employees' rights under the PTCL pension scheme.

The engagement partner on the audit resulting in this independent auditor's report is Atif Zamurrad Malik.

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad:
18 July 2018

CONDENSED INTERIM
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018 (UN-AUDITED)

	Note	June 30, 2018 Rs '000	December 31, 2017 (Restated) Rs '000
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital		51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,985,696	2,806,993
General reserve		27,497,072	27,497,072
Unappropriated profit		7,308,843	3,797,720
		37,791,611	34,101,785
		88,791,611	85,101,785
Liabilities			
Non-current liabilities			
Security deposits		581,829	553,446
Deferred income tax		6,245,533	7,145,461
Employees retirement benefits		24,782,729	23,503,831
Deferred government grants		7,983,170	8,059,878
		39,593,261	39,262,616
Current liabilities			
Trade and other payables	6	63,048,337	62,984,018
Total equity and liabilities		191,433,209	187,348,419
Contingencies and commitments	13		

The annexed notes 1 to 23 are an integral part of these condensed interim financial statements.

Chief Financial Officer | **President & CEO** | **Chairman**

	Note	June 30, 2018 Rs '000	December 31, 2017 (Restated) Rs '000
Assets			
Non-current assets			
Property, plant and equipment	7	95,746,657	98,250,679
Intangible assets		1,878,935	1,882,868
		97,625,592	100,133,547
Long term investments		8,977,300	7,977,300
Long term loans and advances	8	9,882,940	7,670,324
Contract cost	9	330,870	300,046
Investment in finance lease		14,785	17,268
		116,831,487	116,098,485
Current assets			
Stores, spares and loose tools		4,928,040	3,633,569
Trade debts and contract asset	10	16,711,536	16,040,224
Loans and advances		2,551,938	1,511,669
Contract cost	9	992,609	900,139
Investment in finance lease		34,982	35,137
Income tax recoverable		14,774,590	15,253,394
Receivable from the Government of Pakistan		2,164,072	2,164,072
Prepayments and other receivables		13,407,166	11,860,653
Short term investments	11	15,798,914	5,607,778
Cash and bank balances	12	3,237,875	14,243,299
		74,601,722	71,249,934
Total assets		191,433,209	187,348,419

Chief Financial Officer **President & CEO** **Chairman**

CONDENSED INTERIM
STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

	Note	Three months ended June 30, 2018 Rs '000	Three months ended June 30, 2017 Rs '000 (Restated)	Six months ended June 30, 2018 Rs '000	Six months ended June 30, 2017 Rs '000 (Restated)
Revenue	14	17,779,087	17,927,785	35,358,400	35,400,507
Cost of services		(13,123,079)	(13,024,195)	(25,522,004)	(25,198,923)
Gross profit		4,656,008	4,903,590	9,836,396	10,201,584
Administrative and general expenses	15	(2,077,355)	(2,327,277)	(4,138,609)	(4,618,627)
Selling and marketing expenses		(687,982)	(663,876)	(1,507,735)	(1,289,391)
		(2,765,337)	(2,991,153)	(5,646,344)	(5,908,018)
Operating profit		1,890,671	1,912,437	4,190,052	4,293,566
Other income	16	866,401	1,866,707	1,415,406	2,677,374
Finance costs		(83,453)	(82,228)	(257,885)	(123,261)
Profit before tax		2,673,619	3,696,916	5,347,573	6,847,679
Provision for income tax					
- Current		(1,346,604)	(961,111)	(2,557,676)	(2,289,194)
- Deferred		544,523	(190,394)	899,929	97,937
		(802,081)	(1,151,505)	(1,657,747)	(2,191,257)
Profit for the period		1,871,538	2,545,411	3,689,826	4,656,422
Earnings per share - basic and diluted (Rupees)		0.37	0.50	0.72	0.91

The annexed notes 1 to 23 are an integral part of these condensed interim financial statements.

Chief Financial Officer **President & CEO** **Chairman**

CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

	Three months ended		Six months ended	
	June 30, 2018 Rs '000	June 30, 2017 Rs '000 (Restated)	June 30, 2018 Rs '000	June 30, 2017 Rs '000 (Restated)
Profit for the period	1,871,538	2,545,411	3,689,826	4,656,422
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	1,871,538	2,545,411	3,689,826	4,656,422

The annexed notes 1 to 23 are an integral part of these condensed interim financial statements.

Chief Financial Officer **President & CEO** **Chairman**

CONDENSED INTERIM
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

	Note	Six months ended June 30, 2018 Rs '000	June 30, 2017 Rs '000 (Restated)
Cash flows from operating activities			
Cash generated from operations	17	8,706,390	15,261,539
Employees retirement benefits paid		(504,145)	(440,685)
Payment to Pakistan Telecommunication Employees Trust (PTET)		-	(5,253,506)
Payment of voluntary separation scheme		(7,954)	(4,687,078)
Long term security deposits		28,383	(13)
Consideration paid against purchase of tax loss from Pakistan Telecom Mobile Limited (PTML)		-	(2,244,885)
Income tax paid		(2,078,871)	(1,282,531)
Net cash from operating activities		6,143,803	1,352,841
Cash flows from investing activities			
Capital expenditure		(4,270,896)	(6,908,412)
Acquisition of intangible assets		(207,177)	(50,880)
Proceeds from disposal of property, plant and equipment		11,217	2,774
Short term investments		3,080,778	7,000,000
Finance lease		6,832	25,017
Long term loans and advances		(2,261,714)	(756,690)
Return on long term loan to PTML		162,184	909,996
Return on short term investments		445,387	-
Long term investment in U Microfinance Bank Limited (Ubank)		(1,000,000)	-
Government grants received		160,000	-
Net cash (used in) / from investing activities		(3,873,389)	221,805
Cash flows from financing activities			
Dividend paid		(3,924)	(4,502,529)
Net increase / (decrease) in cash and cash equivalents		2,266,490	(2,927,883)
Cash and cash equivalents at the beginning of the period		16,770,299	5,902,144
Cash and cash equivalents at the end of the period	18	19,036,789	2,974,261

The annexed notes 1 to 23 are an integral part of these condensed interim financial statements.

Chief Financial Officer | **President & CEO** | **Chairman**

CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

	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 December 31, 2016 as previously reported	37,740,000	13,260,000	2,621,288	27,497,072	1,894,739	83,013,099
Impact of change in accounting policy - Note 19	-	-	-	-	131,408	131,408
Balance as at January 01, 2017 - restated	37,740,000	13,260,000	2,621,288	27,497,072	2,026,147	83,144,507
Total comprehensive income for the period						
Profit for the six months period ended June 30, 2017- restated	-	-	-	-	4,656,422	4,656,422
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	4,656,422	4,656,422
Transfer to insurance reserve	-	-	185,705	-	(185,705)	-
Distribution to owners of the Company						
Interim dividend for the year ended December 31, 2017 - Re 1.00 per share	-	-	-	-	(5,100,000)	(5,100,000)
Balance as at June 30, 2017 - restated	37,740,000	13,260,000	2,806,993	27,497,072	1,396,864	82,700,929
Total comprehensive income for the period						
Profit for the six months period ended December 31, 2017- restated	-	-	-	-	3,711,595	3,711,595
Other comprehensive income	-	-	-	-	(1,310,739)	(1,310,739)
Total comprehensive income	-	-	-	-	2,400,856	2,400,856
Balance as at December 31, 2017 - restated	37,740,000	13,260,000	2,806,993	27,497,072	3,797,720	85,101,785
Total comprehensive income for the period						
Profit for the six months period ended June 30, 2018	-	-	-	-	3,689,826	3,689,826
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	3,689,826	3,689,826
Transfer to insurance reserve	-	-	178,703	-	(178,703)	-
Balance as at June 30, 2018	37,740,000	13,260,000	2,985,696	27,497,072	7,308,843	88,791,611

The annexed notes 1 to 23 are an integral part of these condensed interim financial statements.

Chief Financial Officer

President & CEO

Chairman

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Pakistan Telecommunication Company Limited ("PTCL", "the Company") was incorporated in Pakistan on December 31, 1995 under the Companies Ordinance, 1984 (repealed with the enactment of the Companies Act, 2017) 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 condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. BASIS OF PREPARATION

These condensed interim financial statements do not include all of the information required in the annual financial statements prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements. These condensed interim financial statements should be read in conjunction with the Company's latest annual financial statements as at and for the year ended December 31, 2017.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and judgments made by the management in the preparation of this condensed interim financial statements are the same as those used in the preparation of audited financial statements of the Company for the year ended December 31, 2017.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted in the preparation of this condensed interim financial statements are consistent with those followed in the preparation of the Company's audited financial statements for the year ended December 31, 2017, except for the changes given here under.

5.1 IFRS 9 Financial Instruments

The Company has adopted IFRS 9 "Financial Instruments" with a date of initial application of January 01, 2018. However it has no significant impact on the Company's financial statements.

5.2 IFRS 15 Revenue from Contracts with Customer

The Company has adopted IFRS 15 'Revenue from contracts with customers' with a date of initial application of January 01, 2018. As a result, the Company has changed its accounting policy for revenue recognition as detailed below:

i) Installation Charges

Installation charges for provision of Voice, Broadband, IPTV and corporate services were previously being recognized as revenue when billed. Under IFRS 15, these charges are required to be deferred and recognized as revenue over the average customer life.

ii) Contract cost

The Company previously recognized cost of acquiring a customer as distribution and selling costs and cost of fulfilling a contract as cost of sales when they were incurred. Under IFRS 15, the Company capitalizes the incremental costs of obtaining and fulfilling a contract, if they are expected to be recovered. The capitalized cost is amortized over the average customer life. Applying the practical expedient of IFRS 15, the Company recognises the incremental cost of obtaining and fulfilling a contract as expense when incurred if the amortization period of assets is one year or less.

iii) Contract assets

The contract assets primarily relate to the Company's rights to consideration for postpaid services provided to subscribers but not billed at the reporting date. The contract assets are transferred to trade debts when the rights become unconditional.

Effect of adoption of IFRS 15 on opening balances has been disclosed in note 18.

	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
6. TRADE AND OTHER PAYABLES		
Trade creditors	10,157,076	12,225,727
Accrued liabilities	24,938,903	24,654,398
Voluntary Separation Scheme payable	243,529	251,483
Receipts against third party works	1,440,976	1,187,376
Income tax collected from subscribers / deducted at source	677,386	276,370
Sales tax payable	327,407	610,547
Advances from customers - contract liabilities	4,153,944	4,928,947
Technical services assistance fee	14,470,822	12,347,648
Retention money / payable to contractors and suppliers for fixed assets	5,300,576	5,142,146
Unclaimed dividend	206,263	210,187
Deferred installation revenue - contract liability	861,355	877,276
Other liabilities	270,100	271,913
	63,048,337	62,984,018

	Note	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
7. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	89,334,506	91,196,004
Capital work-in-progress	7.4	6,412,151	7,054,675
		95,746,657	98,250,679

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

		Note	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
7.1	Operating fixed assets			
	Opening net book value		91,196,004	85,046,586
	Additions during the six months period (Jan-June)	7.2	4,908,342	11,189,482
	Additions during the six months (July-Dec 2017)		-	9,559,907
			96,104,346	105,795,975
	Disposals during the period / year - at net book value		(2)	(2,739)
	Depreciation charge for the period / year		(6,747,159)	(13,550,839)
	Impairment charge for the period / year		(22,679)	(1,046,393)
			(6,769,840)	(14,599,971)
	Closing net book value		89,334,506	91,196,004

		June 30, 2018 (Un-Audited) Rs '000	June 30, 2017 (Un-Audited) Rs '000
7.2	Detail of additions during the period :		
	Buildings on freehold land	99,105	167,012
	Buildings on leasehold land	35,659	4,547
	Lines and wires	2,041,030	1,989,232
	Apparatus, plant and equipment	2,403,530	4,018,822
	Office equipment	83,281	139,111
	Computer equipment	72,542	78,204
	Furniture and fittings	31,363	7,337
	Vehicles	2,728	139,801
	Submarine cables	139,104	4,645,416
		4,908,342	11,189,482

7.3 Depreciation and impairment charge for the six month period ended June 30, 2017 amounts to Rs 6,741,615 thousand and Rs Nil respectively.

7.4 Additions to CWIP during the six months period ended June 30, 2018 were Rs 4,406,685 thousand (six months period ended June 30, 2017: Rs 6,924,516 thousand).

		June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
8.	LONG TERM LOANS AND ADVANCES		
	Loans to PTML - unsecured	5,000,000	5,000,000
	Loans to employees -secured	681,806	443,308
	Advances to suppliers against turnkey contracts	4,221,273	2,286,440
	Others	83,731	40,551
		9,986,810	7,770,299
	Current portion shown under current assets		
	Loans to employees -secured	(103,870)	(99,975)
		9,882,940	7,670,324

9. CONTRACT COST

Management expects that incremental costs for obtaining new subscribers are recoverable. The company has therefore capitalized them as contract costs. These costs are amortized over the expected average customer life. There was no impairment loss in relation to the costs capitalized.

	Note	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
Capitalized cost to obtain a contract		211,111	178,819
Capitalized cost to fulfill a contract		1,112,368	1,021,366
	9.1	1,323,479	1,200,185
Current maturity of contract costs		(992,609)	(900,139)
		330,870	300,046

	June 30, 2018 (Un-Audited) Rs '000	June 30, 2017 (Restated) Rs '000
9.1 Movement during the period		
Balance at the beginning of the period	1,200,185	1,033,932
Capitalization during the period	1,081,354	864,396
	2,281,539	1,898,328
Amortization during the period	(958,060)	(841,614)
Balance at end of the period	1,323,479	1,056,714

	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
10. TRADE DEBTS AND CONTRACT ASSETS		
Trade debts	11,412,078	10,944,140
Contract asset	5,299,458	5,096,084
	16,711,536	16,040,224
11. SHORT TERM INVESTMENTS		
At amortized cost:		
Term deposit- maturity up to 6 months	-	3,080,778
Market Treasury Bills - maturity up to 3 months	12,815,717	-
	12,815,717	3,080,778
At fair value through profit or loss:		
Mutual funds	2,983,197	2,527,000
	15,798,914	5,607,778

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

	Note	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
12. CASH AND BANK BALANCES			
Cash in hand		551	85
Balances with banks:	12.1		
Deposit accounts local currency		1,102,133	13,743,769
Current accounts			
Local currency		862,665	96,517
Foreign currency		1,272,526	402,928
		2,135,191	499,445
		3,237,875	14,243,299

12.1 Bank balance includes Rs 40,625 thousands (December 31, 2017: Rs 39,076 thousand) carrying profit at the rate of 2.4% to 4% (December 31, 2017: 2.4% to 4%) per annum from Shariah arrangements.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There has been no material change in contingencies as disclosed in the last audited financial statements of the Company for the year ended December 31, 2017, except the followings:

(a) For the tax years 2012, 2013, 2015 and 2016, Taxation Officer disallowed certain expenses having tax impact of Rs 22,536,409 thousand. The Company has filed appeals before 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.

(b) 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, however the Islamabad High Court has dismissed the application on technicality which has been challenged before the Supreme Court. 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.

	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
(c) Bank guarantee and bid bonds issued in favour of Universal Service Fund (USF) against government grants and others	6,989,204	6,845,906

13.2 Commitments

Commitments, in respect of contracts for capital expenditure amount to Rs 6,548,311 thousand (December 31, 2017: Rs 5,682,111 thousand).

14. REVENUE

The Company principally obtains revenue from providing telecommunication services such as Broadband, IPTV, Voice, data, wireless services, interconnect, corporate and international services.

For bundled packages, the Company accounts for individual products and services separately if they are distinct i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand alone selling prices.

The company generates revenue from the following performance obligations of its telecommunication services.

	Six months ended	
	June 30, 2018 (Un-Audited) Rs '000	June 30, 2017 (Restated) Rs '000
Revenue Segments		
Broadband & IPTV	13,374,760	12,430,491
Voice services	7,449,287	7,765,723
Wireless data	1,734,062	2,406,964
Revenue from retail customers	22,558,109	22,603,178
Corporate	3,428,353	3,005,961
Carrier and wholesale	5,029,886	5,286,551
International	4,342,052	4,504,817
Total Revenue	35,358,400	35,400,507

Revenue is stated net of trade discount amounting to Rs 55,530 thousand (June 30, 2017: Rs 91,379 thousand) and sales and other taxes directly attributable to sales amounting to Rs 4,604,344 thousand (June 30,2017: Rs 2,608,706 thousand)

15. This includes loss allowance on trade debts and contract assets amounting to Rs 956,030 thousand (2017: Rs 942,000 thousand)

	Note	Six months ended	
		June 30, 2018 (Un-Audited) Rs '000	June 30, 2017 (Un-Audited) Rs '000
16. OTHER INCOME			
Income from financial assets			
Return on bank deposits	16.1	340,444	890,565
Mark-up on subordinated long term loan to PTML		164,225	-
Gain on disposal of investment measured at fair value through profit and loss		111,431	-
Late payment surcharge from subscribers on overdue bills		139,050	149,475
		755,150	1,040,040
Income from non-financial assets			
Late delivery charges from vendors		122,572	13,253
Release of deferred government grants		236,708	266,946
Income from rechargeable projects		143,193	200,479
Auctions of obsolete Items		64,898	519
Gain on disposal of property, plant and equipment		6,137	649
Recovery from written off receivables		19,892	27,902
Write back of liabilities		-	1,065,508
Others		66,856	62,078
		660,256	1,637,334
		1,415,406	2,677,374

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

16.1 Return on bank deposit include Rs 42 thousand (June 30, 2017: Rs 120 thousand) earned from Shariah arrangements.

		Six months ended	
	Note	June 30, 2018 (Un-Audited) Rs '000	June 30, 2017 (Restated) Rs '000
17. CASH GENERATED FROM OPERATIONS			
Profit before tax		5,347,573	6,847,679
Adjustments for non-cash charges and other items:			
Depreciation and amortization charge		6,958,269	7,035,484
Impairment of property, plant and equipment		22,679	-
Amortization of contract cost	8.1	958,060	841,614
Impairment loss along trade and other receivables, including contract assets		956,030	942,000
Provision for employees retirement benefits		1,783,044	2,078,634
Gain on disposal of property, plant and equipment		(6,137)	(649)
Return on bank deposits		(340,444)	(890,565)
Imputed interest on long term loans		45,204	31,628
Imputed Interest on finance lease		(4,194)	(8,427)
Return on subordinated long term loan to PTML	15	(164,225)	-
Realized gain on investment measured at fair value through profit or loss	15	(111,431)	-
Release of deferred government grants		(236,708)	(266,946)
		15,207,720	16,610,452
Effect on cash flows due to working capital changes:			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(1,294,471)	(208,990)
Trade debts and contract assets		(1,627,342)	(1,850,281)
Loans and advances		(1,036,374)	(469,146)
Contract costs		(1,081,354)	(864,396)
Prepayments and other receivables		(1,537,985)	517,778
		(6,577,526)	(2,875,035)
Increase in current liabilities:			
Trade and other payables		76,196	1,526,122
		8,706,390	15,261,539

	Six months ended	
	June 30, 2018 (Un-Audited) Rs '000	June 30, 2017 (Un-Audited) Rs '000
18. CASH AND CASH EQUIVALENTS		
Short term investments	15,798,914	-
Cash and bank balances	3,237,875	2,974,262
	19,036,789	2,974,262

19. CHANGE IN ACCOUNTING POLICY AND ITS IMPACT ON FINANCIAL STATEMENTS

The following table summarise the impacts of adopting IFRS 15 on the Company's interim financial statements

	Impact of changes in accounting policies		
	As previously reported Rs '000	Adjustments Rs '000	As restated Rs '000
i) Statement of financial position			
January 01,2017			
ASSETS			
Contract cost	-	1,033,932	1,033,932
Others	182,636,563	-	182,636,563
Total Assets	182,636,563	1,033,932	183,670,495
EQUITY AND LIABILITIES			
EQUITY			
Share capital	51,000,000	-	51,000,000
Reserves	30,118,360	-	30,118,360
Unappropriated profit	1,894,739	131,408	2,026,147
	83,013,099	131,408	83,144,507
LIABILITIES			
Deferred income tax	7,264,575	59,037	7,323,612
Trade and other payables	59,142,912	843,487	59,986,399
Others	33,215,977	-	33,215,977
	99,623,464	902,524	100,525,988
Total equity and liabilities	182,636,563	1,033,932	183,670,495
December 31,2017			
ASSETS			
Contract cost	-	1,200,185	1,200,185
Income tax recoverable	15,263,357	(9,963)	15,253,394
Others	170,894,840	-	170,894,840
Total Assets	186,158,197	1,190,222	187,348,419
EQUITY AND LIABILITIES			
EQUITY			
Share capital	51,000,000	-	51,000,000
Reserves	30,304,065	-	30,304,065
Unappropriated profit	3,647,809	149,911	3,797,720
	84,951,874	149,911	85,101,785
LIABILITIES			
Deferred income tax	7,086,423	59,038	7,145,461
Trade and other payables	62,002,745	981,273	62,984,018
Others	32,117,155	-	32,117,155
	101,206,323	1,040,311	102,246,634
Total equity and liabilities	186,158,197	1,190,222	187,348,419

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

	June 30 2017 Rs '000		June 30 2017 Rs '000
	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
ii) Statement of profit or loss			
Revenue			
Revenue	35,473,306	(72,799)	35,400,507
Cost of services	(25,144,120)	(54,803)	(25,198,923)
Gross profit	10,329,186	(127,602)	10,201,584
Administrative and general expenses	(4,618,627)	-	(4,618,627)
Selling and marketing expenses	(1,366,976)	77,585	(1,289,391)
	(5,985,603)	77,585	(5,908,018)
Operating profit	4,343,583	(50,017)	4,293,566
Other income	2,677,374	-	2,677,374
Finance costs	(123,261)	-	(123,261)
Profit before tax	6,897,696	(50,017)	6,847,679
Provision for income tax	(2,207,263)	16,006	(2,191,257)
Profit for the period	4,690,433	(34,011)	4,656,422
iii) Statement of cash flows			
For the six months period ended 30 June 2017			
Profit before tax	6,897,696	(50,016)	6,847,679
Adjustments for non-cash and other items			
Contract cost	-	841,614	841,614
Others	8,921,159	-	8,921,159
	8,921,159	841,614	9,762,773
Operating profit before working capital changes	15,818,855	791,598	16,610,452
Contract cost	-	(864,396)	(864,396)
Trade and other payables	1,453,324	72,798	1,526,122
Working capital changes	(2,010,639)	-	(2,010,639)
Cash generated from operations	15,261,540	-	15,261,539
Retirement benefits and income taxes paid etc	(13,908,698)	-	(13,908,698)
Net cash generated from operating activities	1,352,842	-	1,352,841
Cash flow from investing activities			
Net cash flow from investing activities	221,805	-	221,805
Cash flow form financing activities			
Net cash generated from financing activities	(4,502,529)	-	(4,502,529)
Net increase in cash and cash equivalents	(2,927,882)	-	(2,927,883)
Cash and cash equivalents at the end of the period	5,902,144	-	5,902,144
Cash and cash equivalents at end of the period	2,974,262	-	2,974,261

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Relationship with the Company	Nature of transaction	Six months ended June 30, 2018 (Un-Audited) Rs '000	Six months ended June 30, 2017 (Restated) Rs '000
i. Shareholders	Technical services assistance fee - note 20.1	1,170,398	1,193,206
ii. Subsidiaries	Sale of goods and services	2,539,850	2,578,829
	Purchase of goods and services	1,480,894	1,711,208
	Mark up on long term loans	164,225	-
	Purchase of tax loss from PTML	-	2,244,885
	Return on bank deposit	8,017	11,103
iii. Associated undertakings	Sale of goods and services	1,084,999	599,017
	Purchase of goods and services	581,139	506,383
iv. Employees contribution plan	PTCL Employees GPF Trust - net	31,180	207,677
v. Employees retirement benefit plan	Contribution to the plan- PTET	-	5,253,506
	Contribution to the plan- Gratuity	42,720	26,382
v. Other related parties	Sale of goods and services	886,625	803,275
	Charge under license obligations	803,823	831,141
vi. Directors, Chief Executive and key management personnels	Fee and remuneration including benefits and perquisites	433,112	449,992

	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
Period-end balances		
Receivables from related parties		
Trade debts		
- Subsidiaries	1,699,201	925,572
- Associated undertakings	1,682,993	932,912
- The Government of Pakistan and its related entities	1,436,468	1,392,331
Other receivables		
- Subsidiaries	9,335,037	7,928,172
- Associated undertakings	71,305	71,305
- PTCL Employees GPF Trust	24,568	55,748
- Pakistan Telecommunication Employees Trust (PTET)	27,482	7,712
- Pakistan Telecommunication Company Limited Employees Gratuity Fund	125,567	82,513
- Long term loans to executives and key management personnel	237,943	-
Bank deposit with subsidiary	2	1,130,877

	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
Payables to related parties		
Trade creditors		
- Subsidiaries	568,650	641,630
- Associated undertakings	475,825	311,296
- The Government of Pakistan and its related entities	845,645	1,380,182
Security deposits from subsidiary	3,623	3,623
Retention money payable to associated undertakings	6,342	7,832
Technical services assistance fee payable to Etisalat	14,470,822	12,347,648
Pakistan Telecommunication Employees Trust (PTET)	3,244,978	2,779,570

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

21. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

	Gross amounts 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 June 30, 2018					
Trade debts and contract assets	7,267,653	(3,409,433)	3,858,220	22,055,709	25,913,929
Trade creditors	(4,812,965)	3,409,433	(1,403,532)	(8,753,544)	(10,157,076)
As at December 31, 2017					
Trade debts and contract assets	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)

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Company's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements for the year ended 31 December 2017. There is no change in the nature and corresponding hierarchies of fair value levels of financial instruments form those as disclosed in the audited financial statements of the Company for the year ended 31 December 2017.

The carrying amount of all financial assets and financial liabilities are estimated to approximate their fair values.

23. DATE OF AUTHORIZATION FOR ISSUE OF CONDENSED INTERIM FINANCIAL STATEMENTS AND INTERIM DIVIDEND

23.1 The Board of Directors had also declared an interim dividend of Re 1.00 per share for the year ending December 31, 2018, amounting to Rs 5,100,000 thousand.

23.2 This condensed interim financial statements for the six months ended June 30, 2018 was authorized for issue by the Board of Directors of the Company on July 18, 2018.

Chief Financial Officer **President & CEO** **Chairman**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018 (UN-AUDITED)

	Note	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital		51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,985,696	2,806,993
General reserve		27,497,072	27,497,072
Unappropriated profit		7,069,131	5,109,744
		37,551,899	35,413,809
Statutory and other reserves		84,837	84,837
Unrealized gain / (loss) on investments measured at fair value through OCI		67	(28)
		88,636,803	86,498,618
Liabilities			
Non-current liabilities			
Long term loans from banks		25,146,667	25,584,999
Subordinated debt		599,760	600,000
Customers deposits		3,762,649	3,884,344
Liability against assets subject to finance lease		1,537	-
Long term security deposits		1,459,238	1,445,262
Deferred Income tax		8,790,278	10,634,558
Employees retirement benefits		24,827,476	23,590,275
Deferred government grants		16,986,633	15,619,006
Long term vendor liability		28,225,212	31,150,659
		109,799,450	112,509,103
Current liabilities			
Trade and other payables	6	69,711,472	69,481,266
Customer deposits		11,257,511	6,937,146
Interest accrued		568,206	503,096
Short term running finance		3,152,478	834,233
Current portion of:			
Long term loans from banks		6,361,319	4,001,154
Liability against assets subject to finance lease		3,085	10,146
Long term vendor liability		9,082,409	7,474,057
Unearned income - contract liability		6,101,475	6,695,724
		106,237,955	95,936,822
Total equity and liabilities		304,674,208	294,944,543

Contingencies and commitments 10

The annexed notes 1 to 20 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer **President & CEO** **Chairman**

	Note	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
Assets			
Non-current assets			
Property, plant and equipment	7	164,577,270	167,490,798
Intangible assets		32,696,099	34,164,307
		197,273,369	201,655,105
Long term investments		93,600	93,600
Long term loans and advances		5,193,266	2,698,518
Contract cost	8	418,642	338,231
Investment in finance lease		14,785	17,268
		202,993,662	204,802,722
Current assets			
Stock in trade, stores and spares		5,208,887	3,827,171
Trade debts and contract assets	9	17,240,008	16,805,595
Loans to banking customers		13,031,962	10,554,358
Loans and advances		2,620,432	1,613,562
Contract cost	8	1,513,898	1,207,882
Investment in finance lease		34,982	35,137
Income tax recoverable		20,826,820	19,828,318
Receivable from the Government of Pakistan		2,164,072	2,164,072
Deposits, prepayments and other receivables		12,436,155	9,653,825
Short term investments		19,505,865	9,394,153
Cash and bank balances		7,097,465	15,057,748
		101,680,546	90,141,821
Total assets		304,674,208	294,944,543

Chief Financial Officer **President & CEO** **Chairman**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

	Note	Three months ended		Six months ended	
		June 30, 2018 Rs '000	June 30, 2017 Rs '000 (Restated)	June 30, 2018 Rs '000	June 30, 2017 Rs '000 (Restated)
Revenue	11	30,612,404	29,680,471	60,662,125	58,507,024
Cost of services		(22,508,471)	(22,495,906)	(44,168,204)	(43,903,907)
Gross profit		8,103,933	7,184,565	16,493,921	14,603,117
Administrative and general expenses	12	(4,535,348)	(4,474,801)	(8,969,881)	(8,893,477)
Selling and marketing expenses		(1,619,230)	(1,603,671)	(3,324,707)	(3,026,746)
		(6,154,578)	(6,078,472)	(12,294,588)	(11,920,223)
Operating profit		1,949,355	1,106,093	4,199,333	2,682,894
Other income		1,055,760	3,946,910	1,917,365	4,999,396
Finance costs		(2,018,784)	(869,118)	(3,600,129)	(1,733,760)
Profit before tax		986,331	4,183,885	2,516,569	5,948,530
Provision for income tax					
- Current		(937,720)	(1,259,023)	(2,222,802)	(2,865,811)
- Deferred		1,082,460	(188,764)	1,844,323	772,486
		144,740	(1,447,787)	(378,479)	(2,093,325)
Profit for the period		1,131,071	2,736,098	2,138,090	3,855,205

The annexed notes 1 to 20 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer **President & CEO** **Chairman**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

	Three months ended		Six months ended	
	June 30, 2018 Rs '000	June 30, 2017 Rs '000 (Restated)	June 30, 2018 Rs '000	June 30, 2017 Rs '000 (Restated)
Profit for the period	1,131,071	2,736,098	2,138,090	3,855,205
Other comprehensive income for the period				
Items that may be subsequently reclassified to profit or loss:				
(Loss)/gain on investments measured at fair value arising during the period	(22,611)	785	(164)	3,169
Tax effect of revaluation of investments measured at fair value	6,770	1,185	22	470
Unrealized (loss)/gain on investments measured at fair value - net of tax	(15,841)	1,970	(142)	3,639
Loss/(gain) on disposal transferred to income for the period	191	(4,736)	237	(4,736)
	(15,650)	(2,766)	95	(1,097)
Total comprehensive income for the period	1,115,421	2,733,332	2,138,185	3,854,108

The annexed notes 1 to 20 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer **President & CEO** **Chairman**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

	Note	Six months ended June 30, 2018 Rs '000	Six months ended June 30, 2017 Rs '000 (Restated)
Cash flows from operating activities			
Cash generated from operations	13	18,277,221	20,682,854
Payment made to Pakistan Telecommunication Employees Trust (PTET)		-	(5,253,506)
Employees retirement benefits paid		(589,243)	(497,633)
Payment of voluntary separation scheme cost		(7,954)	(4,687,078)
Finance cost paid		(3,535,019)	(1,726,473)
Long term security deposits		13,976	(30,183)
Income tax paid		(3,221,239)	(2,238,440)
Net cash from operating activities		10,937,742	6,249,541
Cash flows from investing activities			
Capital expenditure		(11,645,415)	(14,688,367)
Acquisition of Intangible assets		(262,113)	(133,838)
Proceeds from disposal of property, plant and equipment		139,679	127,777
Short term investment-net		2,560,778	7,000,000
Long term loans and advances		(2,425,196)	(749,521)
Finance lease		6,832	25,017
Government grants received		1,979,833	4,680,408
Return on short term investments		628,467	905,041
Net cash used in investing activities		(9,017,135)	(2,833,483)
Cash flows from financing activities			
Loan fom banks		1,921,833	1,375,000
Subordinated debt		(240)	600,000
Vendor liability		(1,317,095)	3,227,523
License fee payable		-	(2,769,967)
Customers deposits		(121,695)	777,905
Liability against assets subject to finance lease		(5,524)	(15,280)
Dividend paid		(3,924)	(4,502,529)
Net cash from/(used in) financing activities		473,355	(1,307,348)
Net increase in cash and cash equivalents		2,393,962	2,108,710
Cash and cash equivalents at the beginning of the period		18,536,890	12,155,598
Cash and cash equivalents at the end of the period	14	20,930,852	14,264,308

The annexed notes 1 to 20 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer | **President & CEO** | **Chairman**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

	Issued, subscribed and paid-up capital		Revenue reserves					
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit	Statutory and other reserves	Unrealized gain / loss on investments measured at fair value through OCI	Total
				(Rupees in '000)				
Balance as at December 31, 2016 as previously reported	37,740,000	13,260,000	2,621,288	27,497,072	7,047,199	20,096	1,063	88,186,718
Impact of Change in accounting policy - Note 15	-	-	-	-	416,648	-	-	416,648
Balance as at January 01, 2017 - restated	37,740,000	13,260,000	2,621,288	27,497,072	7,463,847	20,096	1,063	88,603,366
Total comprehensive income for the period								
Profit for the six months period ended June 30, 2017 - restated	-	-	-	-	3,855,205	-	-	3,855,205
Other comprehensive income	-	-	-	-	-	-	1,669	1,669
	-	-		-	3,855,205	-	1,669	3,856,874
Transfer to insurance reserve	-	-	185,705	-	(185,705)	-	-	-
Distributions to the owners of holding company Interim dividend for the year ended December 31, 2017 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	-	(5,100,000)
Balance as at June 30, 2017 - restated	37,740,000	13,260,000	2,806,993	27,497,072	6,033,347	20,096	2,732	87,360,240
Profit for the six months period ended December 31, 2017 - restated	-	-	-	-	462,448	-	-	462,448
Other comprehensive income	-	-	-	-	(1,321,310)	-	(2,760)	(1,324,070)
	-	-	-	-	(858,862)	-	(2,760)	(861,622)
Transfer to statutory and other reserves	-	-	-	-	(64,741)	64,741	-	-
Balance as at December 31, 2017 - restated	37,740,000	13,260,000	2,806,993	27,497,072	5,109,744	84,837	(28)	86,498,618
Total comprehensive income for the period								
Profit for the six months period ended June 30, 2018	-	-	-	-	2,138,090	-	-	2,138,090
Other comprehensive income	-	-	-	-	-	-	95	95
	-	-	-	-	2,138,090	-	95	2,138,185
Transfer to insurance reserve	-	-	178,703	-	(178,703)	-	-	-
Balance as at June 30, 2018	37,740,000	13,260,000	2,985,696	27,497,072	7,069,131	84,837	67	88,636,803

The annexed notes 1 to 20 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer **President & CEO** **Chairman**

NOTES TO AND FORMING PART OF THE
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Constitution and ownership

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

Pakistan Telecommunication Company Limited (PTCL)

Pakistan Telecommunication Company Limited (the Holding Company) was incorporated in Pakistan on December 31, 1995 and commenced business on January 01, 1996 under the Companies Ordinance, 1984 (repealed with the enactment of the Companies Act, 2017) and commenced business on January 01, 1996. The Holding Company, which is listed on the Pakistan Stock Exchange Limited (PSX), was established to undertake the telecommunication business formerly carried on by Pakistan Telecommunication Corporation (PTC). PTC's business was transferred to the Holding Company on January 01, 1996 under the Pakistan Telecommunication (Re-organization) Act, 1996, on which date, the Holding Company took over all the properties, rights, assets, obligations and liabilities of PTC, except those transferred to the National Telecommunication Corporation (NTC), the Frequency Allocation Board (FAB), the Pakistan Telecommunication Authority (PTA) and the Pakistan Telecommunication Employees Trust (PTET). The registered office of the Holding Company is situated at PTCL Headquarters, G-8/4, Islamabad.

Pak Telecom Mobile Limited (PTML)

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

U Microfinance Bank Limited (U Bank)

The Holding Company acquired 100% ownership of U Bank on August 30, 2012 to offer services of digital commerce and branchless banking. U Bank was incorporated on October 29, 2003 as a public limited company. The registered office of U Bank is situated at Jinnah Super Market F-7 Markaz, Islamabad.

DVCOM Data (Private) Limited (DVCOM Data)

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

Smart Sky (Private) Limited (Smart Sky)

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

1.2 Activities of the Group

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

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financials reporting comprise of:

- International accounting Standard (IAS) 34, interim Financial Reporting, issued by International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed."

3. BASIS OF PREPARATION

These condensed consolidated interim financial statements do not include all of the information required in the annual financial statements prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Groups's financial position and performance since the last annual consolidated financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Groups's latest annual consolidated financial statements as at and for the year ended December 31, 2017.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and judgements made by the management in the preparation of these condensed consolidated interim financial statements are the same as those used in the preparation of annual audited consolidated financial statements of the Group for the year ended December 31, 2017.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the consolidated annual audited financial statements for the year ended December 31, 2017 except for the changes given here under;

5.1 IFRS 9 Financial Instruments

The Group has adopted IFRS 9 "Financial Instruments" with a date of initial application of 1st January 2018. It has no significant impact on the financial statements of PTCL and PTML. However, U bank will adopt IFRS 9 as per State Bank of Pakistan timelines.

5.2 IFRS 15 Revenue from contracts with customers

The Group has adopted IFRS 15 "Revenue from contracts with customers" with a date of initial application of 1st January 2018. As a result, the Group has changed its accounting policy for revenue recognition as detailed below:

i) Installation charges

Installation charges for provision of Voice, Broadband, IPTV and corporate services were previously being recognized as revenue when billed. Under IFRS 15 these charges shall be deferred and recognized as revenue over the average customer life.

ii) Upfront maintenance and service fee

The upfront maintenance and service fee was previously included in "Subscription fee and line rent" under Revenue. Under IFRS 15, it has to be recognized as revenue on discharge of respective performance obligations. It will therefore be allocated to the performance obligations viz. Voice, Data, Value added Services and Messaging.

iii) Discount on Prepaid cards and load

The discount on prepaid cards and load was previously shown as a deduction to gross revenue in the revenue note to the Financial Statements. Under IFRS 15, it will be allocated to the respective performance obligations viz. Voice, Data, Value added Services and Messaging.

iv) Sale of Handsets

Handset revenue to be recognized separately from the handset cost as a separate performance obligation. Previously, handset cost net of handset revenue was recognized in Distribution and Selling Costs as customer acquisition cost.

v) Transaction price allocated to the remaining performance obligations

The group applies the practical expedient in para 121 of IFRS 15 and does not disclose information about the remaining performance obligations that have original expected duration of one year or less.

vi) Contract Cost

The Group previously recognized cost of acquiring a customer as distribution and selling costs when they were incurred. Under IFRS 15, the group capitalizes the incremental costs of obtaining and fulfilling a contract, if they are expected to be recovered. The capitalized cost is amortized over the average customer life. Applying the practical expedient of IFRS 15 the group recognises the incremental cost of obtaining and fulfilling a contract as expense when incurred if the amortization period of the assets is one year or less

Effect of adoption of IFRS 15 on opening balance has been disclosed in note 15.

	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
6. TRADE AND OTHER PAYABLES		
Trade creditors	7,114,202	9,143,875
Accrued liabilities	35,652,469	36,612,030
VSS payable	243,529	251,483
Receipts against third party works	1,440,976	1,187,376
Income tax collected from subscribers / deducted at source	966,685	496,826
Sales tax payable	327,407	620,574
Advances from customers	3,038,145	2,568,205
Employees Provident Fund	23,934	19,091
Technical services assistance fee	14,470,822	12,347,648
Retention money / payable to contractors and suppliers for fixed assets	5,300,576	5,142,146
Unclaimed dividend	206,263	210,187
Other liabilities	926,464	881,825
	69,711,472	69,481,266

	Note	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
7. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	149,582,786	157,193,242
Capital work-in-progress		14,994,484	10,297,556
		164,577,270	167,490,798
7.1 Operating fixed assets			
Opening net book value		157,193,242	158,693,829
Additions during six months period (January -June)		6,943,409	18,623,911
Additions during the six months (July - December 2017)		-	12,375,604
		164,136,651	189,693,344
Disposals during the period / year - at net book value		(135,399)	(98,744)
Depreciation for the period / year		(14,395,787)	(29,967,982)
Impairment for the period / year		(22,679)	(2,433,376)
		(14,553,865)	(32,500,102)
Closing net book value		149,582,786	157,193,242

7.2 Depreciation and impairment charge for six months period ended June 30, 2017 amounts to Rs 14,974,000 thousand and NIL respectively.

7.3 Additions to CWIP during the six months period ended 30 June 2018 were Rs 11,710,523 thousand (six months period ended 30 June 2017: Rs. 14,826,316 thousand).

8. CONTRACT COST

Contract cost is amortized over the expected average customer life. There was no impairment loss in relation to the costs capitalized.

	Note	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
Capitalized cost to obtain a contract		697,067	422,186
Capitalized cost to fulfill a contract		1,235,473	1,123,927
	8.1	1,932,540	1,546,113
Current maturity of contract costs		(1,513,898)	(1,207,882)
		418,642	338,231

	June 30, 2018 (Un-audited) Rs '000	June 30, 2017 (Restated) Rs '000
8.1 Movement during the period		
Balance at the beginning of the period	1,546,113	2,067,864
Capitalization during the period	1,632,255	1,728,792
	3,178,368	3,796,656
Amortization during the period	(1,245,828)	(1,683,228)
Balance at end of the period	1,932,540	2,113,428

NOTES TO AND FORMING PART OF THE
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (UN-AUDITED)

	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
9. TRADE DEBTS AND CONTRACT ASSETS		
Trade Debts	11,708,790	11,459,486
Contract asset	5,531,218	5,346,109
	17,240,008	16,805,595

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There has been no material change in contingencies as disclosed in the last audited financial statements of the Group for the year ended December 31, 2017, except the followings:

PTCL

(a) For the tax years 2012, 2013, 2015 and 2016, Taxation Officer disallowed certain expenses having tax impact of Rs. 22,536,409 thousand. PTCL has filed appeals before ATIR against the disallowed expenses which are pending adjudication. For tax years 2012, 2015 and 2016, PTCL has obtained stay orders from the Honorable Islamabad High Court and ATIR against any coersive measures.

(b) 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, however the Islamabad High Court has dismissed the application on technicality which has been challenged before the Supreme Court. 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.

DVCOM

(c) After dismissal of the writ petition by the Honorable Islamabad High Court, wherein the vires of Act and regulation were challenged, DVCOM has filed CPLA against the judgement passed by Islamabad High Court before the Honorable Supreme Court of Pakistan. In compliance of interim order dated 15.05.2018 passed by the Supreme Court in CPLA N0.1558/2018, a bank guarantee in favour of Pakistan Telecommunication Authority (PTA) for an amount of Rs. 675,000 thousand on behalf of DVCOM has been provided under protest whereas the balance amount of the imposed Late Payment Additional Fee of Rs. 1,697,082 thousand has also been paid to PTA under protest.

		June 30, 2018 (Un-Audited) Rs '000	December 31, 2017" (Restated) Rs '000
(d)	Letter of guarantee issued in favor of PTA for USD 8,321 thousand (December 31, 2017: USD 8,321 thousand) in relation to the performance of PTML's obligation stipulated under the license agreements for 2G and 3G services	1,011,831	919,471
(e)	Bank guarantee and bid bonds of the group issued in favor of Universal Service Fund (USF) against government grants and others.	13,666,203	14,394,376
10.2	Commitments - Group		
	Commitments for capital expenditure	13,980,817	7,793,694
	Letters of credit for purchase of stock	74,266	48,780
	Standby Letter of Guarantee	6,365	6,365
		14,061,448	7,848,839

		Six months ended	
		June 30, 2018 (Un-Audited) Rs '000	June 30, 2017 (Restated) Rs '000
11.	REVENUE		
	Broadband & IPTV	13,338,088	12,398,961
	Voice services	6,883,109	7,153,426
	Cellular and other wireless	25,534,537	24,975,097
	Banking	2,049,957	1,197,130
	Revenue from retail customers	47,805,691	45,724,614
	Corporate	4,456,528	3,896,544
	Carrier and wholesale	3,351,767	3,489,694
	International	5,048,139	5,396,172
	Total Revenue	60,662,125	58,507,024

Revenue is stated net of trade discount amounting to Rs1,022,495 thousand (June 30, 2017: Rs1,105,696 thousand) and sales and other taxes directly attributable to sales amounting to Rs 8,226,823 thousand (June 30, 2017: Rs 5,710,056 thousand).

12. This includes loss allowance on trade debts and contract assets amounting to Rs 974,953 thousand (2017: Rs 980,206 thousand).

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	Six months ended June 30, 2018 (Un-Audited) Rs '000	Six months ended June 30, 2017 (Restated) Rs '000
13. CASH GENERATED FROM OPERATIONS		
Profit before tax	2,516,569	5,948,530
Adjustments for non-cash charges and other items:		
Depreciation and amortization charge	16,126,108	16,763,600
Impairment of property, plant and equipment	22,679	-
Amortization of contract costs	1,245,828	1,147,493
Loss allowance on trade and other receivables, including contract assets	974,953	980,206
Provision for non performing advances	86,637	40,944
Provision for slow moving stock and warranty against mobile phones	-	3,624
Provision for employees retirement benefits	1,826,444	2,116,936
Imputed interest on long term loans	(69,552)	31,628
Imputed interest on finance lease	(4,194)	(8,427)
Loss / (gain) on disposal of property, plant and equipment	798	(80,785)
Gain on disposal of investments measured at fair value through profit or loss	(111,194)	(4,736)
Return on bank deposits and Government Securities	(524,924)	(1,115,197)
Release of deferred government grants	(612,206)	(447,504)
Finance costs	3,600,129	1,733,760
	25,078,075	27,110,072
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(1,381,716)	(201,674)
Trade debts and contract assets	(1,409,366)	(1,481,447)
Loans to banking customers	(2,564,241)	(2,893,447)
Contract costs	(1,632,255)	(1,094,200)
Loans and advances	(1,006,870)	(473,920)
Prepayments and other receivables	(2,774,606)	1,125,006
	(10,769,054)	(5,019,682)
Increase / (decrease) in current liabilities:		
Trade and other payables	242,084	(2,370,785)
Customers deposits	4,320,365	989,846
Unearned income - contract liability	(594,249)	(26,597)
	3,968,200	(1,407,536)
	18,277,221	20,682,854
14. CASH AND CASH EQUIVALENTS		
Short term investments	16,985,865	7,645,057
Cash and bank balances	7,097,465	6,619,251
Short term running finance	(3,152,478)	-
	20,930,852	14,264,308

15. CHANGE IN ACCOUNTING POLICY AND ITS IMPACT ON FINANCIAL STATEMENTS

The following table summarise the impacts of adopting IFRS 15 on the Groups's Financial Statements

	Impact of changes in accounting policies		
	As previously reported Rs '000	Adjustments Rs '000	As restated Rs '000
i) Statement of Financial Position			
January 01, 2017			
Assets			
Contract cost	-	1,441,417	1,441,417
Others	302,611,576	-	302,611,576
Total Assets	302,611,576	1,441,417	304,052,993
Equity and Liabilities			
Equity			
Share capital	51,000,000	-	51,000,000
Reserves	30,139,519	-	30,139,519
Unappropriated profit	7,047,199	416,646	7,463,845
	88,186,718	416,646	88,603,364
Liabilities			
Deferred tax	12,089,802	181,284	12,271,086
Trade and other payables	70,001,837	843,487	70,845,324
Others	132,333,219	-	132,333,219
	214,424,858	1,024,771	215,449,629
	302,611,576	1,441,417	304,052,993
December 31, 2017			
Assets			
Contract cost	-	1,546,113	1,546,113
Income tax recoverable	19,838,281	(9,963)	19,828,318
Others	273,577,019	-	273,570,112
Total Assets	293,415,300	1,536,150	294,944,543
Equity and Liabilities			
Equity			
Share capital	51,000,000	-	51,000,000
Reserves	30,388,874	-	30,388,874
Unappropriated profit	4,717,685	392,059	5,109,744
	86,106,559	392,059	86,498,618
Liabilities			
Deferred tax	10,471,742	162,816	10,634,558
Trade and other payables	69,384,175	97,091	69,481,266
Unearned revenue	5,818,447	877,277	6,695,724
Others	121,634,377	-	121,634,377
	207,308,741	1,137,184	208,445,925
Total Equity and Liabilities	293,415,300	1,529,243	294,944,543

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ii) Statement of profit or loss

	June 30 2017 Rs '000		June 30 2017 Rs '000
	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
For the period ended 30 June 2017			
Revenue	58,512,465	(5,441)	58,507,024
Cost of services	(43,753,808)	(150,099)	(43,903,907)
Gross profit	14,758,657	(155,540)	14,603,117
Administrative and general expenses	(8,908,419)	14,942	(8,893,477)
Selling and marketing expenses	(3,041,253)	14,507	(3,026,746)
	(11,949,672)	29,449	(11,920,223)
Operating profit	2,808,985	(126,091)	2,682,894
Other income	4,999,396	-	4,999,396
Finance costs	(1,733,760)	-	(1,733,760)
Profit before taxation	6,074,621	(126,091)	5,948,530
Provision for income tax	(2,132,153)	38,828	(2,093,325)
Profit after taxation	3,942,468	(87,263)	3,855,205

iii) Statement of Cash flows

	As previously reported	Adjustments	As restated
For the six months period ended 30 June 2017			
Profit before taxation	6,074,621	(126,091)	5,948,530
Adjustments for non-cash and other items			
Contract cost	-	1,147,493	1,147,493
Others	20,014,049	-	20,014,049
	20,014,049	1,147,493	21,161,542
Operating profit before working capital changes	26,088,670	1,021,402	27,110,072
Contract costs	-	(1,094,200)	(1,094,200)
Trade and other payables	(2,523,275)	152,490	(2,370,785)
Unearned revenue	53,095	(79,692)	(26,597)
Working capital changes	(2,935,636)	-	(2,935,636)
Cash generated from operations	20,682,854	-	20,682,854
Finance cost, income tax and others	(14,433,313)	-	(14,433,313)
Net cash generated from operating activities	6,249,541	-	6,249,541
Cash flow from Investing Activities			
Net cash used in investing activities	(2,833,483)	-	(2,833,483)
Cash flow form Financing Activities			
Net cash generated from financing activities	(1,307,348)	-	(1,307,348)
Net increase in cash and cash equivalents	2,108,710	-	2,108,710
Cash and cash equivalents at beginning of the period	12,155,598	-	12,155,598
Cash and cash equivalents at end of the period	14,264,308	-	14,264,308

16. SEGMENT INFORMATION

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

16.1 Segment information for the reportable segments is as follows:

	Note	Wire line Rs '000	Wireless Rs '000	Total Rs '000
Six months ended June 30, 2018				
Segment revenue		33,624,400	30,293,963	63,918,363
Inter segment revenue	16.1.1	(2,539,849)	(716,389)	(3,256,238)
Revenue from external customers		31,084,551	29,577,574	60,662,125
Segment results		3,505,336	(1,367,246)	2,138,090
Six months ended June 30, 2017 - (Restated)				
Segment revenue		32,994,507	28,907,659	61,902,166
Inter segment revenue	16.1.1	(2,578,829)	(816,313)	(3,395,142)
Revenue from external customers		30,415,678	28,091,346	58,507,024
Segment results		4,330,473	(475,268)	3,855,205

16.1.1 Inter segment revenues are eliminated on consolidation.

	Wire line Rs '000	Wireless Rs '000	Total Rs '000
As at June 30, 2018			
Segment assets	150,091,643	154,582,565	304,674,208
Segment liabilities	99,582,340	116,455,065	216,037,405
As at December 31, 2017 (Restated)			
Segment assets	146,920,724	148,023,819	294,944,543
Segment liabilities	98,475,431	109,970,494	208,445,925

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				Six months ended	
				June 30, 2018 (Un-Audited) Rs '000	June 30, 2017 (Restated) Rs '000
17.	TRANSACTIONS WITH RELATED PARTIES				
	Relationship with the Group		Nature of transaction		
i.	Shareholders		Technical services assistance fee	2,073,174	2,047,936
ii.	Associated undertakings		Sale of goods and services	1,144,383	653,777
			Purchase of goods and services	682,811	596,674
			Prepaid rent	263,632	246,385
iii.	Employees benefits plans	PTCL	Pakistan Telecommunication Employees Trust (PTET)	-	5,253,506
		PTCL	Gratuity Fund	42,720	26,382
		PTML	Gratuity Fund	43,228	34,820
		U Bank	Gratuity Fund	6,431	4,500
iv.	Employees contribution plans	PTCL	PTCL Employees GPF Trust - net	31,180	207,677
		PTML	Provident Fund	52,661	50,222
		U Bank	Provident Fund	2,517	5,330
v.	Other related parties	PTCL	Sale of goods and services	886,625	803,275
		PTCL	Charges under license obligation	803,823	831,141
		PTML	Expenses reimbursed to Pakistan MNP Database (Guarantee) Limited	10,900	9,061
vi.	Directors, Chief Executive and Key Management Personnel		Fee and remuneration including benefits and perquisites	794,025	848,369

		June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
Trade debts			
- Associated undertakings		1,871,067	1,066,041
- The Government of Pakistan and its related entities		1,436,468	1,392,331
Deposits, Prepayments and other receivables			
- Associated undertakings		71,305	71,305
- PTCL Employees GPF Trust		24,568	55,748
- Pakistan Telecommunication Employees Trust (PTET)		27,482	7,712
- Prepaid rent		89,836	83,959
- Pakistan Telecommunication Authority		-	45,616
- Pakistan Telecommunication Company Limited Employees Gratuity Fund		125,567	93,293
Long term loans to executives	PTCL	237,943	-
and key management personnel	PTML	28,957	56,499

	June 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
Trade and Other Payables		
Trade creditors		
- Associated Undertakings	786,003	583,741
- The Government of Pakistan and its related entities	845,645	1,380,182
Retention money payable to associated undertaking	6,342	7,832
Technical services fee payable to Etisalat	14,470,822	12,347,648
Pakistan Telecommunication Employees Trust (PTET)	3,747,351	2,759,357
PTML		
- Gratuity Fund	40,417	82,980
- Provident Fund	18,991	19,091
- Remuneration payable to chief executive and key management personnels	716	489
U Bank		
- Gratuity Fund	4,943	580
- Provident Fund	4,330	3,464

18. FAIR VALUE ESTIMATION

The financial asset of forward exchange contracts at fair value through profit or loss is Rs. 238,827 thousand (December 31, 2017: Rs. 155,791 thousand).

The carrying amount of all financial assets and financial liabilities are estimated to approximate their fair values.

19. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the annual consolidated financial statements for the year ended 31 December 2017. There is no change in the nature and corresponding hierarchies of fair value levels of financial instruments form those as disclosed in the audited consolidated financial statements of the Group for the year ended 31 December 2017.

20. DATE OF AUTHORIZATION FOR ISSUE OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND INTERIM DIVIDEND

20.1 The Board of Directors of Holding Company has declared an interim dividend of Re. 1.00 per share for the year ending December 31, 2018, amounting to Rs.5,100,000 thousand.

20.2 These condensed consolidated interim financial statements for the six months period ended June 30, 2018 was authorized for issue by the Board of Directors of the Holding Company on July 18, 2018.

Chief Financial Officer | **President & CEO** | **Chairman**

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