

PAKISTAN TELECOMMUNICATION COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022



	Note	2022 Rs '000	2021 Rs '000		Note	2022 Rs '000	2021 Rs '000
Equity and liabilities				Assets			
Equity				Non-current assets			
Share capital and reserves				Property, plant and equipment	20	230,063,134	204,872,579
Share capital	6	51,000,000	51,000,000	Right of use assets	21	16,468,843	17,154,073
Revenue reserves				Intangible assets	22	64,167,468	71,171,339
General reserve		27,497,072	27,497,072			310,699,445	293,197,991
Unappropriated profit		24,824,977	36,604,086				
Statutory and other reserves		1,351,802	789,313	Long term investments	23	51,427	51,427
Unrealized (loss) / gain on investments measured at fair value through OCI		(2,015)	(288,630)	Long term loans and advances	24	982,860	1,127,445
		77,174,764	88,104,769	Long term loans to banking customers	28	12,705,350	8,212,253
				Deferred income tax	11	7,901,476	-
				Contract costs	25	762,364	697,273
						333,102,922	303,286,389
Liabilities				Current assets			
Non-current liabilities				Stock in trade, stores and spares	26	8,618,963	5,947,168
Long term loans from banks	7	78,260,607	52,242,044	Trade debts and contract assets	27	41,375,661	29,190,559
Subordinated debt	8	448,980	449,100	Loans to banking customers	28	46,578,644	26,163,476
Deposits from banking customers	9	1,273,020	1,323,709	Loans and advances	29	6,278,658	3,356,292
Lease liabilities	10	13,442,256	14,879,122	Contract costs	25	3,138,112	2,879,400
Deferred income tax	11	-	2,499,975	Income tax recoverable	30	28,736,568	27,404,527
Employees retirement benefits	12	29,360,928	27,097,185	Receivable from the Government of Pakistan	31	2,164,072	2,164,072
Deferred government grants	13	29,362,359	20,377,148	Deposits, prepayments and other receivables	32	12,948,042	19,667,039
Advances from customers		1,899,388	1,651,860	Short term investments	33	143,912,508	46,564,520
License fee payable	14	13,604,960	21,006,989	Cash and bank balances	34	16,633,094	14,219,595
Long term vendor liability	15	43,919,757	35,600,437			310,284,322	177,556,648
		211,572,255	177,127,569				
Current liabilities							
Trade and other payables	16	122,541,819	103,983,955				
Deposits from banking customers	9	90,910,070	53,432,764				
Interest accrued		1,916,674	1,033,404				
Short term running finance	17	40,799,207	8,227,208				
Current portion of:							
Long term loans from banks	7	46,637,709	11,162,076				
Repo borrowing	7	29,537,082	17,472,353				
Subordinated debt	8	120	149,820				
Lease liabilities	10	4,476,012	3,377,198				
Long term vendor liability	15	15,915,561	10,386,943				
License fee payable	14	164,459	4,809,781				
Security deposits	18	1,531,698	1,364,880				
Unpaid / unclaimed dividend		209,814	210,317				
		354,640,225	215,610,699				
Total equity and liabilities		643,387,244	480,843,037	Total assets		643,387,244	480,843,037
Contingencies and commitments	19						

The annexed notes 1 to 53 are an integral part of these consolidated financial statements.

Chief Financial Officer

President and CEO

Chairman

PAKISTAN TELECOMMUNICATION COMPANY LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2022



	Note	2022 Rs '000	2021 Rs '000
Revenue	35	151,643,728	137,625,446
Cost of services	36	<u>(120,168,406)</u>	<u>(103,095,709)</u>
Gross profit		31,475,322	34,529,737
Administrative and general expenses	37	<u>(20,429,217)</u>	<u>(18,237,317)</u>
Selling and marketing expenses	38	<u>(8,561,663)</u>	<u>(8,147,223)</u>
Impairment loss on trade debts and contract assets	39	<u>(848,067)</u>	<u>(3,062,239)</u>
		<u>(29,838,947)</u>	<u>(29,446,779)</u>
Operating profit		1,636,375	5,082,958
Other income	40	15,646,821	9,800,268
Finance costs and other expenses	41	<u>(29,704,862)</u>	<u>(11,496,193)</u>
(Loss) / profit before tax		<u>(12,421,666)</u>	<u>3,387,033</u>
Income tax	42	<u>4,633,084</u>	<u>(811,768)</u>
(Loss) / profit after tax		<u><u>(7,788,582)</u></u>	<u><u>2,575,265</u></u>

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PAKISTAN TELECOMMUNICATION COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022



	Note	2022 Rs '000	2021 Rs '000
Cash flows from operating activities			
Cash generated from operations	44	25,220,671	46,119,911
Employees retirement benefits paid		(2,180,867)	(1,977,627)
Deposits from banking customers		37,426,617	9,123,157
Advances from customers		407,102	282,765
Payment made to Pakistan Telecommunication Employees Trust (PTET)		(822,813)	(807,959)
Income tax paid		<u>(5,525,659)</u>	<u>(6,416,185)</u>
Net cash inflows from operating activities		54,525,051	46,324,062
Cash flows from investing activities			
Capital expenditure		(54,032,161)	(38,577,781)
Acquisition of intangible assets		(537,008)	(24,532,449)
Proceeds from disposal of property, plant and equipment		2,745,271	1,098,817
Additions to contract costs		(5,927,710)	(5,497,691)
Long term loans and advances		122,940	(118,382)
Short term investments		(97,347,988)	(22,040,021)
Return on long term loans and short term investments		6,865,965	2,351,551
Government grants received		11,511,935	5,172,718
Net cash outflows from investing activities		(136,598,756)	(82,143,238)
Cash flows from financing activities			
Loans from banks - net		73,558,925	37,111,398
Subordinated debt		(149,820)	(240)
Finance cost paid		(17,406,918)	(7,669,892)
License fee - repayments		(12,047,351)	-
Vendor liability		13,847,938	5,760,458
Lease liabilities - repayments		(5,987,066)	(5,413,484)
Dividend paid		(503)	(1,194)
Net cash inflows from financing activities		51,815,205	29,787,046
Net decrease in cash and cash equivalents		(30,258,500)	(6,032,130)
Cash and cash equivalents at beginning of the year		5,992,387	12,024,517
Cash and cash equivalents at end of the year	44.2	<u>(24,266,113)</u>	<u>5,992,387</u>

The annexed notes 1 to 53 are an integral part of these consolidated financial statements.

Chief Financial Officer

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PAKISTAN TELECOMMUNICATION COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022



	2022 Rs '000	2021 Rs '000
Profit for the year	(7,788,582)	2,575,265
Other comprehensive income for the year		
Items that will not be reclassified to consolidated statement of profit or loss:		
Remeasurement gain / (loss) on employees retirement benefits	273,949	(1,679,946)
Tax effect	(90,403)	505,319
	183,546	(1,174,627)
Items that may be subsequently reclassified to consolidated statement of profit or loss:		
Gain / (loss) on equity instrument arising during the year	9,243	(340,246)
Tax effect	(3,050)	50,987
Unrealized gain / (loss) on equity instrument - net of tax	6,193	(289,259)
Impact of reversal of deficit on revaluation of investments held at fair value through other comprehensive income due to change in classification	280,422	-
Total comprehensive income for the year - loss	<u>(7,318,421)</u>	<u>1,111,379</u>

The annexed notes 1 to 53 are an integral part of these consolidated financial statements.

Chief Financial Officer

President and CEO

Chairman

PAKISTAN TELECOMMUNICATION COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022



	Issued, subscribed and paid-up capital		Revenue reserves		Statutory and other reserves	Unrealized loss on investments measured at fair value through OCI	Total
	Class "A"	Class "B"	General reserve	Unappropriated profit			
	(Rupees in '000)						
Balance as at December 31, 2020	37,740,000	13,260,000	27,497,072	7,984,136	511,553	629	86,993,390
Total comprehensive income for the year							
Profit for the year	-	-	-	2,575,265	-	-	2,575,265
Other comprehensive income - net of tax	-	-	-	(1,174,627)	-	(289,259)	(1,463,886)
	-	-	-	1,400,638	-	(289,259)	1,111,379
Others							
Transfer to statutory and other reserves				(277,760)	277,760		-
Balance as at December 31, 2021	37,740,000	13,260,000	27,497,072	9,107,014	789,313	(288,630)	88,104,769
Adjustment on initial application of IFRS 9 - PTCL				(869,206)			(869,206)
Adjustment on initial application of IFRS 9 - Ubank				(2,742,378)			(2,742,378)
Adjusted balance as at January 31, 2022	37,740,000	13,260,000	27,497,072	5,495,430	789,313	(288,630)	84,493,185
Total comprehensive income for the year							
Loss for the year	-	-	-	(7,788,582)	-	-	(7,788,582)
Other comprehensive income - net of tax	-	-	-	183,546	-	286,615	470,161
	-	-	-	(7,605,036)	-	286,615	(7,318,421)
Others							
Transfer to statutory and other reserves	-	-	-	(562,489)	562,489		-
Balance as at December 31, 2022	37,740,000	13,260,000	27,497,072	(2,672,095)	1,351,802	(2,015)	77,174,764

The annexed notes 1 to 53 are an integral part of these consolidated financial statements.

Chief Financial Officer

President and CEO

Chairman

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PAKISTAN TELECOMMUNICATION COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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.

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

Pak Telecom Mobile Limited (PTML)

PTML was incorporated in Pakistan on July 18, 1998, as a public limited company to provide cellular mobile telephony services in Pakistan. PTML commenced its commercial operations on January 29, 2001, under the brand name of Ufone. It is a wholly owned subsidiary of the Holding Company. The registered office of PTML is situated at Ufone Tower, Plot No 55-C, Jinnah Avenue, Blue Area, Islamabad.

U Microfinance Bank Limited (U Bank)

The Holding Company acquired 100% ownership of U Bank on August 30, 2012. U Bank's principal business is to assist in simulating progress, prosperity and social peace in society through creation of income generating opportunities for the small entrepreneurs under the Microfinance Institutions Ordinance, 2001. U Bank also provides branchless banking services. 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)

DVCOM DATA (PRIVATE) LIMITED ("the Company") was incorporated as a private limited company under the Companies Ordinance, 1984 (repealed with the enactment of the Companies Act, 2017 on 30 May 2017) on 27 March 2007. The principal activities of the Company are to provide Wireless Local Loop (WLL) services in Pakistan under the license from Pakistan Telecommunication Authority (PTA).

Effective April 01, 2015, Pakistan Telecommunication Company Limited (PTCL), (the Holding Company) acquired 100% shareholding of the Company from DVCOM Limited and is the sole customer of the Company.

Smart Sky (Private) Limited (Smart Sky)

Smart Sky was incorporated in Pakistan on October 12, 2015 as a private limited company. Smart Sky is a wholly owned subsidiary of PTCL. The registered office of Smart Sky 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. The Holding Company owns and operates telecommunication facilities and provides domestic and international telephone services throughout Pakistan. The Holding Company 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 U Bank, incorporated under Microfinance Institutions Ordinance, 2001, is to provide nationwide microfinance and branchless banking services.

1.3 The principal business units of the Group include the following:

Business units	Geographical locations
PTCL Headquarters	G-8/4, Islamabad
PTCL Business Zone- North	Telecom House F-5/1, Islamabad
PTCL Business Zone- Central	131, Tufail Road, Lahore
PTCL Business Zone- South	Hatim Alvi Road, Clifton, Karachi
PTML Headquarters	Ufone Tower, Blue area Islamabad
U Bank Headquarters	F-7 Markaz Islamabad
DVCOM Data	Hatim Alvi Road, Clifton, Karachi
Smart Sky	G-8/4, Islamabad

2. Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017.
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The applicable financial reporting framework for consolidated subsidiary also includes the following:

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of the Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Provisions of and directives issued under The Microfinance Institutions Ordinance, 2001 (the MFI Ordinance) and the Companies Act, 2017; and
- directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP)

Whenever the requirements of the Microfinance Institution Ordinance, 2001, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 and the said directives shall prevail.

State Bank of Pakistan (SBP) through its BPRD circular No. 4 of 2019 dated 23 October 2019 had decided that the effective date of IFRS 9 implementation was 01 January 2021 for banks/DFIs/MFBs. However, given the prevalent COVID-19 (Corona Virus Disease 2019) pandemic situation, SBP through its BPRD circular No. 15 of 2020 dated 26 March 2020 had decided to extend the timeline of the tasks related to IFRS 9 implementation till periods beginning on or after 01 July 2020. Moreover in view of COVID-19 impact and banking industry representations, SBP vide its BPRD circular letter no. 24 of 2021 dated 05 July 2021 has decided to implement IFRS 9 from 01 January 2022. However as per State Bank of Pakistan (SBP)' BPRD circular letter no. 3 of 2022, the applicability of IFRS 9 to Microfinance Banks in Pakistan was further deferred to accounting periods beginning on or after January 1, 2024, The Bank, however, has early adopted IFRS 9 'Financial Instruments' during the year. The impact of early adoption of IFRS 9 'Financial Instruments' is disclosed in note 5.1 to these consolidated financial statements.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of the International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, the SECP vide its SRO 633 (I)/ 2014, dated 10 July 2014 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement", IAS 40, "Investment Property" and International Financial Reporting Standard (IFRS) 7, "Financial Instruments: Disclosures" for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

These financial statements are 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.

2.1 Standards, interpretations and amendments adopted during the year

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

a) New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations thereto as notified under the Companies Act, 2017 are either not relevant to the Holding Company's operations or are not likely to have significant impact on the Holding Company's financial statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

Annual reporting periods beginning on or after 1 January 2022

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Annual reporting periods beginning on or after 1 January 2022

'Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual reporting periods beginning on or after 1 January 2022

Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

'Annual reporting periods beginning on or after 1 April 2021

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Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

'Annual reporting periods beginning on or after 1 January 2022

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

'Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for five years after that date.

'The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

'Immediately available.

'Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1)

The amendment defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2024.

'Immediately available.

'Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)

The amendment defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2024.

'An entity that elects to apply the amendment

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

Amendments to the following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and interpretations thereto are not yet effective. The management is currently in the process of evaluating the potential impact on the financial statements.

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Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the Holding company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Holding Company applies the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

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Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

As per State Bank of Pakistan (SBP)'s BPRD circular letter no. 03 of 2022, IFRS 9 'Financial Instruments' is applicable:

- Effective 1 January 2023 for banks having asset size of PKR 500 billion or above as per their Annual Financial Statements of December 31, 2021 all Development Finance Institutions (DFIs).
- Effective 1 January 2024 for all other banks and Microfinance Banks (MFBs).

Early adoption of the standard is permissible. The Bank has early adopted IFRS 9 'Financial Instruments' as of 01 January 2022. The impacts of early adoption of IFRS 9 are disclosed in note 5.1 to these financial statements.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- (c) 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 17 Insurance Contracts

The following interpretations / IFRS issued by IASB have been waived off by SECP:

- IFRIC 12 - Service Concession Agreements
- IFRS 2 - Share based payments in respect of Benazir Employees' Stock Option Scheme



3. Basis of measurement

These consolidated 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. Accounting estimates and judgments

The preparation of consolidated 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 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:

Significant estimates and judgments

(a) Provision for employees retirement benefits

The actuarial valuation of pension, gratuity, medical, accumulating compensated absences and benevolent grant plans 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 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) Useful life and residual value of fixed assets

The Group reviews the useful lives and residual values of fixed assets 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.

(d) Provision for doubtful receivables and contract assets

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. Contract assets arise when the Group performs its performance obligations by transferring goods or services to a customer before the customer pays consideration or before payment is due.

Criteria / rates for expected credit loss against non-performing advances as per the requirements of the 'IFRS 9 Financial Instruments application instructions' issued by SBP BPRD circular no. 3 of 2022 dated 05 July 2022.

(e) Impairment of non - financial assets

Management exercises judgment in measuring the recoverable amount of assets at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated to determine the extent of impairment of such assets.

Other estimates and judgments

(a) Provision for stores and spares

A provision against stores and spares is recognized after considering their physical condition and expected future usage. It is reviewed by the management on quarterly basis.



(b) Revenue from contracts with customers

The Group applies probability approach and constrains the unused resources pertaining to remaining performance obligations as at the reporting date for recognition of revenue against cash consideration received. Contract costs comprise incremental cost of acquiring the customers and the Group estimates the average life of the customer for amortization of capitalized contract cost.

(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) Right of use assets and lease liability

The Group has applied incremental borrowing rate of 9% to 10% for recognition of lease liabilities and corresponding right of use assets under IFRS-16.

(e) Other provisions

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 accounting policies as set out below have been applied consistently to all periods presented in these financial statements except for the change presented below.

PTCL

Securities and Exchange Commission of Pakistan issued an SRO through which only financial assets due from Government of Pakistan in respect of circular debt will be exempt from the requirements of calculating expected credit loss as per the requirements of IFRS 9 "Financial Instruments" till 30 June 2022. As the Holding Company's receivable from Government of Pakistan is not in respect of circular debt, the Holding Company has recorded the impact of expected credit loss on opening balances of financial assets due from Government of Pakistan in the Statement of Changes in Equity. There has been no change in classification of financial assets and financial liabilities due to this change in accounting policy.



Ubank - Impact of adoption of IFRS 9

Classification and measurement of financial instrument:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). This classification is generally based on the business model in which a financial asset is managed and is based on its contractual cash flows.

Impairment of financial assets:

The IFRS 9 replaces the current credit loss measurement method with an 'expected credit loss' model ("ECL"). The IFRS 9 requires the bank to record an allowance for ECLs for all financial assets not held at FVTPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as of 01 January 2022. Accordingly, the carrying amounts of financial assets and financial liabilities and impairment allowance presented for 2021 does not reflect the requirements of IFRS 9 and therefore, is not comparable to the information presented for 2022 under IFRS 9.

The assessment for the determination of the business model within which a financial asset is held, considers the facts and circumstances that existed at the date of initial application.

Reconciliation of carrying amount before early adoption of IFRS 9 to carrying amounts under complete IFRS 9 at 01 January 2022

Impact of re-classification	Rupees, 000			
	31 December 2021	Re-classification	Re-measurement	01 January 2022
Financials assets				
Balances with other Banks/ NBFIs/ MFBs	6,223,904	18,134	-	6,242,038
Investments	46,564,520	515,445	-	47,079,965
Advances - net of provisions	34,375,729	8,616,365	(4,136,582)	38,855,512
Other assets	10,050,583	(8,837,417)	-	1,213,166
Financials liabilities				
Deposits and other accounts	55,000,290	438,823	-	55,439,113
Borrowings	36,880,686	172,991	(168,816)	36,884,861
Subordinated debt	1,798,920	480	-	1,799,400
Other liabilities	3,407,297	(612,294)	-	2,795,002
Impact on other financial statement captions				
Deferred tax asset	677,448	(46,833)	1,286,919	1,917,533
Surplus / (deficit) on revaluation of assets	(288,630)	265,694	-	(22,937)
Deferred grants	2,054	-	32,347	34,401

The following table summaries the effect on retained earnings of the entity as a result of early adoption of IFRS 9:

	Rupees, 000
Retained earnings as at 31 December 2021	1,926,314
Reversal of provision held against advances	2,035,615
Reversal of markup on advances (previously suspended)	580,079
Recognition of expected credit loss	(5,384,670)
Remeasurement of advances on amortized cost (effective interest rate)	(956,644)
Reversal of loan processing fee due to adjustment against effective interest rate	(410,963)
Impact of remeasurement of advances	(4,136,583)
Impact of deferred tax on remeasurement of advances	1,240,086
Impact of remeasurement of investments previously held at amortized cost	158,294
Impact of remeasurement of borrowings	(4,175)
Net impact on opening retained earnings	(2,742,378)
Retained earnings under IFRS 9 as at 01 January 2022	(816,064)

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Classification of Financial assets and Liabilities

The following table provides classification of financial instruments of the Bank by class and their carrying amounts as at 31 December 2021 and 01 January 2022:

	Classification as at 01 January 2022			
	Designated at FVTPL	Designated at FVOCI	Amortized Cost	Total carrying amount
	Rupees, 000			
Financials assets				
Cash and balances with SBP and NBP	-	-	3,799,931	3,799,931
Balances with other Banks/ NBFIs/ MFBs	-	-	6,242,038	6,242,038
Investments - net of provisions:	-	-	-	-
Pakistan Investment Bonds (PIBs)	-	-	6,229,687	6,229,687
Term deposit receipts	-	-	7,789,986	7,789,986
Mutual Funds	12,082,206	-	-	12,082,206
T-bills	-	20,978,086	-	20,978,086
Advances - net of provisions	-	-	38,855,512	38,855,512
Other assets	-	-	1,213,166	1,213,166
Total financials assets	12,082,206	20,978,086	64,130,320	97,190,612
Financials liabilities				
Deposits and other accounts	-	-	55,439,113	55,439,113
Borrowings	-	-	36,884,861	36,884,861
Subordinated debt	-	-	1,799,400	1,799,400
Other liabilities	-	-	2,795,002	2,795,002
Total financials liabilities	-	-	96,918,376	96,918,376

CLASSIFICATION AND MEASUREMENT

Financial assets

IFRS has different requirements for debt or equity financial assets. Debt instruments are classified and measured either at:

- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the statement of profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Investments in equity instruments, other than those to which consolidation or equity accounting apply, are classified and measured either at:

- Fair value through profit or loss; or
- Fair value through other comprehensive income, with no subsequent recycling to the statement of profit or loss upon disposal of the financial asset (if the instrument by instrument option to classify at fair value through other comprehensive income is elected).

When classifying a financial asset (other than derivatives and equity instruments), IFRS requires that the contractual cash flows test is performed, commonly referred to as the solely payments of principal and interest test ("SPPI") test. If an instrument fails the SPPI test, it is classified as Fair Value through profit or loss. When an instrument passes the SPPI test, it undergoes the business model test, on a portfolio level.

Business model	Classification basis
Hold to collect	Portfolio accounted at amortized cost
Hold to collect and sell	Portfolio accounted at fair value through other comprehensive income with recycling
Others	Portfolio accounted at fair value through profit or loss

All instruments held for trading are classified as Fair value through profit or loss.

Investments in equity instruments are by default classified as fair value through profit or loss, however, the Bank has an irrevocable choice on an instrument by instrument basis, to elect that the fairvalue changes on the equity investment are accounted for through other comprehensive income. Upon disposal of the investment, the gain or loss on disposal is recognized in equity. Dividends received are recognized in the profit and loss account. The following table summarizes the two-stage approach for financial assets classification on their initial recognition.

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At initial recognition		Contractual cash flow characteristics test	
		Pass	Fail
Business model	Held within a business model whose objective is to hold financial assets in order to collect contractual cash flows	Amortized cost	Fair value through profit or loss (FVTPL)
	Held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets	Fair value through other comprehensive income (FVOCI) with recycling (debt)	Fair value through profit or loss (FVTPL)
	Financial assets which are neither held at amortized nor at fair value through other comprehensive income	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)
Options	Conditional fair value option is elected	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)
	Option elected to present changes in fair value of an equity instrument not held for trading in OCI	N/A	Fair value through other comprehensive income (FVOCI) without recycling (equity)

Financial liabilities

All financial liabilities are carried at amortized cost (i.e. loan payables) and are subsequently accounted in accordance with the effective interest rate method.

Recognition and measurement

The Bank recognizes a financial asset or a financial liability in its financial statements when and only when it becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

Financial assets and liabilities not measured at fair value through profit or loss

When a financial asset or financial liability is recognized initially, the Bank measures it at its fair value plus or minus, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Examples of transaction costs include fees and commissions paid to agents such as broker commissions and stamp duty.

Financial assets and liabilities at fair value through profit or loss.

Financial asset or financial liability are measured at initial recognition at the fair value excluding transaction costs. Transaction costs for this class of financial instrument are recognized directly in the profit and loss account.

Subsequent measurement of financial assets

Financial assets can be categorized into the following categories:

- Amortized cost (Expected credit losses need to be provided);
- Fair value through other comprehensive income with recycling (Expected credit losses need to be provided);
- Fair value through other comprehensive income without recycling (for equity instruments for which the FVOCI option was elected)
- Fair value through profit and loss.

The categorization of the instrument determines the manner of subsequent measurement.

IMPAIRMENT REQUIREMENT FOR FINANCIAL ASSETS

The Bank assesses impairment of financial assets measured at amortized cost and FVOCI at the end of each reporting period. Measurement of expected losses reflects:

- A considered and unbiased, probability-weighted amount;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort and that reflects past events, current conditions and forecasts of future economic conditions.

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IFRS 9 establishes two approaches for measuring impairment i.e. general and simplified. Under the general approach, impairment is generally measured as either 12 months ECL or lifetime ECL relevant for banks and financial institutions. The measurement basis depends on whether there has been a significant increase in credit risk of a financial instrument at the reporting date since its initial recognition. The Bank has identified basis of ECL computation for following stages:

Stage 1: No significant deterioration in credit quality of the financial assets – 12 month expected credit loss

Stage 2: Significant deterioration in credit quality of the financial asset since recognition – lifetime expected credit loss

Stage 3: Credit impaired – impairment determined on individual or collective basis over the life time.

The staging guidelines applicable on the Bank has been adopted from State Bank of Pakistan (SBP) guidelines:

General loans	Classification	Days due	Stage allocation under IFRS 9	Provision to be made
	Performing	1 - 29	Stage 1	As per IFRS 9 ECL modelling
	Underperforming (OAEM)	30 - 59	Stage 2	
	Non-performing			
	Substandard	60 - 89	Stage 3	whichever is higher
	Doubtful	90 - 179		(a) IFRS 9 ECL
	Loss	180 or more		(b) PR's requirements

Microenterprise	Classification	Days due	Stage allocation	Provision to be made
	Performing	1 - 89	Stage 1	As per IFRS 9 ECL modelling
	Underperforming (OAEM)	90 - 179	Stage 2	
	Non-performing			
	Substandard	180 - 364	Stage 3	whichever is higher
	Doubtful	365 - 546		(a) IFRS 9 ECL
	Loss	547 or more		(b) PR's requirements

In order to align classification and provisioning requirements with enhanced loan sizes, State Bank of Pakistan (SBP) via AC&MFD circular 02 of 2022 dated 16 March 2022 has decided to revise Prudential Regulations R-8 for MFBs as under:

Regulation R-8: Classification of Assets and Provisioning Requirements

Specific Provisioning:

The outstanding principal and mark-up of the loans and advances, payments against which are overdue, shall be classified as Non-Performing Loans (NPLs) as prescribed below:

For General Loans

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEM)	Where mark-up or principal is overdue for 30 days or more but less than 60 days.	NIL	No provisioning required
Substandard	Where mark-up or principal is overdue for 60 days or more but less than 90 days	The unrealized interest / profit / mark-up / service charges on NPLs shall be suspended and credited to memorandum account.	25% of outstanding principal net of liquid assets realizable without recourse to a court of law
Doubtful	Where mark-up or principal is overdue for 90 days or more but less than 180 days.	As above	50% of outstanding principal net of liquid assets realizable without recourse to a court of law
Loss	Where mark-up or principal is overdue for 180 days or more.	As above	100% of outstanding principal net of liquid assets realizable without recourse to a court of law

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For Housing Loans

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEM)	Where mark-up or principal is overdue for 90 days or more but less than 180 days from the due date.	NIL.	No provisioning Required.
Substandard	Where mark-up or principal is overdue by 180 days or more but less than one year from the due date.	Unrealized interest / profit / mark-up to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized interest / profit / mark-up already taken to income account to be reversed and kept in Memorandum Account.	Provision of 25% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV.
Doubtful	Where mark-up or principal is overdue by one year or more but less than two years from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV.
Loss	Where mark-up or principal is overdue by two years or more from the due date	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV for first and second year, 50% for third and fourth year and 30% of FSV for fifth year from the date of Classification. Benefit of FSV against NPLs shall not be available after 05 years from the date of classification of financing.

For Microenterprise Loans

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEM)	Where mark- up/ interest or principal is overdue by 90 days or more but less than 180 days from the due date	Unrealized interest / profit / mark-up to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized interest / profit / mark-up already taken to income account to be reversed and kept in Memorandum Account.	Provision of 10% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.
Substandard	Where mark- up/ interest or principal is overdue by 180 days or more but less than one year from the due date.	As above	Provision of 25% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4
Doubtful	Where mark-up/ interest or principal is overdue by one year or more but less than 18 months from the due date.	As above	Provision of 50% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.
Loss	Where mark-up/ interest or principal is overdue by 18 months or more from the due date. Where Inland Trade Bills are not paid/ adjusted within 180 days of the due date.	As above	Provision of 100% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.

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Significant increase in credit risk

A financial asset is considered to have had a significant deterioration in its credit quality, when following factors exists:

- i. **Quantitative factor:** 30 days or more past due for general loans and 90 days or more past due for microenterprise loans;
- Qualitative factors:**
- ii. Restructuring/Rescheduling due to credit reasons;
- iii. Unavailable/inadequate financial information/financial statements;
- iv. Expectation of forbearance (restructuring/rescheduling) occurring;
- v. Qualified report by external auditors;
- vi. Significant contingent liabilities;
- vii. Pending litigation resulting in a detrimental impact;
- viii. Loss of key staff to the organization;
- ix. Increase in operational risk and higher occurrence of fraudulent activities;
- x. Borrower is the subject of litigation by third parties that may have a significant impact on his financial position;
- xi. Frequent changes in senior management;
- xii. Intra-group transfer of funds without underlying transactions; and
- xiii. Deferment/delay in the date for commencement of commercial operations by more than one year.

Key assumptions used in calculation of ECL:

Expected credit loss is a product of:

Probability of default ("PD") x Loss given default ("LGD") x Exposure at default ("EAD")

Probability of default:

Probability of default is a term ascribed to the likelihood of a default over a specified period that a borrower will not be able to repay the amount due.

Many models have been developed by statisticians to estimate probability of default for portfolios with varying default rates. These models take into account a number of factors such as debtor characteristics including third-party-credit-risk-ratings, days past due, past default rates, macroeconomic factors, and asset correlation to estimate future PDs associated with the financial exposures of an entity. Based on analysis performed on available data, flow rate migration matrix have been found most suitable for estimation of probability of default. Accordingly, the Bank has computed loss rates for its advances using flow rate by observing default behavior over the period of 5 years as suggested by BASEL II.

The flow rates have been determined using month on month movement of outstanding balance from one bucket to another. In order to arrive at loss rate the product of average flow rates and LGD was taken.

Forward looking information:

IFRS 9 requires incorporating future economic conditions into the measurement of ECL. Future economic conditions are incorporated by adjusting estimates of PD to reflect expectations about the stage of economic cycle expected to be prevalent in the economy as-and-when default is expected to arise in the future. The macroeconomic factors were selected based on regression analysis of historical default rate and macroeconomic indicator and based on the results of the analysis GDP and CPI were considered to be the most suitable factors based on highest correlation with default rate.

The GDP and CPI forecast were sourced from "The Economist Intelligence Unit" which was used to determine forward looking Point in time PDs (PIT PDs). In compliance with IFRS 9, GDP and CPI were forecasted considering scenarios indicating movement of both indicators under base case, best case, and worst-case simulations. Base case forecasts were sensitized using a scaling factor of 5 years standard deviation to determine better and worst-case scenarios. It was assumed that forecast is a normal distribution. As per normal distribution property the base, better and worst would have 68%, 16% and 16% chances of likelihood.

Furthermore, in order to arrive at the Point in Time (Pit) loss rates, the Vasicek model framework has been used to take into account macroeconomic variables for Pakistan, loss rates and asset correlation as inputs.

Loss given default (LGD):

Loss given default is the loss expected to be suffered should the counterparty default and is set as a percentage. To estimate LGD, specific and accurate recovery data is to be made available. However, in the absence of this information, the standard loss given default identified in Basel framework for secured and unsecured portfolio is used for estimation of expected credit loss.

Segment	Secured / Unsecured	Loss given default
Gold	Secured	35%
Enterprise	Unsecured	45%
Agriculture	Unsecured	45%
Livestock	Unsecured	45%

Exposure at default (EAD):

Exposure at default is the value of the contractual obligation that must be fulfilled by the obligor under the contract at the time of default. Therefore, EAD represents the amount of potential exposure that is at risk.



In case of advances, the EAD is to be calculated by amortizing loans over their tenures. The EAD is to be bifurcated into stage 1, stage 2 and stage 3 using low risk, significant increase in credit risk and default definitions. Further, the SBP guidelines require that loan rescheduled should be considered as an indicator of significant increase in credit risk. Therefore, the rescheduled portfolio has been classified in stage 2 or above.

DERECOGNITION

Financial assets

A financial asset is derecognized when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or
- the entity transfers the financial asset and the transfer qualifies for derecognition (substantially all risks and rewards are transferred meaning that no control is retained).

Financial liabilities

A financial liability (e.g. debt) is derecognized from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired. This condition is met when the debtor either:

- Discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or
- is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor.

Policies applicable before 01 January 2022:

Investments

The investments of the Bank, upon initial recognition, are classified as held-for-trading, held-to-maturity or available-for-sale, as appropriate.

Investments (other than held-for-trading) are initially measured at fair value plus transaction costs associated with the investments. Held-for-trading investments are initially measured at fair value and transaction costs are expensed out in the profit and loss account.

Purchase and sale of investments that require delivery within the time frame established by regulation or market convention is recognized at the trade date, which is the date the Bank commits to purchase or sell the investment.

Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market/ interest rate movements. These securities are required to be disposed off within 90 days from the date of their acquisition. After initial measurement, these are marked to market and surplus/ deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by SBP.

Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any, and amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Available for sale

These are investments which do not fall under the held-for-trading and held-to-maturity categories. After initial measurement, such investments are measured at fair value. The surplus / (deficit) arising on revaluation is shown in the balance sheet below equity which is taken to the profit and loss account when actually realised upon disposal.

Premium or discount on securities classified as available-for-sale and held-to-maturity is amortized using effective interest method and taken to the profit and loss account.

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of these investments. A significant or prolonged decline in the value of security is also considered as an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations. In the event of impairment of available for sale securities, the cumulative loss that had been recognized directly in surplus on revaluation of securities on the balance sheet below equity is thereof removed and recognized in the profit and loss account.

Advances

Advances are stated net of provision for non-performing advances. The outstanding principal and mark-up of the loans and advances, payments against which are overdue for 30 days or more are classified as non-performing loans (NPLs). The unrealized interest / profit / mark-up / service charges on NPLs is suspended and credited to interest suspense account. Further the NPLs are classified into following categories as prescribed in the Regulations:



Other assets especially mentioned

These are advances, payments against which are overdue for 30 days or more but less than 60 days.

Substandard

These are advances, payments against which are overdue for 60 days or more but less than 90 days.

Doubtful

These are advances, payments against which are overdue for 90 days or more but less than 180 days.

Loss

These are advances, payments against which are overdue for 180 days or more.

In addition the Bank maintains a watch list of all accounts overdue for 5-29 days. However, such accounts are not treated as non-performing for the purpose of classification/ provisioning.

In order to enable MFBs in extending relief measures to the affected borrowers, SBP via AC&MFD Circular Letter No. 01 of 2021 dated 01 December 2021 relaxed the criteria for classification of assets and provisioning requirements for Deferred and Restructured Portfolio (DRP) as per the following:

Category	Determinant (Existing)	Determinant (DRP)
<i>Other Assets Especially Mentioned (OAEM)</i>	Loans (principal/mark-up) is overdue for 30 days or more but less than 60 days	Loans (principal/mark-up) is overdue for 60 days or more but less than 90 days
<i>Substandard</i>	Loans (principal/mark-up) is overdue for 60 days or more but less than 90 days	Loans (principal/mark-up) is overdue for 90 days or more but less than 120 days
<i>Doubtful</i>	Loans (principal/mark-up) is overdue for 90 days or more but less than 180 days	Loans (principal/mark-up) is overdue for 120 days or more but less than 210 days
<i>Loss</i>	Loans (principal/mark-up) is overdue for 180 days or more	Loans (principal/mark-up) is overdue for 210 days or more

In accordance with the Regulations, the Bank maintains specific provision of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law at the following rates:

Other assets especially mentioned	Substandard	Nil
Substandard		25% of outstanding principal net of cash collaterals
Doubtful		50% of outstanding principal net of cash collaterals
Loss		100% of outstanding principal net of cash collaterals

In addition to above, a general provision is made equivalent to 1% (2021: 1%) of the net outstanding balance (advance net of specific provisions) in accordance with the requirement of the Regulations. The Bank also recognizes general provisions in addition to the above general provision when the circumstances indicate delinquency in the portfolio.

General and specific provision is charged to the profit and loss account in the period in which they occur.

Non-performing advances are written off one month after the loan is classified as "Loss". However, the Bank continues its efforts for recovery of the written off balances.

Under exceptional circumstances management reschedules repayment terms for clients who have suffered catastrophic events and who appear willing and able to fully repay their loans. Such rescheduling does not have any effects on the classification of the loan as per the Prudential Regulations.

Impairment

Non-derivative financial assets

Financial assets not classified at fair value through profit and loss account are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Bank on the terms that the Bank would not consider otherwise and indication that a debtor will enter bankruptcy.



For financial assets measured at amortized cost, the Bank considers evidence of impairment for these assets at both an individual asset and a collective level. All significant assets are assessed for impairment individually. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Bank uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit and loss account and reflected in an allowance account. When the Bank considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit and loss account.

Financial instruments

Financial assets and liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. These are derecognized when the Bank ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or historical cost as the case may be.

Other particular recognition methods adopted by the Bank are disclosed in the individual policy statements associated with each item of financial instruments.

Financial Assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include deposits, borrowings and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the net profit and loss for the year in which it arises.

Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.



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 acquirer'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 or 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 IFRS 9, either in profit or 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 or 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.

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. The amounts presented in these financial statements have been rounded off to the nearest thousand.

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 consolidated statement of profit or loss for the year.



5.4 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When it is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in the consolidated profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

5.5 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5.6 Dividend distribution

The distribution of the final dividend, to the Holding Company shareholders, is recognized as a liability in the consolidated financial statements in the period in which the dividend is approved by the Holding Company'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.

5.7 Statutory reserve

In compliance with the requirements of the Regulation R-4, U Bank maintains 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 the U Bank. However, thereafter, the contribution is reduced to 5% of the profit after tax.

5.8 Depositors' protection fund

In compliance with the requirements of section 19 of the Microfinance Institutions Ordinance 2001, U Bank contributes 5% of annual profit after tax to the Depositors' Protection Fund for the purpose of providing security or guarantee to the persons depositing money in U Bank.

5.9 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 deposits and time deposits with tenure of less than 1 year) in a current account opened with the State Bank of Pakistan (SBP) or its agent.



5.10 Statutory liquidity requirement

In compliance with the requirements of the Regulation R-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 Depositors' protection fund are excluded for the purposes of determining liquidity.

5.11 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 statement of profit or loss, 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 statement of profit or loss.

5.12 Deposits from banking customers

Deposits 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 or loss over the period.

5.13 Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the consolidated statement of financial position and are measured in accordance with the accounting policies for investment securities by U Bank. The counter party liability for consideration received is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as markup / return / interest expense over the period of the transaction. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized as investment in the consolidated statement of financial Position. Amounts paid under these agreements are included in lending to financial institutions. The difference between the purchase and resale price is treated as markup / return / interest income over the period of the transaction.

5.14 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 the Holding Company and its subsidiaries - PTML and U Bank are as follows:

PTCL

(a) PTCL Employees General Provident Fund (GPF) Trust

The Holding 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 Holding 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 Holding 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 Holding Company provides the following defined benefits:

(i) Pension plans

The Holding 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 Holding Company took over the business from PTC. The Holding Company also operates an unfunded pension scheme for employees recruited on a regular basis, on or after January 01, 1996.

(ii) Gratuity plan

The Holding Company operates an approved funded gratuity plan for its New Terms and Conditions (NTC) employees and contractual employees.

(iii) Medical benefits plan

The Holding 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 medicines, hospitalized treatment and consultation fees.

(iv) Accumulated compensated absences

The Holding 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 Holding Company policy.

(v) Benevolent grants

The Holding Company 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.

PTML

(i) Gratuity plan

Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarify PTML operates a funded gratuity scheme, a defined benefit plan, for all permanent employees which has been approved by the Commissioner of Income Tax in accordance with Part III of Sixth Schedule to the Income Tax Ordinance, 2001. Gratuity is payable to each permanent employee with a minimum qualifying service period of three years.

The liability recognized in the consolidated statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. Defined benefit obligation is based on actuarial valuation by independent actuary based on 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.

The current service cost of the defined plan, recognized in the profit or loss for the year reflects the increase in the defined benefit obligation resulting from employee service in the current year. Past service costs are recognized immediately in the profit or loss for the year. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets, and is recognized in the profit or loss for the year.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.


(ii) Provident fund

PTML operates an approved contributory provident fund, a defined contribution plan, for all permanent employees which has been approved by the Commissioner of Income Tax in accordance with Part III of Sixth Schedule to the Income Tax Ordinance, 2001. PTML's obligation for contribution to the provident fund is charged to profit or loss for the year.

U Bank

(i) Gratuity plan

U Bank operates defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service (three years) as specified by the scheme.



(ii) Provident fund

U Bank operates a defined contribution provident fund scheme for permanent employees. Contributions to the fund are made on monthly basis by U Bank and employees at an agreed rate of salary (8% of the basic salary of the employee), the fund is managed by its Board of Trustees. The contribution of U Bank is charged to profit or loss.

5.15 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.

5.16 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 Group.

5.17 Non current 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 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 consolidated statement of profit or loss during the year 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.

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 consolidated statement of profit or loss 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 remaining useful life.

An item of property plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss from the disposal are determined as the difference between the net disposal proceeds, if any and the carrying amount of the item and are included in consolidated statement of profit or loss for the year.

(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.



(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 consolidated statement of profit or loss 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.

If payment for an intangible asset is deferred beyond normal credit terms, it is recognized at the cash price equivalent. The difference between the cash price equivalent and the total payments is recognized as interest expense over the period of credit.

(c) Right of use assets

The Group assesses whether a contract is or contains a lease at inception of the contract. If the Group assesses contract contains a lease and meets requirements of IFRS 16, the Group recognizes a right-of use asset and a lease liability at the lease commencement date. Right of use asset is calculated as the initial amount of the lease liability in terms of network sites, offices, vehicles and right of way at the lease contract commencement date. The right of use asset is subsequently depreciated using the straight line method.

5.18 Impairment of non financial assets

Assets that have indefinite useful lives, for example freehold land and goodwill, are not subject to depreciation and amortization 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 consolidated statement of profit or loss for the year.

5.19 Long term loans

Long term loans are initially recognized at present value of loan amount disbursed to employees. On initial recognition, the discount representing difference between loan disbursed and its present value is charged in the consolidated statement of profit or loss. Subsequently, the unwinding of discount on present value of loans is recognized as income over the loan term using the effective interest method.

5.20 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 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.

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5.21 Stores and spares

Store and spares 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.

5.22 Trade debts and contract assets

Trade debts are carried at their original invoice amounts, less any estimates made for expected credit losses based on review of all outstanding amounts at reporting date. Bad debts are written off as per Group policy.

Securities and Exchange Commission of Pakistan issued an SRO through which only financial assets due from Government of Pakistan in respect of circular debt will be exempt from the requirements of calculating expected credit loss as per the requirements of IFRS 9 "Financial Instruments" till 30 June 2022. As the Holding Company's receivable from Government of Pakistan is not in respect of circular debt, the Holding Company has recorded the impact of expected credit loss on opening balances of financial assets due from Government of Pakistan in the Statement of Changes in Equity. There has been no change in classification of financial assets and financial liabilities due to this change in accounting policy.

5.23 Lease liability

The Group recognizes lease liabilities as per IFRS - 16 at the present value of the remaining lease payments using the Group's incremental borrowing rate. Lease liabilities are measured at their amortized cost using the effective interest method.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

5.24 Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, cash with banks and short term finances under mark up arrangements with banks. Cash equivalents are short term highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

5.25 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.

5.26 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.

5.27 Financial instruments

5.27.1 Classification

The Group classifies its financial assets other than for U Bank on initial recognition in the following categories: at amortized cost, at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial asset, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(i) Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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(ii) **Fair value through other comprehensive income**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL: (i) It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

(iii) **Fair value through profit or loss**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial instruments. On initial recognition, the Group irrevocably designates a financial instrument that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

5.27.2 Recognition and measurement

Trade and other receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

5.27.3 Subsequent measurement and gains and losses

- | | |
|--|--|
| (i) Financial assets at amortized costs | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| (ii) Financial assets at FVOCI | <p>Debt investments are subsequently measured at fair value. Interest income calculated using effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.</p> <p>Equity investments are subsequently measured at fair value. Interest income calculated using effective interest method, foreign exchange gain and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.</p> |
| (iii) Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |

Financial assets of the Group include trade debts, contract assets, long term loans, deposits, other receivables, short term investments and forward exchange contracts.

5.27.4 Impairment of financial assets

The Group recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Group measures loss allowances at an amount equal to lifetime ECLs. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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At each reporting date, the Group assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

5.27.5 Financial liabilities

Financial liabilities, other than for U Bank, are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in consolidated profit or loss. The financial liabilities of the Group include subordinated debt, long term loans from banks, long term vendor liability, long term security deposits, interest accrued, short term running finance and trade and other payables.

5.27.6 Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5.27.7 Derivative financial instruments

Derivative financial instruments are initially recognized 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 the fair value of derivative financial instruments is charged to profit or loss for the year.

5.27.8 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.

5.28 (a) Revenue recognition

Revenue is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies the performance obligations by transferring a promised good or service to a customer. Goods or services are transferred when the customer obtains control of that assets.

The Group mainly generates revenue from providing telecommunication services such as Data, Voice, IPTV, Connectivity services, Interconnect, Information and communication technology (ICT), digital solutions and equipment sales, messaging services, sales of mobile devices etc.

Services are offered separately and as bundled packages along with other services and/or devices.



For bundled packages, the Group 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 product and services (i.e. distinct performance obligations, "POs") in a bundle based on their stand-alone selling prices.

The stand-alone selling prices are determined based on the observable price at which the Group sells the products and services on a standalone basis. For items that are not sold separately, the Group estimates standalone selling prices using other methods (i.e. adjusted market assessment approach, cost plus margin approach or residual approach).

Nature and timing of satisfaction of Performance obligations are as follows:

Product and services	Nature and timing of satisfaction of Performance obligations
Voice, Broadband, IPTV	The Holding Company recognizes revenue as and when these services are provided (i.e. actual usage by the customer).
Installation charges	Installation services provided for service fulfillment are not distinct performance obligation and the amount charged for installation service is recognized over the average customer life.
Corporate Services	Revenue is recognized over the period when these services are provided to the customers. Where hardware (e.g. routers) are provided as part of the contract, the Holding Company recognizes these as distinct POs only if the customer can benefit from them either by selling for more than scrap value or using with services from other service providers.
Carrier and Wholesale (C&WS)	Revenue from C&WS services is recognized when the services are rendered.
Mobile telecommunication services	Mobile telecommunication services include voice, data and messaging services. The Group recognizes revenue as and when these services are provided. These services are either prepaid or billed, in which case they are paid for on a monthly basis. Revenue for SIM activation and special numbers is recognized on the date of activation.
Equipment revenue	Group recognizes revenue when the control of the device is transferred to the customer. This usually occurs at the contract inception when the customer takes the possession of the device.
International Revenue	Revenue is recognized over the period when services are provided to the customers.

Principal versus agent presentation

When the Group sells goods or services as a principal, revenue and related cost is reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and related cost are recorded in revenue on a net basis, representing the margin earned.

Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgments impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

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.

Constraining of transaction price under pre-paid customer contracts

The Group constrains the unused subscriber resources to the historic pattern of usage for calculation of the unsatisfied performance obligations as at the reporting date. The Group does not expect adjustment to the amount of revenue recognized based on such constraining of resources.



5.28 (b) Contract liabilities

A contract liability is the obligation of the Group to transfer goods or services to a customer for which the Group has received consideration or an amount of consideration is due from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs its performance obligations under the contract.

5.28 (c) Contract assets

The contract assets primarily relate to the Group'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.

5.28 (d) Contract costs

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 and recognized as cost of sales. Applying the practical expedient of IFRS 15, the Group recognizes the incremental cost of obtaining and fulfilling a

5.28 (e) U Bank revenue recognition

(i) Mark-up / income on loan to banking customers

Mark-up/ income/ return/ service charges on advances is recognized on accrual/ time proportion basis using effective interest method at the U Bank's prevailing interest rates for the respective loan products. Mark-up/ income on advances is collected with loan instalments. Due but unpaid service charges/ income are accrued on overdue advances for period up to 30 days. After 30 days, overdue advances are classified as non-performing and recognition of unpaid service charges / income ceases. Further accrued mark-up on non-performing advances are reversed and credited to suspense account. Subsequently, mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Application processing fee is recognized as income when service is performed.

(iii) Fee, commission and brokerage income

Fee, commission and brokerage income are recognized as services are performed.

5.29 Income on bank deposits

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

5.30 Income on inter bank deposits

Income from inter bank deposits in saving accounts are recognized in the consolidated statement of profit or loss using the effective interest method.

5.31 Income from investment

Mark-up / return on investments is recognized on time proportion basis using effective interest method. Where debt securities are purchased at premium or discount, the related premiums or discounts are amortized through the consolidated profit or loss statement over the remaining period of maturity of said investment. Gain or loss on sale of securities is accounted for in the period in which the sale occurs.

5.32 Dividend income

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

5.33 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 the consolidated statement of comprehensive income, in which case the related tax is also recognized in the consolidated statement of 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 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

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.

(c) Group taxation

The Group is taxed as a one fiscal unit along with Holding Company and its other wholly owned subsidiaries under section 59AA to the Income Tax Ordinance, 2001. Current and deferred income taxes are recognized by each entity within the Group in their respective statement of comprehensive income, regardless of who has the legal rights or obligation for the recovery or payment of tax from or to the tax authorities. However, tax liability / receivable is shown by the parent, on submission of annual tax return, who has the legal obligation to pay or right of recovery of tax from the taxation authorities. Balances between the group entities on account of group tax are shown as other receivables / liabilities by the respective group entities.

5.34 Subordinated debt

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognized as part of other liabilities and is charged to the consolidated statement of profit and loss over the period on an accrual basis.

5.35 Operating segments

Operating segments are reported in a manner consistent with the internal reporting of the Group in note 50 to the consolidated financial statements.



6. Share capital

6.1 Authorized share capital

2022 (Number of shares '000)	2021 (Number of shares '000)		2022 Rs '000	2021 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
<u>15,000,000</u>	<u>15,000,000</u>		<u>150,000,000</u>	<u>150,000,000</u>

6.2 Issued, subscribed and paid up capital

2022 (Number of shares '000)	2021 (Number of shares '000)		2022 Rs '000	2021 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
<u>5,100,000</u>	<u>5,100,000</u>		<u>51,000,000</u>	<u>51,000,000</u>

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, 2022, 599,582 thousand (December 31, 2021: 599,568 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. Borrowings from Banks

7.1 Long term loans from banks

These represent secured loans from the following banks:

	Annual mark-up rate	Repayment commencement date		Repayment installments	Note	Outstanding loan balance	
		Interest	Principal			2022 Rs '000	2021 Rs '000
	3-Months KIBOR plus			Quarterly			
MCB Bank Limited	0.25%	Jul. 2014	Jul. 2018	12		-	666,667
Faysal Bank Limited	0.25%	Jul. 2014	Jul. 2018	12		-	333,333
Bank Al-Habib Limited	0.25%	Jul. 2014	Jul. 2018	12		-	166,667
Bank Alfalah Limited	0.25%	Jul. 2014	Jul. 2018	12		-	166,667
Allied Bank Limited	0.25%	Mar. 2015	Mar. 2019	12		-	666,667
United Bank Limited	0.25%	Mar. 2015	Mar. 2019	12		-	333,333
Meezan Bank Limited	0.25%	Aug. 2015	Aug. 2019	12		333,333	1,000,000
Habib Bank Limited - Islamic Banking	0.25%	Sep. 2015	Sep. 2019	12		333,333	1,000,000
Dubai Islamic Bank Limited	0.25%	Oct. 2015	Oct. 2019	12		250,000	583,333
Habib Bank Limited - Islamic Banking	0.25%	Mar. 2016	Mar. 2020	12		333,333	666,667
United Bank Limited	0.25%	May 2016	May 2020	12		833,333	1,500,000
Allied Bank Limited	0.25%	May 2016	May 2020	12		1,250,000	2,250,000
MCB Bank Limited	0.24%	Mar. 2018	Mar. 2022	12		900,000	1,000,000
MCB Bank Limited	0.24%	Mar. 2018	Mar. 2022	12		766,667	1,500,000
United Bank Limited	0.25%	Jul. 2014	Jul. 2018	12		-	166,667
MCB Bank Limited	0.25%	Apr. 2019	Apr. 2023	12		2,000,000	2,000,000
BankIslami Pakistan Limited	0.50%	Mar. 2020	Mar. 2024	12		1,000,000	1,000,000
Askari Bank Limited	0.60%	Mar. 2020	Mar. 2024	12		2,000,000	2,000,000
MCB Bank Limited	0.50%	Sep. 2020	Sep. 2024	12		3,000,000	3,000,000
Meezan Bank Limited	0.50%	Sep. 2020	Sep. 2024	12		2,000,000	2,000,000
Meezan Bank Limited	0.50%	Mar. 2021	Mar. 2025	12		1,500,000	1,500,000
Faysal Bank Limited	0.50%	Mar. 2021	Mar. 2025	12		1,000,000	1,000,000
MCB Islamic Bank Limited	0.50%	Mar. 2021	Mar. 2025	12		500,000	500,000
Syndicate loan MCB	0.55%	Sep. 2021	Feb. 2026	6	7.1.1	21,000,000	21,000,000
Faysal Bank Limited	0.60%	Apr. 2021	Jul. 2025	12		4,000,000	4,000,000
Meezan Bank Loan-4B	0.50%	Aug. 2022	Nov. 2026	12		4,000,000	-
Askari Bank 2B	0.60%	Oct. 2022	Jan. 2027	12		2,000,000	-
Bank Alfalah Limited	0.60%	Dec. 2022	Mar. 2027	12		2,000,000	-
United Bank Limited	-0.10%	Dec. 2022	Mar. 2023	1	7.1.2	2,000,000	-
Less: Transaction cost						(136,875)	-
					7.1.3	52,863,124	50,000,001
Loan under SBP refinance scheme							
Bank Al Falah Limited - 1	2.00% Flat	Jul. 2020	Jan. 2021	8	7.1.4	-	252,375
Bank Al Falah Limited - 2	1.25% Flat	Oct. 2020	Jan. 2021	8	7.1.4	-	243,411
						-	495,786
						52,863,124	50,495,787
	6-Months KIBOR plus			Semi-annual			
Allied Bank Limited - I	1.10%	Sep. 2017	Sep. 2018	6		-	-
Faysal Bank Limited - I	1.00%	Aug. 2018	Aug. 2019	6	7.1.5	-	166,667
Faysal Bank Limited - II	0.75%	Jun. 2019	Jun. 2020	6	7.1.6	-	333,333
Allied Bank Limited - II	0.95%	Jun. 2019	Jun. 2020	6	7.1.7	-	1,333,333
Bank of Punjab	0.85%	Mar. 2019	Sep. 2019	4		-	-
State Bank of Pakistan	-1.00%	Jun. 2019	Jun. 2024	4	7.1.8	945,294	1,500,000
Bank Alfalah - PPTFC	1.35%	Jun. 2021	Dec. 2022	6	7.1.9	3,287,195	3,500,000
Bank of Punjab	0.95%	Jun. 2021	Jun. 2022	7	7.1.10	508,591	600,000
Allied Bank Limited - III	1.25%	Nov. 2021	May. 2023	6	7.1.11	2,442,825	2,250,000
Pakistan Kuwait Investment Company (Private) Limited	1.10%	Dec. 2021	Jun. 2022	4	7.1.12	397,270	750,000
Allied Bank Limited - IV	0.95%	Dec. 2021	Dec. 2022	9	7.1.13	429,154	500,000
UMBL ADT-1 TFCs	3.50%				7.1.14	1,000,000	-
NBP - Term Finance	0.65%	Dec. 2023	Jun. 2027	8	7.1.15	1,495,131	-
	Mark-up rate	Repayment commencement date		Repayment installments			
		Interest	Principal				
Pakistan Mortgage Refinance Company	1 year PKRV	Aug. 2021	Aug. 2022	Bullet	7.1.16	-	500,000
Pakistan Mortgage Refinance Company - II	1 year KIBOR-1 Spread	Dec. 2021	Mar. 2023	8 Quarterly	7.1.17	432,040	500,000
United Bank Limited	1 month KIBOR+0.85%	Dec. 2021	Jun. 2022	6 Semi-annual	7.1.18	339,057	475,000
MCB Bank Limited	3 months KIBOR+0.75%	Dec. 2021	Mar. 2023	12 Quarterly	7.1.19	351,093	500,000
Meezan Bank - Bi Maujal	12 months KIBOR+0.15%	Dec. 2023	Dec. 2023	Yearly	7.1.20	995,932	-
UMBL - MCB - STFWC	1 month KIBOR+0.05%	Mar. 2023	Mar. 2023	1 Quarterly	7.1.21	10,002,488	-
MCB - STFWC-2	1 month KIBOR	Mar. 2023	Mar. 2023	1 Quarterly	7.1.22	20,001,165	-
Meezan Bank - Bi Maujal	KIBOR+0.15%	Mar. 2023	Mar. 2023	1 Quarterly	7.1.23	1,980,109	-
Meezan Bank - Bi Maujal	KIBOR+0.05%	Aug. 2023	Aug. 2023	3 Quarterly	7.1.24	2,997,528	-
Call Borrowing - ZTBL	16.75%	Jan. 2023	Jan. 2023	1 monthly	7.1.25	1,000,000	-
Accrued Interest						971,943	-
						49,586,825	12,908,333
	3-Months KIBOR plus			Bi-Annual			
MCB Bank Ltd	0.30%	Sep. 2022	Dec. 2026	6	7.1.26	11,000,000	-
Habib Bank Ltd	0.40%	Dec. 2022	Jun. 2027	6	7.1.27	11,500,000	-
Accrued Interest						68,386	-
Less: Transaction cost						(120,019)	-
						22,448,367	-
						124,898,316	83,404,120
Current portion of long term loans from banks						(48,637,709)	(11,162,076)
						78,260,607	52,242,044

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- 7.1.1 PTML entered into an arrangement with MCB Bank Limited for syndicated term finance facility. The facility is secured against hypothecation over fixed and current assets (excluding land, building and cellular licenses) and corporate guarantee of the Holding Company amounting to Rs 21,000,000 thousand.
- 7.1.2 It represents bridge financing facility availed from United Bank Limited amounting to Rs. 2,000,000 thousand (December 31, 2021: Nil). This facility is secured by first ranking pari passu charge by way of hypothecation over all present and future assets of PTML, excluding land, building and licenses with 25% margin.
- 7.1.3 These loans are secured by way of first charge ranking pari passu by way of hypothecation over all present and future movable equipment and other assets (excluding land, building and licenses) of PTML. Three months KIBOR stands at 17% at December 31, 2022 (December 31, 2021: 10.54%). These loans also require the PTML to comply with the financial covenants and other operational requirements.
- 7.1.4 These represent long term loans availed under State Bank of Pakistan (SBP) Refinance Scheme for payment of wages and salaries to the employees of PTML. PTML received the loan on below-market rate therefore recognized the deferred grant on the statement of financial position as the difference between the actual loan proceed and the present value of the loan proceed received, discounted using the prevailing market rate of interest.

	Note	2022 Rs '000	2021 Rs '000
Loan proceed received		1,037,934	1,037,934
Re-payments		(1,037,934)	(518,967)
Deferred government grants	13	-	(23,181)
Fair value of loan proceeds		-	495,786

- 7.1.5 This represent term finance loan of Rs 1,000,000 thousand which is secured against first pari passu charge over book debts, advances and receivable of U Bank with 25% margin and Microfinance Credit Guarantee Facility (MCGF) from State Bank of Pakistan at 25%.
- 7.1.6 This represent term finance loan of Rs 1,000,000 thousand which is secured against first pari passu charge over book debts, advances and receivables of U Bank for Rs 1,333 thousand (25% margin). Initial disbursement on ranking charge was upgraded to first pari passu from December 21, 2018.
- 7.1.7 This represents term finance facility under syndicate financing through Allied Bank Limited of Rs 4,000,000 thousand which is secured against first pari passu charge over all present and future assets excluding land and building of U Bank but not limited to advances and investments beyond CRR and SLR requirements of U Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to first pari passu with in 120 days of first disbursement.
- 7.1.8 This represent term finance loan of Rs 1,500,000 thousand for a tenure of five years. Mark-up is payable on every half-year end i.e. June 30th and December 31st, while payment of principal will be made in the last four quarters of the loan period or in bullet form. The loan is provided against the following target stated by SBP:
-the loan should be disbursed to 60% female borrowers
-the Bank should disburse 25,000 loans; and
-all loans disbursed should meet the E&S guideline issued by SBP.
- 7.1.9 This represents privately placed term finance certificates (TFCs) of Rs 3,500,000 thousand distributed in 35,000 TFCs of Rs. 100,000 each. The Issue amount will be utilized to enhance the advances portfolio of the Bank. Half of the issue amount is secured against 1st pari passu charge on the book debts, advances and receivables with 25% margin remaining half is secured against charge on government securities. The rating of these certificates issued by PACRA is AA- with stable outlook. These TFCs shall be inducted in CDS and the laws and regulation relating to the CDS with respect to the term finance certificates will be applicable to the TFCs.
- 7.1.10 This represents term finance facility through The Bank of Punjab of Rs 600,000 thousand. This is secured against first pari passu charge over all present and future assets (excluding land and building), book debts, advances microcredit receivables and investments of the bank with 25% margin. The loan was drawn on 30 June
- 7.1.11 This represent syndicated Term Finance facility with Allied Bank Limited. This is secured against first pari-passu charge on all present and future assets of the borrower with the margin of 25%. The loan was drawn on 26 November 2021.
- 7.1.12 This represent utilised amount of term finance facility of Rs 750,000 thousand from Pakistan Kuwait Investment Company (Private) Limited (PKIC or lender). This is secured against first pari passu charge on all present and future assets (excluding land and building) including but not limited to book debts, advances, microcredits, bills, cash and bank balances, investments etc with 25% margin. The loan was drawn on 2 December 2021.
- 7.1.13 This represent Housing Loan of Rs 500,000 thousand from Allied Bank Limited. This is secured against first pari passu hypothecated charge on all present and future assets (excluding land and building) of the Bank inclusive of 25% margin. The loan was drawn on 17 December 2021.
- 7.1.14 This represents term finance certificates (TFCs) of Rs 1,000,000 thousand distributed in 10,000 TFCs of Rs 100 thousand each. The Issue amount will be utilized to contribute towards Ubank's Additional Tier-1 capital. The facility tenure is perpetual. Profit will be payable semi-annually in arrears on non-cumulative on the outstanding issue. Amount basis shall continue till the maturity of the instrument. The first such profit payment will fall due six months from the issue of the date and subsequently every six months. The rating of these certificates issued by PACRA is A-. These TFCs shall be inducted in CDS and the laws and regulation relating to the CDS with respect to the term finance certificates will be applicable to the TFCs.
- 7.1.15 This represents Term finance facility of Rs 1,495,131 thousand from National bank of Pakistan. This is secured against First pari-passu hypothecation charge over all present and future assets (excluding land & building) of U bank including but not limited to advances, microcredit receivables and investment beyond CRR and SLR requirement of the company with 25% margin.
- 7.1.16 This represent Housing Loan from Pakistan Mortgage Refinance Company Limited carrying markup at the rate of 1 year PKRV. This is secured against first pari-passu charge on all present and future assets of the borrower with the margin of 25%. The loan amounting to 300,000 thousand was drawn on 27 August 2021 and 200,000 thousand on 30 September 2021.
- 7.1.17 This represent Housing Loan of Rs 500,000 thousand from Pakistan Mortgage Refinance Company Limited. This is secured against first pari-passu charge on all present and future assets of the Bank. The loan was drawn on 30 December 2021
- 7.1.18 This represent Housing Loan of Rs 475,000 thousand from United Bank Limited. This is secured against first pari passu hypothecated charge on all present and future assets inclusive of 25% margin. The loan was drawn on 29 December 2021.
- 7.1.19 This represent Housing Loan of Rs 500,000 thousand from MCB Bank Limited. This is secured against first pari passu amounting to 667,000 thousand charge on all present and future assets (excluding land and building) but not limited to advances / microcredit receivables and investments (excluding CRR and SLR requirements, any lien over cash/TDR). The loan was drawn on 31 December 2021.
- 7.1.20 This represents Bi Mawajjal of Rs 995,932 thousand from Meezan Bank Ltd to finance the lending operations of Islamic Microfinance Division of U Microfinance Bank Ltd by utilizing the short-term facility to setup, establish and develop loan portfolio. This is secured against Government security amounting to Rs. 1,100,000 thousand charge. The loan was drawn on 22 June 2022.
- 7.1.21 This represents loan of Rs 10,000,000 thousand from MCB Bank Ltd to finance the working capital requirements including for expansion of the Bank's advances portfolio. This loan is secured with 10% margin on latest NAV. The principle amount of facility is repayable on maturity and mark-up repayments fall due at the time of adjustment of each tranche / maturity.
- 7.1.22 This represents loan of Rs 20,000,000 thousand from MCB Bank Ltd This facility is secured against Pakistan investment bond / treasury bills to be kept in IPS account maintained with MCB at the rate of 5% margin. The principle amount of facility is repayable on maturity and mark-up repayments fall due at the time of adjustment of each tranche/maturity.

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7.1.23 This represents Bai Mawajjal of Rs 1,990,109 thousand from Meezan Bank Ltd to finance the lending operations of Islamic Microfinance Division of U Bank. This loan is secured against the investment in Pakistan Investment Bonds maintained with third party banks investor portfolio with 5% margin.

7.1.24 This represents Bai Maujil facility of Rs 2,997,528 thousand from Meezan bank limited to finance the lending operations of Islamic Microfinance Bank. This is secured against over the principle value of Pakistan investment Bond's or treasury bills in 3rd party IPS account of UMBL maintained with ABL or Pak Brunei investment CO Ltd at the rate of 5% margin and / or lien over GOP ijarah sukuk in the IPS account of UMBL maintained with MBL with nil margin .

7.1.25 This represents Call Borrowing from Zarai Taraqiati Bank Limited at the rate of 16.75% amounting to Rs 1,000,000 thousand with maturity date of 06 January 2023.

7.1.26 The Holding Company has entered into a syndicate term finance agreement dated 16 June 2022. The finance facility is secured by creating a charge by way of hypothecation over the Hypothecated Assets in favour of the MCB Bank Limited - Security Agent, which shall constitute a first charge in favour of MCB Bank Limited - Security Agent (for the benefit of the Syndicate).

7.1.27 The Holding Company has entered into a syndicate term finance agreement dated 29 December 2022. The finance facility is secured by creating a charge by way of hypothecation over the Hypothecated Assets in favour of the HBL Bank Limited - Security Agent, which shall constitute a first charge in favour of HBL Bank Limited - Security Agent (for the benefit of the Syndicate).

7.2 Repo borrowings

This represents Repo Borrowing from:

- Pak Oman Investment Bank at the rate of 16.9% amounting to Rs 1,460,000 thousand with maturity date of 06 January 2023.
- Pak Oman Investment Bank at the rate of 16.9% amounting to Rs. 1,460,000 thousand with maturity date of 06 January 2023.
- Zarai Taraqiati Bank Limited at the rate of 16.40% amounting to Rs 1,980,000 thousand with maturity date of 06 January 2023..
- Zarai Taraqiati Bank Limited at the rate of 16.40% amounting to Rs. 1,980,000 thousand with maturity date of 06 January 2023.
- CDC ABL Income Fund at the rate of 16.40% amounting to Rs. 1,470,000 thousand with maturity date of 18 January 2023.
- CDC ABL Income Fund at the rate of 16.40% amounting to Rs. 1,470,000 thousand with maturity date of 18 January 2023.
- CDC ABL Income Fund at the rate of 16.40% amounting to Rs 195,680 thousand with maturity date of 18 January 2023.
- Bank of Punjab at the rate of 16.40% amounting to Rs 1,930,000 thousand with maturity date of 06 Jan 2023.
- Bank of Punjab at the rate of 16.40% amounting to Rs 978,8000 thousand with maturity date of 06 Jan 2023.
- Bank of Punjab at the rate of 16.40% amounting to Rs 1,930,000 thousand with maturity date of 06 Jan 2023.
- Bank of Punjab at the rate of 16.50% amounting to Rs 1,980,000 thousand with maturity date of 03 Jan 2023.
- Bank of Punjab at the rate of 16.50% amounting to Rs 1,980,000 thousand with maturity date of 03 Jan 2023.
- Bank of Punjab at the rate of 16.50% amounting to Rs 992,953 thousand with maturity date of 03 Jan 2023.
- Bank of Punjab at the rate of 16.40% amounting to Rs 1,910,000 thousand with maturity date of 03 Jan 2023.
- Bank of Punjab at the rate of 16.40% amounting to Rs. 1,910,000 thousand with maturity date of 03 Jan 2023.
- Bank of Punjab at the rate of 16.40% amounting to Rs. 1,910,000 thousand with maturity date of 03 Jan 2023.
- Bank of Punjab at the rate of 16.40% amounting to Rs 994,500 thousand with maturity date of 03 Jan 2023.
- Khushali Bank Limited at the rate of 16.50% amounting to Rs 1,990,000 thousand with maturity date of 03 Jan 2023.
- Khushali Bank Limited at the rate of 16.50% amounting to Rs 497,250 thousand with maturity date of 03 Jan 2023.
- Habib Metro Bank Limited at the rate of 16.20% amounting to Rs 497,250 thousand with maturity date of 06 Jan 2023.

8. Subordinated debt

This represents term finance certificates (TFCs) of Rs 600,000 thousand distributed in 120 thousand TFCs of Rs 5 thousand each issued as subordinated loan in June 2017. The loan is availed as TIER-II subordinated debt for inclusion in U Bank's Supplementary Capital. The facility tenure is 7 years and is priced at 6-months KIBOR plus 3.50% (2021: 6-months KIBOR plus 3.50%). The instrument is structured to redeem 0.02% of principal, semi-annually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal instalments starting from 66th month. The TFCs are subordinated as to the payment of principal and profit to all other indebtedness of the U Bank. The rating of these certificates issued by JCR-VIS credit rating company is A- with a stable outlook.

9. Deposits from banking customers

Fixed deposits
Savings deposits
Current deposits

Current portion

	2022 Rs '000	2021 Rs '000
Fixed deposits	26,785,758	20,280,327
Savings deposits	59,204,886	30,648,858
Current deposits	6,192,446	3,827,288
	92,183,090	54,756,473
Current portion	(90,910,070)	(53,432,764)
	<u>1,273,020</u>	<u>1,323,709</u>

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	Note	2022 Rs '000	2021 Rs '000
13. Deferred government grants			
USF Government grants	13.1	29,362,359	20,353,967
Government grant under SBP refinance scheme	7.1.4	-	23,181
		<u>29,362,359</u>	<u>20,377,148</u>
13.1. Balance at beginning of the year		20,353,967	18,139,023
Received during the year		11,511,935	5,172,718
		<u>31,865,902</u>	<u>23,311,741</u>
Income recognized during the year	40	(2,503,543)	(2,957,774)
Balance at end of the year		<u>29,362,359</u>	<u>20,353,967</u>

This represents 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	2022 Rs '000	2021 Rs '000
14. License Fee Payable			
Interest bearing	14.1	12,634,844	24,854,533
Non interest bearing	14.2	1,134,575	962,237
		<u>13,769,419</u>	<u>25,816,770</u>
Current portion		(164,459)	(4,809,781)
		<u>13,604,960</u>	<u>21,006,989</u>
14.1 Interest bearing			
Gross amount payable	14.3	12,634,844	24,854,533
Current portion		-	(4,769,505)
		<u>12,634,844</u>	<u>20,085,028</u>
14.2 Non Interest bearing			
Gross amount payable	14.4	1,480,127	1,308,983
Imputed deferred interest		(345,552)	(346,746)
Present value of obligation		<u>1,134,575</u>	<u>962,237</u>
Current portion		(164,459)	(40,276)
		<u>970,116</u>	<u>921,961</u>

14.3 Interest bearing License includes acquisition of 4G license throughout Pakistan excluding Azad Jammu & Kashmir (AJK) and Gilgit-Baltistan (GB) in September 2021 at a fee of USD 279 million. 50% of the license fee had been paid at the time of acquisition of license. During the year, the Company has paid 3 installments including 2 prepayments and the remaining amount will be paid in 2 equal installments along with interest @ LIBOR + 3% per annum, due on September 15th each year, in US dollar or equivalent Pak Rupee.

14.4 (i) Non-Interest bearing includes renewal of 2G license for operations in AJK and GB in June 2021 at a fee of USD 13,500 thousand. 50% of the license fee had been paid at the time of acquisition of license and the remaining 50% of the amount is to be paid in 10 equal annual installments on June 24th each year in US Dollars or equivalent Pak Rupees. Accordingly, at initial recognition, the aggregate amount payable is discounted to the present value of future cash flows at the rate of 6% per annum.

(ii) Non-Interest bearing also includes acquisition of 4G license for operations in AJK and GB in October 2021 at a fee of USD 1,026 thousand. 50% of the license fee has been paid at the time of acquisition of license and the remaining 50% of the amount is to be paid in 10 equal annual installments on October 11th each year in US Dollars or equivalent Pak Rupees. Accordingly, at initial recognition, the aggregate amount payable is discounted to the present value of future cash flows at the rate of 6% per annum.

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15. Long term vendor liability

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

	Note	2022 Rs '000	2021 Rs '000
Obligation under acceptance of bills of exchange	15.1	53,361,922	42,137,440
Other accrued liabilities		<u>6,473,396</u>	<u>3,849,940</u>
		59,835,318	45,987,380
Current portion		<u>(15,915,561)</u>	<u>(10,386,943)</u>
		<u>43,919,757</u>	<u>35,600,437</u>

- 15.1 These include liability of Rs. 18,358,897 thousand (December 31, 2021: Rs 15,544,513 thousand) carrying interest in the range of 7.35% to 16.08% per annum (December 31, 2021: 6.94% to 10.16% per annum).

16. Trade and other payables

	Note	2022 Rs '000	2021 Rs '000
Trade creditors		19,612,606	13,659,146
Accrued and other liabilities	16.1	44,734,225	40,304,005
Technical services assistance fee	16.2	35,656,357	30,644,507
Advances from customers / contract liability		11,798,257	10,558,009
Retention money / payable to contractors and suppliers		7,666,471	6,666,995
Income tax collected from subscribers / deducted at source		1,070,965	636,931
Sales tax payable		<u>2,002,938</u>	<u>1,514,362</u>
	16.3	<u>122,541,819</u>	<u>103,983,955</u>

- 16.1 Accrued and other liabilities comprise:

Accrued liability for operational expenses		14,273,957	12,034,850
Amount withheld on account of provincial levies (sub judice) for ICH operations	16.1.1	12,110,803	12,110,803
Accrual for Government / regulatory expenses		14,093,258	12,481,453
Accrued wages		2,683,288	2,628,658
Others		<u>1,572,919</u>	<u>1,048,241</u>
		<u>44,734,225</u>	<u>40,304,005</u>

- 16.1.1 This represents International Clearing House (ICH) revenue which were shared between Holding Company and other Long Distance and International (LDI) operators in the ratio of 50:50. Therefore, out of this, 50% of the amount represents revenue not recognized by Holding Company. As the ICH operator, the Holding Company challenged the imposition of sales tax on ICH revenue and the matter is subjudice in different courts of law, therefore the relevant share of the ICH partners is being held by Holding Company till the finalization of the subject cases.

- 16.2 Liability has not been settled since State Bank of Pakistan has not yet acknowledged the extension of Technical Services Assistance (TSA) Agreement.

	2022 Rs '000	2021 Rs '000
16.3 Trade and other payables include payable to the following related parties:		
Etisalat - UAE	2,286,895	1,459,420
Etisalat's subsidiaries and associates	175,431	105,143
Emirates data clearing house	19,162	9,013
Telecom Foundation	3,411	63,995
TF Pipes Limited	4,430	4,630
GoP related entities	1,732,806	1,464,680
PTCL Employees GPF Trust	38,606	5,541
Retention money / payable to contractors and suppliers		
TF Pipes Limited	2,940	3,055

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

10. Lease liabilities

	Note	2022 Rs '000	2021 Rs '000
Lease commitments			
- Within one year		5,689,150	4,950,743
- Between 2 and 5 years		15,381,997	15,439,156
- After 5 years		2,505,163	3,735,787
Total undiscounted lease commitments		23,576,310	24,125,686
Discounted lease liabilities using the incremental borrowing rate		17,918,268	18,256,320
Current portion shown under current liabilities		(4,476,012)	(3,377,198)
Due after 12 months		13,442,256	14,879,122

11. Deferred income tax

Deferred tax (asset) / liability relating to:

Accelerated tax depreciation	7,137,875	9,775,290
Accelerated tax amortization	773,505	3,152,602
Provision for stock in trade, stores and spares	(426,495)	(504,954)
Impairment loss on trade debts	(4,129,048)	(2,677,403)
Right of use assets / lease liabilities	(612,034)	(531,739)
Contract costs	1,008,095	588,861
Liabilities claimable on payment	(6,176,794)	(4,156,283)
Tax losses	(4,167,243)	(3,121,534)
Others	(1,309,337)	(24,865)
	(7,901,476)	2,499,975

Movement during the year

Balance at the beginning of the year	2,499,975	6,093,589
(Reversal) / Charge for the year in respect of:		
Accelerated tax depreciation	(2,637,415)	(2,803,095)
Accelerated tax amortization	(2,379,097)	999,142
Provision for stock in trade, stores and spares	78,459	26,530
Impairment loss on trade debts	(1,023,529)	(29,273)
Right of use assets / lease liabilities	(80,295)	(247,281)
Contract costs	419,234	71,631
Liabilities claimable on payment	(2,020,511)	(2,877,080)
Tax losses	(2,913,049)	(382,047)
Others	(10,964)	85,289
	(10,567,167)	(5,156,184)
Transferred to income tax recoverable on account of group taxation	1,867,340	1,616,223
Tax (reversal) / charge in OCI	(33,422)	(53,653)
Recognized in retained earnings on change in accounting policy	(1,668,202)	-
Balance at the end of the year	(7,901,476)	2,499,975

12. Employees retirement benefits

Liabilities for pension obligations			
Unfunded - PTCL	12.1	9,862,468	8,633,593
		9,862,468	8,633,593
Gratuity funded - PTCL, PTML and U Bank	12.1	152,798	340,922
Accumulated compensated absences - PTCL	12.1	1,954,579	1,982,538
Post retirement medical facility - PTCL	12.1	13,238,012	12,144,429
Benevolent grants - PTCL	12.1	4,153,071	3,995,703
		29,360,928	27,097,185

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12.1 The latest actuarial valuations of the Group's defined benefit plans, were conducted at December 31, 2021 using the projected unit credit method. Details of obligations for defined benefit plans are as follows

	Pension		Gratuity		Accumulated compensated absences		Post-retirement medical facility		Benevolent grants		Total	
	Funded	Unfunded	2021	2022	2021	2022	Unfunded	2021	Unfunded	2021	2022	2021
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
a) The amounts recognized in the consolidated statement of financial position												
Present value of defined benefit obligations	131,935,258	127,384,941	9,862,468	8,633,593	3,315,379	3,079,171	1,952,538	1,954,579	1,952,538	1,954,579	1,952,538	1,952,538
Fair value of Plan assets - note 12.3	(135,125,250)	(129,167,270)	-	-	(3,209,579)	(2,738,249)	-	-	-	-	-	-
(Asset) / Liability at end of the year - note 12.2	(3,189,992)	(1,802,337)	9,862,468	8,633,593	105,804	340,922	-	-	-	-	-	-
b) Changes in the present value of defined benefit obligations												
Balance at beginning of the year	127,384,941	122,844,751	8,633,593	7,313,570	3,079,171	2,758,050	1,962,538	1,962,538	1,962,538	1,962,538	1,962,538	1,962,538
Current service cost	959,087	822,813	413,582	345,753	354,585	328,694	89,125	75,070	96,986	84,475	38,927	1,895,732
Interest expense	12,256,908	11,820,480	859,925	729,081	280,045	243,494	173,029	137,517	1,156,937	1,112,411	383,974	15,110,151
Actuarial gain on accumulated compensated absences	-	-	-	-	-	-	(170,142)	332,839	-	-	-	332,839
Remeasurements	13,215,995	12,643,293	1,272,507	1,074,834	834,810	572,188	92,012	545,426	1,253,923	1,196,886	423,374	16,440,528
Loss / (Gain) due to experience adjustments	967,050	1,176,795	45,060	298,688	116,399	110,268	-	-	969,749	523,456	39,266	2,157,614
Benefits paid	(9,531,728)	(9,279,898)	(88,692)	(53,499)	(514,791)	(381,335)	(119,971)	(169,246)	(1,150,089)	(1,124,986)	(305,272)	(11,810,945)
Balance at end of the year	131,935,258	127,384,941	9,862,468	8,633,593	3,315,379	3,079,171	1,954,579	1,952,538	1,954,579	1,952,538	1,952,538	1,952,538
c) Charge for the year												
Profit or loss												
Current service cost	959,087	822,813	413,582	345,753	354,585	328,694	89,125	75,070	96,986	84,475	38,927	1,895,732
Net interest expense	(180,233)	(266,153)	859,925	729,081	3,150	8,546	173,029	137,517	1,156,937	1,112,411	383,974	2,090,376
Actuarial gain on accumulated compensated absences	-	-	-	-	-	-	(170,142)	332,839	-	-	-	332,839
Contribution from depositors / employees	(6,174)	(11,426)	-	-	-	-	-	-	(17,504)	(31,280)	(42,708)	(42,708)
Other comprehensive income	772,860	545,234	1,272,507	1,074,834	357,715	337,240	92,012	545,426	1,253,923	1,196,886	403,870	4,076,241
Remeasurements												
(Gain) / loss on remeasurement of assets	(2,309,756)	(470,282)	-	-	(79,879)	(7,459)	-	-	-	-	-	(477,741)
Gain due to change in financial assumptions	14,742	(15,854)	1,240	(1,854)	249	-	-	-	1,307	-	695	(17,708)
(Gain) / loss due to experience adjustments	952,308	1,192,648	43,820	300,542	94,456	110,268	-	-	889,442	523,456	38,571	2,117,597
Balance at beginning of the year	(1,342,708)	706,513	45,060	298,688	14,826	102,809	-	-	889,749	523,456	39,266	48,481
Balance at end of the year	(570,029)	1,251,747	1,317,587	1,373,522	372,541	440,049	92,012	545,426	2,243,672	1,720,342	446,136	3,900,802
d) Significant actuarial assumptions at the date of consolidated statement of financial position												
Discount rate	12.25%	10.00%	12.25%	10.00%	12.25% to 14.25%	9% to 12.5%	12.25%	10.00%	12.25%	10.00%	12.25%	10.00%
Future salary / medical cost increase	10.25%	8.00%	10.25%	8.00%	10.25% to 11.36%	8% to 11.25%	11.25%	9.00%	11.25%	9.00%	9.25%	7.00%
Rate of increase in benevolent grants	8.50%	6.25%	8.50%	6.25%	-	-	-	-	-	-	-	-
Average duration of obligation	20 years	21 years	27 years	30 years	6 - 11.89 years	6 - 12 years	6 to 9 years	6 to 7 years	23 years	23 years	16 years	17 years
Expected mortality rate	SLIC 2001-2005	SLIC 2001-2005	SLIC 2001-2005	SLIC 2001-2005	SLIC 2001-2005	SLIC 2001-2005	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	Based on experience	Based on experience	Based on experience	Based on experience	Based on experience	Based on experience

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12.2 As more fully explained in note 19.7, the Holding Company's obligation for funded pension is restricted to the extent of pension increases and benefits as determined by the Board of Trustees of the Pakistan Telecommunication Employees Trust (PTET).

12.3 Changes in the fair value of plan assets

	Defined benefit pension plan - funded		Defined benefit gratuity plan - funded		Total plan assets	
	2022 Rs '000	2021 Rs '000	2022 Rs '000	2021 Rs '000	2022 Rs '000	2021 Rs '000
Balance at beginning of the year	129,187,278	125,102,302	2,738,249	2,484,713	131,925,527	127,587,015
Expected return on plan assets	12,437,141	12,086,633	276,896	234,949	12,714,037	12,321,582
Payments made to members on behalf of fund	-	-	189,573	293,141	189,573	293,141
Gain on remeasurement of assets	2,309,756	470,282	101,562	7,459	2,411,318	477,741
Contributions made by the Group during the year	822,813	807,959	391,020	79,322	1,213,833	887,281
Benefits paid	(9,631,728)	(9,279,898)	(487,725)	(361,335)	(10,119,453)	(9,641,233)
Balance at end of the year	135,125,260	129,187,278	3,209,575	2,738,249	138,334,835	131,925,527

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

	2022		2021	
	Rs '000	Percentage	Rs '000	Percentage
Debt instruments - unquoted	-	-	1,820,678	1.41
- Special saving accounts	-	-	27,500,107	21.29
- Defence saving certificates	27,446,545	20.32	62,534,059	48.41
- Regular income certificates	44,423,056	32.89	4,354,156	3.37
- Pakistan investment bonds	3,064,527	2.27	-	0.00
- Term Deposit Receipt	1,079,016	0.80	-	0.00
	76,013,144	55.48	96,209,000	74.48
Cash and cash equivalents				
- Term deposits	27,892,644	20.65	11,300,000	8.75
- Equity securities	1,176,835	0.87	1,185,787	0.92
- Sukuks	1,720,424	1.27	1,765,403	1.37
- Pakistan investment bond	686,770	0.51	904,952	0.70
- Term finance certificates	45,441	0.03	42,420	0.03
- Treasury bills	7,517,420	5.53	1,038,459	0.80
- Cash and bank balances	2,670	0.00	2,827	0.00
	39,042,204	28.86	16,239,848	12.57
Investment property				
- Telecom tower	10,113,021	7.48	10,113,021	7.83
- Telehouse	2,280,969	1.69	2,280,969	1.77
	12,393,990	9.17	12,393,990	9.60
Fixed assets	9,563	0.01	7,085	0.01
Other assets	9,062,942	7.51	5,740,972	4.44
	136,521,843	101.03	130,590,895	101.10
Liabilities				
- Staff retirement benefits	(106,330)	(0.08)	(90,504)	(0.07)
- Amount due to PTCL	(15,366)	(0.01)	(1,300)	-
- Accrued & other liabilities	(247,723)	(0.18)	(254,167)	(0.20)
- Provision for zakat	(1,027,164)	(0.76)	(1,057,646)	(0.83)
	(1,396,583)	(1.03)	(1,403,617)	(1.10)
	135,125,260	100.00	129,187,278	100.00

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

	2022		2021	
	Rs '000	Percentage	Rs '000	Percentage
Units of mutual funds	113,042	3.52	108,432	3.96
Term deposit receipts	2,176,536	67.81	2,192,783	80.08
Term finance certificates	500,000	15.58	200,000	7.30
Other assets	148,371	4.62	34,352	1.25
Bank balances	271,626	8.47	202,682	7.41
	3,209,575	100.00	2,738,249	100.00

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12.6 The expected contributions in the next financial year to the funded gratuity plan by the Group is Rs 273,395 thousand.

12.7 Sensitivity analysis

The calculations of the defined benefit obligations are sensitive to the significant actuarial assumptions set out in note 12.1 (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.

	<u>Impact on defined benefit obligation</u>	
	<u>1% increase in assumption</u> Rs '000	<u>1% decrease in assumption</u> Rs '000
Future salary / medical cost		
Pension - funded	8,118,459	(7,646,335)
Pension - unfunded	1,031,966	(934,104)
Gratuity - funded	469,855	(407,089)
Accumulated compensated absences - unfunded	161,760	(149,013)
Post-retirement medical facility - unfunded	2,131,098	(1,835,457)
Discount rate		
Pension - funded	(16,010,227)	18,217,666
Pension - unfunded	(1,367,541)	1,587,411
Gratuity - funded	(408,204)	468,882
Accumulated compensated absences - unfunded	(149,035)	161,708
Post-retirement medical facility - unfunded	(1,835,597)	2,130,720
Benevolent grants - unfunded	(575,869)	668,456
Future pension		
Pension - funded	18,221,355	(16,008,803)
Pension - unfunded	1,474,324	(1,282,486)
Benevolent grants		
Benevolent grants - unfunded	668,575	(575,825)
Expected mortality rates	<u>Increase by 1 year</u> Rs '000	<u>Decrease by 1 year</u> Rs '000
Pension - funded	(3,029,357)	3,011,111
Pension - unfunded	(127,069)	123,658
Gratuity - funded	(30,087)	29,270
Accumulated compensated absences - unfunded	(24,276)	33,377
Post-retirement medical facility - unfunded	(367,921)	369,327
Benevolent grants - unfunded	(115,427)	115,865

The above sensitivity analysis is 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 obligations 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.

12.8 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 increase risk for all the plans.

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17. Short term running finance

	Note	2022 Rs '000	2021 Rs '000
PTML	17.1	3,706,817	1,727,208
U Bank	17.2	36,999,808	6,500,000
PTCL	17.3	92,582	-
		<u>40,799,207</u>	<u>8,227,208</u>

17.1 Short term running finance facilities available under mark-up arrangements with banks amounting to Rs 4,580,000 thousand (December 31, 2021: Rs 4,580,000 thousand), out of which the amount availed at the year end was Rs 3,212,753 thousand (December 31, 2021: Rs. 1,955,803 thousand). The current balance of Rs 3,706,817 thousand represents book overdrawn as at December 31, 2022 (December 31, 2021: Rs. 1,727,208 thousand). These facilities are secured by first ranking pari passu charge by way of hypothecation over all present and future assets of PTML, excluding land, building and licenses.

17.2 This includes running finance facility through:

(i) National Bank of Pakistan Limited of Rs 1,000,000 thousand (December 31, 2021: Rs 1,000,000 thousand) carrying markup of 3-months KIBOR plus 0.75% per annum (December 31, 2021: 3-months KIBOR plus 0.75%). This is secured against first pari passu charge on all the current and future book debts, advances and receivables of U Bank.

(ii) Allied Bank Limited of Rs 500,000 thousand (December 31, 2021: 500,000 thousand) at the rate of 3 months KIBOR + 0.85% per annum (December 31, 2020: 3 months KIBOR + 0.85%) to be paid on quarterly basis. This running finance facility is secured against all present and future assets of U Bank excluding land and building with 25 % margin and is obtained to meet the short term funding requirement and to finance growth in advances.

(iii) Allied Bank II of Rs 5,000,000 thousand (December 31, 2021: 5,000,000 thousand) carrying markup at the rate of 3 months KIBOR + 0.05% per annum (December 31, 2021: 3 months KIBOR +0.05%) to be paid on quarterly basis in arrears with the tenor of 12 months. This is secured against ABL asset management units with 5% margin.

(iv) Allied bank Limited of Rs 20,000,000 thousand (December 31, 2021: Nil) carrying markup at the rate of 03-months KIBOR per annum (2021:Nil). This is secured against Pakistan investment bond / treasury bills to be kept in IPS account maintained with ABL with 5% margin.

(v) Askari Bank Limited of Rs 10,000,000 thousand (December 31, 2021: Nil) carrying markup of 01-month KIBOR plus 0.01% per annum (2021:Nil). This is secured against Pakistan investment bond / treasury bills / sukuks to be kept in IPS account maintained with AKBL with 5% margin..The principle is required to be repaid at maturity on demand and mark up is repayable on quarterly basis.

17.3 These facilities are obtained from various commercial banks with an aggregate limit of Rs 7,100,000 thousand (2021: Nil) and are secured against 1st pari passu charge on present and future current assets and all other movable assets of the Holding Company. These facilities carry markup rates ranging from 1-month KIBOR to 3-month KIBOR plus 0.2% to 1.5% (2021: Nil) per annum.

18. Security deposits

	Note	2022 Rs '000	2021 Rs '000
Utilizable in business	18.1	726,002	579,573
Others	18.2	805,696	785,307
		<u>1,531,698</u>	<u>1,364,880</u>

18.1 These represent utilizable interest free security deposits received from distributors, franchisees and customers for services to be provided and are refundable / adjustable on termination of their relationship with the Group. The amount is being fully utilized for the purpose of Group's business. Amount of these security deposits has been kept in a separate bank account.

18.2 These security deposits are received from customers for services to be provided and are refundable / adjustable on termination of their relationship with the Group. These are non-interest bearing. The Group has adjusted / paid an amount of Rs 42 thousand (December 31, 2021: Rs 619 thousand) to its customers during the year against their balances. Amount of these security deposits has been kept in a separate bank account.

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 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, the Holding Company has filed reference in the Honorable Islamabad High Court. Accordingly, the stay order was granted by the Honorable Islamabad High Court. Similarly, against an order of the Punjab Revenue Authority (PRA) for the services sales tax, a demand of Rs 461,629 thousand on Technical Services Assistance fee was raised 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 the Holding Company did not apportion the input tax between allowable and exempt supplies. The Holding 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 coercive measures.
- 19.3 Against the decision of Sindh Revenue Board (SRB) imposing sales tax on services of Rs 4,417,000 thousand and Khyber Pakhtunkhwa Revenue Authority (KPRA) Rs 2,374,000 thousands on revenues from international incoming calls from Nov, 2012 to Dec, 2013 & July, 2013 to Dec, 2019 respectively, the appeals are pending adjudication before the Commissioner Appeals. A stay order has been obtained from Honorable Sindh High Court & Honorable Peshawar High Court against any coercive action by SRB and KPRA.
- 19.4 The Sindh Revenue Board (SRB) has assessed Sindh sales tax on services amounting to Rs 702,000 thousand on the premise that the Holding Company did not pay sales tax on invoices issued for services rendered to Cellular Mobile Operators (CMOs). Department view was not supported by the record and the Holding Company has submitted detailed evidence to refute the same before the learned Commissioner Appeals, SRB and stay has been granted. Management and tax advisors believe that this case would be settled in favor of the Holding Company owing to the evidence on record.
- 19.5 Against the decision of the Customs Appellate Tribunal imposing additional custom duties, a reference as well as writ petition against the decision is pending before the Honorable Sindh High Court. Further, through the petition filed before the Honorable Sindh High Court, a 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, taxes and other charges amounting to Rs 1,685,884 thousand against which the Holding Company has filed an appeal before the Customs Appellate Tribunal.

Income Tax

- 19.6 For the tax years 2007, 2009, 2010, 2011 to 2021, Taxation Officer disallowed certain expenses, tax credits and levied short deduction of WHT. 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 52,523,778 thousand. Appeals on the remaining outstanding items are pending adjudication before ATIR. Reference in respect of 2007 is subjudice before the Honorable Islamabad High Court. Stay has been obtained in all cases from different fora.
- 19.7 For the Tax Year 2020, Taxation officer objected to the quarterly advance tax calculation submitted by the Holding Company based on group taxation and raised demand amounting to Rs 2,855,907 thousand despite that the Holding Company had filed option for group taxation within prescribed time. The Holding Company obtained stay order from Honorable Islamabad High against any coercive measures. Later the Securities and Exchange Commission also issued Group Designation Letter for PTCL Group.

- 19.8 A super tax at rates ranging from 1% to 4% of taxable income was imposed through the Finance Act, 2022 for Tax Year 2022 and onwards through promulgation of section 4C in the Income Tax Ordinance, 2001. The Holding Company successfully challenged this levy before the Sindh High Court who held through its Order dated 22 December 2022 that the said tax was to apply effective Tax Year 2023. However, the honourable Court suspended its judgment for 60 days as per the procedure given in the Code of Civil Procedure, in order for FBR to take up the matter before the Supreme Court. Keeping in view the Court's judgment in the Holding Company's favour, no provision has been recorded in these accounts for super tax for Tax Year 2022.

Others

- 19.9 In 2010, Pakistan Telecommunication Employees Trust ("PTET") board approved the pension increase which was less than the increase notified by the Government of Pakistan ("GoP"). Thereafter, pensioners filed several Writ Petitions. After a series of hearings, on June 12, 2015 the Apex Court decided the case in the interest of pensioners. On July 13, 2015, Review Petition was filed in Supreme Court of Pakistan against the Judgment of June 12, 2015.

The Honourable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by the Holding Company, the Pakistan Telecommunication Employees Trust (PTET) and the Federal Government (collectively, the Review Petitioners) vide the order dated May 17, 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, PTET has implemented the Apex court decision dated 12 June 2015 to the extent of 343 pensioners who were the petitioners in the main case. Some of the interveners (pensioners) seeking the same relief as allowed vide order dated June 12, 2015 have been directed by the Apex Court to approach the appropriate forum on May 10, 2018. Islamabad High Court on 2nd November, 2021, has decided that the GOP increases are not allowed to VSS optees, PTC pensioners and to the workmen. To the extent of Civil Servants the Islamabad High Court allowed the GOP increase. However, to the same extent appeal has been filed before Apex court within the limitation. Under the circumstances, management of the Holding Company, on the basis of legal advice, believes that the Holding Company's obligations against benefits is restricted to the extent of pension increases as determined solely by the Board of Trustees of the PTET in accordance with the Pakistan Telecommunication (Re-Organization) Act, 1996 and the Pension Trust Rules of 2012 and accordingly, no provision has been recognized in these Consolidated financial statements.

- 19.10 The Holding 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.

- 19.11 A total of 1,267 cases (December 31, 2021: 1,118) against the Holding Company 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 Holding 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.

PTML

Indirect Taxes

- 19.12 The Federal Board of Revenue (FBR) has raised multiple tax demands, by assessing Federal Excise Duty (FED) on PTML's payments of technical services fee to Etisalat as fee for "Franchise Services", for multiple periods - from July 2006 till December 2018. PTML is contesting such assessments and demands before Commissioner Inland Revenue (Appeals) [CIR-A], Appellate Tribunal Inland Revenue (ATIR) and the Islamabad High Court (IHC). Management contends that payments of technical services fee are outside the ambit of the Federal Excise Act, 2005; and also lack the "franchiser-franchisee" arrangement, essential for the payments to be considered franchise services fee. Against the demands created by FBR, PTML has paid Rs 521,579 thousand in prior years under protest, being carried as receivable from taxation authorities as reflected in these consolidated financial statements. Overall exposure on this issue is Rs. 2,696,000 thousand (December 31, 2021: Rs. 2,489,000 thousand).



Income Tax

- 19.13 The taxation authorities (FBR) had raised demands aggregating to Rs 1,830,000 thousand for tax years 2008 to 2014, by disallowing advance income tax paid by PTML on import of telecommunication equipment, on the premise that the same was final tax and could not be adjusted against normal tax liability. The earliest case was instituted in December 2011. PTML contends that these demands are not based on sound taxation principles: PTML's telecommunication services have been subject to normal tax since inception and the imported equipment is used in-house for provision of those services, not sold as commercial imports. On the PTML's tax references filed before the IHC against the unfavourable order of the ATIR, the IHC remanded the cases back to ATIR for fresh hearing. The tax authorities responded by filing constitutional petition before the Supreme Court (SC), on which the matter is pending before Supreme Court of Pakistan.
- 19.14 Since April 2011, PTML is subject to assessments proceedings under Section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2008 to 2018, on account of verification of expenses and tax withholding. The proceedings are pending before the CIR-A, ATIR and IHC.
- 19.15 Since December 2006, PTML has been contesting various notices and orders in front of the Federal, Provincial and Azad Jammu and Kashmir Tax Authorities, CIR-A, ATIR and the High Courts in respect of Income Tax, FED and Federal and Provincial Sales Taxes.
- 19.16 On 30 July 2020, PTA imposed a fine of Rs 50,000 thousand on the PTML on account of suspected grey traffic on their network and directed it to submit the fine within ten working days of the order. PTML filed appeal before the High Court of Sindh on 10 August 2020 which suspended the operation of the PTA's determination.

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 favor of the Group.

	Note	2022 Rs '000	2021 Rs '000
19.17 Bank guarantees and bid bonds of Group issued in favour of:			
Universal Service Fund (USF) against government grants		20,160,942	18,625,353
Pakistan Telecommunication Authority		3,622,895	2,824,217
Others	19.17.1	2,404,712	3,088,102
		<u>26,188,549</u>	<u>24,537,672</u>
Corporate guarantee in favour of PTML		<u>43,800,000</u>	<u>27,991,416</u>
19.17.1 Others includes bank guarantees given on behalf of DVCOM Data (Private) Limited to PTA amounting to Rs 675,000 thousand (December 31, 2021: Rs. 675,000 thousand).			
19.18 Commitments	Note	2022 Rs '000	2021 Rs '000
19.18.1 Standby letter of guarantee	19.18.2	12,800	10,600
Letter of credit for purchase of stock		721,799	1,083,835
Letters of comfort in favour of PTML		3,500,000	3,500,000
Contracts for capital expenditure		21,979,149	23,706,125
		<u>26,213,748</u>	<u>28,300,560</u>
19.18.2 This represents letter of guarantee issued on behalf of U Bank to China Union Pay International Company Limited for interbank settlements.			

20. Property, plant and equipment

Operating fixed assets
Capital work in progress

Note	2022 Rs. '000	2021 Rs. '000
20.1	201,507,607	177,451,353
20.6	28,555,527	27,421,226
	<u>230,063,134</u>	<u>204,872,579</u>

20.1 Operating fixed assets

	Land		Buildings on		Lines and wires	Apparatus, plant and equipment	Passive maintenance and allied systems	Office equipment	Computer and electrical equipment	Furniture and fittings	Vehicles	Submarine cables	Total
	Freehold - note 20.2	Leasehold	Freehold Land	Leasehold Land									
	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, 2020													
Cost	1,650,684	100,782	13,305,939	2,987,333	137,010,933	386,594,685	39,853,771	2,911,918	13,086,212	1,517,325	3,527,012	18,536,819	621,063,413
Accumulated depreciation and impairment	-	(40,822)	(6,324,585)	(2,228,128)	(101,775,132)	(274,827,565)	(34,511,267)	(1,602,357)	(11,122,441)	(797,625)	(2,833,758)	(11,620,951)	(447,684,731)
Net book value	<u>1,650,684</u>	<u>59,860</u>	<u>6,981,354</u>	<u>759,205</u>	<u>35,235,801</u>	<u>111,767,120</u>	<u>5,342,504</u>	<u>1,309,561</u>	<u>1,963,771</u>	<u>719,700</u>	<u>693,254</u>	<u>6,915,868</u>	<u>173,398,682</u>
Movement during 2021													
Additions	-	-	550,797	270,065	7,934,589	19,022,976	1,345,473	616,969	872,118	162,437	495,743	202,352	31,473,519
Disposals													
Cost	-	-	-	(33,690)	(1,382,028)	(1,703,729)	-	(5,497)	(476,467)	(18,500)	(108,256)	-	(3,728,167)
Accumulated depreciation	-	-	-	33,505	1,373,316	1,519,807	-	5,497	466,481	10,496	103,961	-	3,513,063
	-	-	-	(185)	(8,712)	(183,922)	-	-	(9,966)	(8,004)	(4,295)	-	(215,104)
Depreciation charge for the year - note 20.5	-	(1,651)	(339,470)	(133,054)	(3,451,283)	(19,873,322)	(1,388,267)	(244,643)	(892,880)	(108,432)	(298,027)	(474,568)	(27,205,597)
Impairment charge	-	-	-	-	-	(147)	-	-	-	-	-	-	(147)
Net book value	<u>1,650,684</u>	<u>58,209</u>	<u>7,192,681</u>	<u>896,031</u>	<u>39,710,395</u>	<u>110,732,705</u>	<u>5,299,710</u>	<u>1,681,887</u>	<u>1,933,023</u>	<u>765,701</u>	<u>886,675</u>	<u>6,643,652</u>	<u>177,451,353</u>
As at December 31, 2021													
Cost	1,650,684	100,782	13,856,736	3,223,708	143,563,494	403,913,932	41,199,244	3,523,390	13,481,863	1,661,262	3,914,499	18,739,171	648,828,765
Accumulated depreciation	-	(42,573)	(6,664,055)	(2,327,677)	(103,853,099)	(293,181,227)	(35,899,534)	(1,841,503)	(11,548,840)	(895,561)	(3,027,824)	(12,095,519)	(471,377,412)
Net book value	<u>1,650,684</u>	<u>58,209</u>	<u>7,192,681</u>	<u>896,031</u>	<u>39,710,395</u>	<u>110,732,705</u>	<u>5,299,710</u>	<u>1,681,887</u>	<u>1,933,023</u>	<u>765,701</u>	<u>886,675</u>	<u>6,643,652</u>	<u>177,451,353</u>
Movement during 2022													
Additions	-	-	133,355	27,263	8,228,385	40,527,427	1,271,242	310,389	1,847,301	286,101	164,768	101,629	52,897,860
Disposals - note 20.4													
Cost	-	-	-	(5,898)	(5,221,858)	(1,270,395)	-	(2,358)	(379,668)	(708)	(162,736)	-	(7,043,621)
Accumulated depreciation	-	-	-	5,898	5,217,408	1,169,390	-	1,700	374,405	530	128,838	-	6,888,169
	-	-	-	-	(4,450)	(101,005)	-	(658)	(5,263)	(178)	(33,898)	-	(145,452)
Transfers during the year													
Depreciation charge for the year - note 20.5	-	(1,643)	(347,131)	(103,304)	(3,576,418)	(21,041,083)	(1,318,863)	(306,588)	(974,434)	(132,186)	(306,449)	(528,517)	(28,636,616)
Impairment charge	-	-	-	-	(4,180)	(55,358)	-	-	-	-	-	-	(59,538)
Net book value	<u>1,650,684</u>	<u>56,566</u>	<u>6,978,905</u>	<u>819,990</u>	<u>44,353,732</u>	<u>130,082,686</u>	<u>5,252,089</u>	<u>1,685,030</u>	<u>2,800,627</u>	<u>919,438</u>	<u>711,096</u>	<u>6,216,764</u>	<u>201,507,607</u>
As at December 31, 2022													
Cost	1,650,684	100,782	13,990,091	3,245,073	146,570,021	443,170,964	42,470,486	3,831,421	14,949,496	1,946,655	3,916,531	18,840,800	694,683,004
Accumulated depreciation and impairment	-	(44,216)	(7,011,186)	(2,425,083)	(102,216,289)	(313,108,278)	(37,218,397)	(2,146,391)	(12,148,869)	(1,027,217)	(3,205,435)	(12,624,036)	(493,175,397)
Net book value	<u>1,650,684</u>	<u>56,566</u>	<u>6,978,905</u>	<u>819,990</u>	<u>44,353,732</u>	<u>130,062,686</u>	<u>5,252,089</u>	<u>1,685,030</u>	<u>2,800,627</u>	<u>919,438</u>	<u>711,096</u>	<u>6,216,764</u>	<u>201,507,607</u>
Annual rate of depreciation (%)	-	1 to 3.3	2.5	2.5-20	5 to 7	10 to 33	6.67- 33	10	20 to 33.33	10	20	5	

20.2 In view of large number of properties i.e. over three thousand, located across Pakistan, it is impracticable to disclose the details of properties in the consolidated financial statements as required under paragraphs VI.1 sub clause (ii) of the 4th Schedule to the Companies Act, 2017, therefore, this information / record is available for inspection at the registered office of the Holding Company on request and the copy of the details of said properties will be provided on request to the said shareholders who are unable or unwilling to visit the Holding Company's registered office, i.e. PTCL Headquarters, Sector G-8/4, Islamabad.

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20.3 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 the Pakistan Telecommunication Corporation under the Pakistan Telecommunication (Re-organisation) Act, 1996; however, the possession and control or title to of certain freehold land properties were not transferred in the name of the Holding Company in the land revenue records, therefore, in pursuant to the disclosure required under Clause VI Sub clause 12 of Part 2 of the fourth schedule of the Companies Act 2017, the list of such properties is given below:

Sr.No.	Description	Address	The Person in whose name the property is registered	Person in Possession or control	Reasons for the property or asset not being in the name of or possession or control of the Company	(Rupees)
1	Zulfiqarabad Telephone Exchange	DSU-1, Pak Steel Link Road, Near Abass Engineering Co. & Pak Suzuki Motors Bin Qasim, Malir, Karachi East	Pakistan Steel	The Holding Company	Ban imposed by the Supreme Court of Pakistan on transfer of Pak Steel Properties	20,598
2	Gulshan-e-Hadeed Telephone Exchange	Phase-II, Gulshan-e-Hadeed, Opposite Jahangir Hotel, Budh Bazar, Bin Qasim, Malir, Karachi.	Pakistan Steel	The Holding Company	Ban imposed by the Supreme Court of Pakistan on transfer of Pak Steel Properties	22,855
3	Manora Telephone Exchange	Survey No. 19/B, Near P.N.S Rehber, Keemari Town, Karachi South	Ministry of Defense	The Holding Company	Pakistan Navy refused to transfer the land	1
4	Dadu Telecom Building-I	City Survey No. 995,996, 997 etc. Katchahary Road, Near Mukhtiar Kar Office. Dadu.	Ministry of Defense	The Holding Company	Being a Camping Ground, the case is pending with Ministry of Defense	17,300
5	Morgah (Mini) Telephone Exchange	Amy Housing Scheme, Morgah, Rawalpindi.	Ministry of Defense	The Holding Company	The land is under dispute between GHQ other parties	25,750
6	Dhanna Singh Wala	Near Johar Town, Canal Bank, Moza Dhanna Singh Wala, Lahore	Telegraph & Telephone (T&T)	Partially in Possession of the Holding Company	Partially under Litigation	5,587,354
7	T&T Land Kashmir/ Egerton Road	T&T Land Kashmir (Egerton Road), Near Awan-e-Iqbal, Lahore.	Federal Government	The Holding Company	Under Litigation	1
8	P&T Colony Multan Road Lahore	Khasra No. 1594, 85, 96, 97 etc. Khewat No. 4846, Khatoni No. 10439 (1995-96) etc. Near More Samanabad and Chuburji Quarters, Multan Road Lahore	Federal Government	Partially in Possession of the Holding Company	Under Litigation	3,303,375
9	Industrial Estate SGD	Plot # A-17 Small Industrial Estate Lahore Road Sargodha.	Punjab Small Industries Corporation	Not in Possession of the Holding Company	Under Litigation	1
10	Wireless Receiving Station, Malir	Survey No. 74, 76, 77, 80, 81, 82, 83, 85, 86, 91, 92, 93 etc. National Highway, Opposite R.T.T.S Malir Halt, Deh Drigh Tappo, Malir Karachi East	Telegraph & Telephone (T&T)	Partially in Possession of the Holding Company	Under Litigation	1,872,800
11	Clifton (Gizni) P&T Colony	Clifton P&T Colony, Ch. Khaliq-uz-Zaman Road, Opposite Ministry of Foreign Affairs, Clifton, Karachi South	Provincial Government	Partially in Possession of the Holding Company	Under Litigation	1
12	Kundwal Telephone Exchange	Khata No. 160/760, Moza Kundwal, Pind Dadan Khan, Jhelum.	Private Name	The Holding Company	Under Litigation	81,000
13	Korangi Plot No. 45, 46 Telephone Exchange	Plot No. 45, 46, Sector No. 22 etc. Township Korangi, KDA, Karachi South.	KM Enterprises	Not in Possession of the Holding Company	Under Litigation	20,880
14	Mardan Central Telephone Exchange	Khasra No. 2114, 2109, 2110, 213, Khewat No. 1410, 1411, Khatoni No. 2029, 2030 (1999-2000) etc. Mardan	Private Name	The Holding Company	Under Litigation	23,493
15	Havelian Telephone Exchange & Staff Quarters	Khasra No 1195/2, 1196/2, 1197/2, 1198/3, (305), 306, 307, 286/2, 286, 288, 289 and 290 urban (1263) etc, Railway Station Road, Havelian, Abbottabad	Private Name	The Holding Company	Under Litigation	272,600
16	Rana Town Land	Khasra No. 8/2, 9/2, 12, 13/1/1, Sq. No. 52 etc. Rana Town, Chak No. 39/UCC, Ferozewala, Sheikupura.	Private Name	Not in Possession of the Holding Company	Under Litigation	1
17	Maroot (Chak No. 318/HR) Telephone Exchange	Khewat No. 19/17, Khatoni No. 75-88 (2001-02) etc. Near Pull Hakra, Chak No. 318/HR, Maroot, Fort Abbas Bahawalnagar	Private Name	The Holding Company	Under Litigation	1
18	Wapda Town Gujranwala I Telephone Exchange	Commercial Area, Block B-3, Wapda Town, Gujranwala	Wapda Employees Cooperative Housing Society	Not in Possession of the Holding Company	Plot cancelled by Wapda Employees Cooperative Housing Society due to non-construction of Telephone Exchange	762,500

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Sr.No.	Description	Address	The Person in whose name the property is registered	Person in Possession or Control	Reasons for the property or asset not being in the name of or possession or control of the Company	(Rupees)
19	Songai (Scheme-33) Staff Quarter	Deh Songai (Scheme-33) Staff Quarter, Malir, Karachi.	Provincial Government	Not in Possession of the Holding Company	Sindh Government agreed to provide alternate land which is still awaited	94,059
20	Chak 121/NB Telephone Exchange	Khewat No.18 Khatoni 57, Chak 121/NB, Sillanwali, Sargodha.	Private Name	The Holding Company	Under Litigation	487,700
21	Jhoke Utra Telephone Exchange	Khata No. 58, Khasra No. 19/8, Killa No. 8, etc. Malkani Kaln Road, Chowk Shehbazi, Moza Malkani Khurd, Jhoke Utra D G Khan	Private Name	The Holding Company	Under Litigation	1
22	Tando Adam PTCL Qtrs.	Survey No. 204, Shahdad Pur Road, Near Siddique Akbar Masjid, Tando Adam. Sanchar.	Private Name	The Holding Company	Pending for Transfer with Sindh Government	1
23	Madeji Telephone Exchange	Federal Govt. Scheme, Station Road, Near Rice Mill, Madeji, Garhi Yasin. Shikarour.	Private Name	The Holding Company	Pending for Transfer with Sindh Government	1,476,207
24	Compact Exchange Building, MEHMOODABAD	Block No. 85, Village Ahmadiya, Deh Mahansar, Taluka Kunri, Umer kot.	Private Name	The Holding Company	Pending for Transfer with Sindh Government	46,055
25	Sakrand Telephone Exchange	Mehrabpur Road, Main Bazar, Sakrand. Nawabshah.	Provincial Government	The Holding Company	Pending for Transfer with Sindh Government	1
26	Tando Muhammad Khan Telephone Exchange	Survey No. 40, 41 etc. Near Civil Hospital, Deh Tando Mohd. Khan, Hyderabad.	Private Name	The Holding Company	Pending for Transfer with Sindh Government	43,650
27	Sirkot Telephone Exchange	Khasra No. 895/896/897, etc. Sirkot Road. Moza Sirkot. Hanpur.	Private Name	The Holding Company	Under Litigation	33,652
28	Wana Telephone Exchange	Azam Warsak Road, Wana, S.W. Agency HQ Wana.	Provincial Government	The Holding Company	Exchange is located in Tehsil Office and not a PTCL Property.	1
29	Mirpur Khas Customer Service Center Building	Survey No. 1320, Hyderabad Road, Mirpur Khas	Private Name	The Holding Company	Pending for Transfer with Sindh Government	1
30	Shahi Bala Telephone Exchange	Khasra No. 968, 969, Khewat No.139 etc. Moza Shahi Bala, Peshawar.	Private Name	The Holding Company	Under Litigation	1
31	Baba Jee Khando Hill DRS	Khasra No. 73, Khatoni No. 169 etc. Baba Jee Kandoo Hill. Bunair.	Private Name	The Holding Company	Under Litigation	15,755
32	Sambrial -II	Near Petrol Pump & Annayat Group Factory, Moza Sambrial, Sialkot.	-	Not in Possession of the Holding Company	The site delisted by PC because Sambrial T/E and Sambrial-II are the same sites.	2,800,000
33	Rashki Telephone Exchange	Khasra No. 40/121, Khata No. 210/844, Mutation No. 5282, Moza Rashki. Nowshera.	-	Not in Possession of the Holding Company	The site delisted by PC because it came under Peshawar-Islamabad Motorway (MI).	1
34	Kharian Cantt Telegraph office (Site-III)	Behind GPO, Kharian, Gujrat.	-	Not in Possession of the Holding Company	The site delisted by PC because a room was provided by MEO to facilitate Pakistan army in Cantt. Telegraph Office closed since 2006	1
35	Sita Road RCD Microwave	Survey No. 814, Deh Bhagana, Tapa Danager-I, Sita Road RCD Microwave, Khairpur, Nathan Shah, Dadu	-	Not in Possession of the Holding Company	The site delisted by PC because the land is not transferred to PTCL & no network element existed on ground.	1
36	Tamol (Additional Land)	Khasra No. 1552/683, Khewat No. 249 (1980-81) etc. Moza Sariay Kharboza. G.T. Road. Islamabad	-	Not in Possession of the Holding Company	The site delisted by PC because the land owned by private party	2
37	Chakra (Chowker) Telephone Exchange	Khasra No. 1499-1502, Khewat No. 97-98, 115, Khatoni No. 171, 196 etc. Moza Chowker. Rawalpindi.	-	Not in Possession of the Holding Company	The site delisted by PC because no PTCL land exists there	260,000
38	Sindhri Telephone Exchange	Survey No. 153 etc. Near Police Station, Deh Khani Mangri, Sindhri, Khioro. Sanchar.	Private Name	The Holding Company	Conditionally Transferred not accepted by PTCL	1

Apart from the above disclosed (38) properties, there are additional properties that are not part of these Consolidated Financial Statements because they are also not held in the name or control of the Holding Company since legal title to them has not been transferred from the relevant parties / authorities to the Holding Company. Some of these additional properties were also listed in the SRO 430(1)/2004 dated 7th June 2004 (the SRO) to be transferred to the Holding Company free from any charge, burden, hypothecation or encumbrances and no stamp duty or transfer charges shall be payable under any law in relation to the transfer or vesting of these properties to the Holding Company. These properties are under discussion between the Government of Pakistan and the Ultimate Parent Company and upon the conclusion of the matter, appropriate accounting treatment or disclosure will be made in the subsequent Consolidated Financial Statements, if required.

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20.4 Disposal of property, plant and equipment:

The assets disposed off during the year with book value exceeding five hundred thousand rupees.

	Cost	Accumulated depreciation	Net book value	Sale Proceeds	Gain on disposal	Mode of disposal	Particulars of purchaser / Relationship with the Group
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000		
Line and Wire	970	442	528	15,000	14,472	Auction	Abdullah Engineering Works, Gujranwala / No relation with the Group
Line and Wire	848	321	527	15,000	14,473	Auction	Abdullah Engineering Works, Gujranwala / No relation with the Group
Line and Wire	1,268	671	597	11,923	11,326	Auction	Abdullah Engineering Works, Gujranwala / No relation with the Group
Apparatus, plant and equipment	1,082,472	1,010,144	72,328	77,367	5,039	Scrap	Misc. Vendor - Third Party Vendor
Apparatus, plant and equipment	101,331	78,698	22,633	56,272	33,639	Insurance	EFU General Insurance Co.
Computer and electrical equipment	10,834	9,621	1,213	2,033	820	Company Employee	Misc. Buyers - Resigned Employee
Apparatus, plant and equipment	274,014	272,690	1,324	4,346	3,022	Scrap	Misc. Vendor - Third Party Vendor
Apparatus, plant and equipment	3,552	1,717	1,835	1,835	-	Insurance	EFU General Insurance Co.
Apparatus, plant and equipment	3,647	1,185	2,462	2,492	30	Insurance	EFU General Insurance Co.
Vehicles	22,423	20,369	2,054	5,605	3,551	Company Employee	Misc. Buyers - Company Employee
Vehicles	6,573	5,314	1,259	1,168	(91)	Company Employee	Misc. Buyers - Company Employee
Vehicles	9,608	7,768	1,840	1,707	(133)	Company Employee	Misc. Buyers - Company Employee
Vehicles	15,200	7,093	8,107	8,090	(17)	Company Employee	Misc. Buyers - Company Employee
Vehicles	21,849	1,457	20,392	20,757	365	Company Employee	Misc. Buyers - Company Employee
	<u>1,554,589</u>	<u>1,417,490</u>	<u>137,099</u>	<u>223,595</u>	<u>86,496</u>		

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

Cost of services
Administrative and general expenses
Selling and marketing expenses

Note	2022 Rs '000	2021 Rs '000
36	27,351,412	25,991,208
37	1,150,984	1,092,268
38	134,219	122,123
	<u>28,636,615</u>	<u>27,205,599</u>

20.6 Capital work in progress

Buildings
Lines and wires
Apparatus, plant and equipment
Turnkey Projects
Others

	494,420	398,320
	7,465,110	3,923,223
	14,836,395	17,658,546
	4,802,883	4,982,676
	956,719	458,461
20.6.1	<u>28,555,527</u>	<u>27,421,226</u>

20.6.1 Movement during the year

Balance at beginning of the year
Additions during the year
Transfers during the year to:
- Operating fixed assets
- Intangible assets

27,421,226	20,316,963
53,694,442	88,526,061
(52,076,777)	(31,191,422)
(483,364)	(50,230,376)
(52,560,141)	(81,421,798)
<u>28,555,527</u>	<u>27,421,226</u>

Balance at end of the year

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	Note	2022 Rs '000	2021 Rs '000		
21. Right of use (ROU) assets					
		Lease rentals	Right of way	Total	Total
Movement during the year:					
Balance as at the beginning of the year		16,460,823	693,250	17,154,073	19,419,598
Additions		3,599,900	167,800	3,767,700	1,964,323
Lease modifications during the year		1,998	-	1,998	79,224
Derecognition during the year		(23,297)	-	(23,297)	(320,736)
Depreciation for the year	21.1	(4,279,524)	(152,107)	(4,431,631)	(3,988,334)
		<u>(700,923)</u>	<u>15,693</u>	<u>(685,230)</u>	<u>(2,265,523)</u>
Balance as at the end of the year		<u>15,759,900</u>	<u>708,943</u>	<u>16,468,843</u>	<u>17,154,073</u>
21.1 Depreciation charge for the year is allocated as follows:					
Cost of services	36			3,204,711	2,873,988
Administrative and general expenses	37			<u>1,226,920</u>	<u>1,114,346</u>
				<u>4,431,631</u>	<u>3,988,334</u>
22. Intangible assets					
Goodwill on acquisition of U Bank	22.1			78,790	78,790
Goodwill on acquisition of DVCOM Data	22.1			656,102	1,191,102
Other intangible assets	22.2			<u>63,432,576</u>	<u>69,901,447</u>
				<u>64,167,468</u>	<u>71,171,339</u>

22.1 Goodwill

These represent excess of the amount paid over fair value of net assets of DVCOM Data and U Bank on their acquisition on April 01, 2015 and August 30, 2012 respectively. The recoverable amount of goodwill is tested for impairment annually based on its value in use, determined by discounting the future cash flows to be generated by the respective Cash Generating Units (CGUs).

The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate is determined based on management's estimate of the long-term compound annual 'Earnings Before Interest, Tax, Depreciation and Amortization' (EBITDA) growth rate, consistent with the assumptions that a market participant would make.

Budgeted growth is based on expectations of future outcomes taking into account past experience and is adjusted for anticipated revenue growth. Revenue growth is projected taking into account the average growth levels experienced in the recent years and the estimated sales volume and price growth for the next five years.

The estimated recoverable amounts of the CGUs exceed their carrying amounts. The Group estimates that reasonably possible changes in the assumptions would not cause the recoverable amount of the CGUs to decline below their carrying amounts.

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22.2 Other intangible assets

	Licenses and spectrum	Computer software	Total
Note	Rs '000		
As at December 31, 2020			
Cost	44,908,714	6,751,820	51,660,534
Accumulated amortization	(22,128,460)	(5,212,327)	(27,340,787)
Transfer		34,653	34,653
Accumulated impairment	-	(42,284)	(42,284)
Net book value	<u>22,780,254</u>	<u>1,531,862</u>	<u>24,312,116</u>
Movement during the year 2021			
Opening net book value	22,780,254	1,531,862	24,312,116
Additions	49,621,683	727,536	50,349,219
Amortization charge for the year	(4,137,717)	(622,171)	(4,759,888)
Closing net book value	<u>68,264,220</u>	<u>1,637,227</u>	<u>69,901,447</u>
As at December 31, 2021			
Cost	94,530,397	7,479,356	102,009,753
Accumulated amortization	(26,266,177)	(5,834,498)	(32,100,675)
Transfer		34,653	34,653
Accumulated impairment	-	(42,284)	(42,284)
Net book value	<u>68,264,220</u>	<u>1,637,227</u>	<u>69,901,447</u>
Movement during the year 2022			
Opening net book value	68,264,220	1,637,227	69,901,447
Additions	-	537,008	537,008
Amortization charge for the year	22.8 (6,261,902)	(743,977)	(7,005,879)
Closing net book value	<u>62,002,318</u>	<u>1,430,258</u>	<u>63,432,576</u>
As at December 31, 2022			
Cost	94,530,397	8,051,017	102,581,414
Accumulated amortization and impairment	(32,528,079)	(6,620,759)	(39,148,838)
Net book value	22.3 <u>62,002,318</u>	<u>1,430,258</u>	<u>63,432,576</u>
Amortization rate per annum (%)	4 - 10	6.67 - 33.33	

22.3 Breakup of the net book value as at the year end is as follows:

		2022 Rs '000	2021 Rs '000
Licenses and spectrum - PTCL			
Telecom	22.4	434,441	453,330
WLL spectrum	22.4	313,221	492,220
WLL and LDI License	22.5	71,442	84,836
IPTV	22.6	14,183	17,883
Next Generation Mobile Services (NGMS) Licenses - PTML	22.7	50,120,397	53,397,028
Mobile cellular Licenses - PTML	22.7	10,769,468	13,387,485
WLL licenses- DVCOM Data		<u>279,165</u>	<u>431,437</u>
		62,002,317	68,264,219
Computer software		<u>1,430,259</u>	<u>1,637,228</u>
		<u>63,432,576</u>	<u>69,901,447</u>

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22.4 The Pakistan Telecommunication Authority (PTA) has renewed the license of the Holding Company, to provide telecommunication services in Pakistan, for a period of 25 years, commencing January 01, 2021, at an agreed license fee of Rs 472,219 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 Holding 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.

22.5 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 Holding 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.

22.6 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.

22.7 (i) NGMS License includes acquisition of 4G license by PTML throughout Pakistan (excluding Azad Jammu & Kashmir (AJK) and Gilgit-Baltistan (GB)) in September 2021 at a fee of USD 279,000 thousand. The term of the license is 15 years commencing from the date of its acquisition.

(ii) NGMS License also include acquisition of 4G license by PTML for operations in AJK and GB in October 2021 at a fee of USD 1,026 thousand. The term of the license is 15 years from the date of its acquisition.

(iii) Mobile Cellular License include renewal of 2G license by PTML for operations in AJK and GB in June 2021 at a fee of USD 13,500 thousand. The term of the license is 15 years from the date of its acquisition.

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

	Note	2022 Rs '000	2021 Rs '000
Cost of services	36	6,668,806	4,437,867
Administrative and general expenses	37	337,072	322,021
		<u>7,005,878</u>	<u>4,759,888</u>

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		2022 Rs '000	2021 Rs '000
23. Long term investments	Note		
Investment in associate	23.1	-	-
Other investments	23.2	51,427	51,427
		<u>51,427</u>	<u>51,427</u>
23.1 Investment in associate - unquoted			
TF Pipes Limited - Islamabad			
1,658,520 (December 31, 2021: 1,658,520)			
ordinary shares of Rs 10 each			
Shares held 40% (December 31, 2021: 40%)		23,539	23,539
Less: accumulated impairment loss on investment		(23,539)	(23,539)
		<u>-</u>	<u>-</u>
23.2 Other investments			
Fair value through other comprehensive income - unquoted			
Thuraya Satellite Telecommunication Company - Dubai, UAE			
3,670,000 (December 31, 2021: 3,670,000)			
ordinary shares of AED 1 each		63,900	63,900
Less: accumulated impairment loss on investment		(32,473)	(32,473)
		<u>31,427</u>	<u>31,427</u>
Alcatel - Lucent Pakistan Limited - Islamabad, Pakistan			
2,000,000 (December 31, 2020: 2,000,000)			
ordinary shares of Rs 10 each		20,000	20,000
		<u>51,427</u>	<u>51,427</u>
24. Long-term loans and advances - considered good			
Loans to employees - secured	24.1	1,434,188	1,649,737
Imputed interest		(305,238)	(326,883)
		<u>1,128,950</u>	<u>1,322,854</u>
Others		179,047	153,623
		<u>1,307,997</u>	<u>1,476,477</u>
Current portion shown under current assets			
Loans to employees - secured	29	(325,137)	(349,032)
		<u>982,860</u>	<u>1,127,445</u>

24.1 These loans and advances are for house building and purchase of vehicles and motor cycles. 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.

Reconciliation of the gross amounts of loans to executives and other employees:

	As at January 01, 2022 Rs '000	Disbursements Rs '000	Repayments Rs '000	As at December 31, 2022 Rs '000
Executives	149,593	11,804	(90,276)	70,921
Other employees	1,500,144	188,806	(325,683)	1,363,267
	<u>1,649,737</u>	<u>200,410</u>	<u>(415,959)</u>	<u>1,434,188</u>
	As at January 01, 2021 Rs '000	Disbursements Rs '000	Repayments Rs '000	As at December 31, 2021 Rs '000
Executives	206,454	38,824	(95,785)	149,593
Other employees	1,368,855	422,944	(291,655)	1,500,144
	<u>1,575,309</u>	<u>461,868</u>	<u>(387,440)</u>	<u>1,649,737</u>

Loans to employees include loans given to key management personnel of Rs 34,174 thousand (December 31, 2021: Rs 63,548 thousand). The maximum aggregate amount of loans to key management personnel outstanding at any time during the year was Rs 58,541 thousand (December 31, 2021: Rs 87,168 thousand).

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List of key management personnel having outstanding balances of loans up till December 31, 2022 are as under:

No.	Names of Employees
1	Mr. Aamer Ejaz
2	Mr. Aasif Inam
3	Mr. Abdul Basit
4	Mr. Abdullah Hameed
5	Mr. Amjad Iqbal
6	Mr. Arslan Haider
7	Mr. Dr Muhammad Shafiq Ur Rehman
8	Ms. Hina Tasleem
9	Mr. Ishtiaq Naveed Gill
10	Mr. Maleen Malik
11	Mr. Mian Omer Shah
12	Mr. Mohammad Nadeem Khan
13	Mr. Mubashir Naseer Ch.

No.	Names of Employees
14	Mr. Muhammad Amer Shafique
15	Mr. Muhammad Amir Siddiqi
16	Mr. Muhammad Basharat Qureshi
17	Mr. Muhammad Fahim Ur Rehman
18	Mr. Muhammad Shehzad Yousuf
19	Mr. Muhammad Umar Ilyas
20	Ms. Saima Akbar Khattak
21	Mr. Saleem Ullah Baig
22	Mr. Syed Muhammad Imran Ali
23	Mr. Syed Muhammad Shoaib
24	Mr. Wajeeh Anwer
25	Mr. Zain Ul Abideen

25. Contract costs

	Note	2022 Rs '000	2021 Rs '000
Cost to obtain a contract		1,963,941	1,734,040
Cost to fulfill a contract		<u>1,936,535</u>	<u>1,842,633</u>
	25.1	3,900,476	3,576,673
Current maturity of contract costs		<u>(3,138,112)</u>	<u>(2,879,400)</u>
		<u>762,364</u>	<u>697,273</u>
25.1 Movement during the year			
Balance at the beginning of the year		3,576,673	3,329,666
Capitalization during the year		<u>5,927,710</u>	<u>5,497,691</u>
		9,504,383	8,827,357
Amortization during the year	36	<u>(5,603,907)</u>	<u>(5,250,684)</u>
Balance at the end of the year		<u>3,900,476</u>	<u>3,576,673</u>
26. Stock in trade, stores and spares			
Stores and spares	26.1	7,636,587	5,575,040
Stock in trade	26.2	<u>982,376</u>	<u>372,128</u>
		<u>8,618,963</u>	<u>5,947,168</u>
26.1 Stores and spares		8,471,386	6,633,205
Provision for obsolescence	26.1.1	<u>(834,799)</u>	<u>(1,058,165)</u>
		<u>7,636,587</u>	<u>5,575,040</u>
26.1.1 Provision for obsolescence			
Balance at beginning of the year		1,058,165	1,235,872
Reversal / Written off during the year	26.1.2	<u>(223,366)</u>	<u>(177,707)</u>
Balance at end of the year		<u>834,799</u>	<u>1,058,165</u>
26.1.2 The Group has reversed Rs 223,366 thousand (December 31, 2021: Rs 177,707 thousand) of the inventory provided for in the previous years and these have been disposed off / consumed during the year.			

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	Note	2022 Rs '000	2021 Rs '000
26.2 Stock in trade			
SIM cards		197,285	99,596
Mobile phones and accessories		554,306	199,835
Scratch cards		190,186	81,513
ATM cards and stationary		78,608	29,193
		<u>1,020,385</u>	<u>410,137</u>
Provision for slow moving stock		<u>(38,009)</u>	<u>(38,009)</u>
		<u>982,376</u>	<u>372,128</u>

	Note	2022 Rs '000	2021 Rs '000
27. Trade debts and contract assets			
Trade debts			
- Secured	27.1	223,515	327,013
- Unsecured		35,559,766	24,152,013
Contract assets		<u>5,592,380</u>	<u>4,711,533</u>
		<u>41,375,661</u>	<u>29,190,559</u>
Domestic			
Considered good	27.2	13,898,934	12,230,948
Considered doubtful		8,459,293	7,598,563
		<u>22,358,227</u>	<u>19,829,511</u>
International			
Considered good	27.3	27,476,728	16,959,611
Considered doubtful		57,475	57,475
		<u>27,534,203</u>	<u>17,017,086</u>
Expected credit loss on trade debts and contract assets	27.4	<u>(8,516,769)</u>	<u>(7,656,038)</u>
	27.5	<u>41,375,661</u>	<u>29,190,559</u>

27.1 These are secured against customer and dealer deposits aggregating to Rs 726,002 thousand (December 31, 2021: Rs 579,572 thousand). The normal credit period of debtors is not more than one month.

	Maximum aggregate amount	Up to 6 months	More than 6 months	2022	2021
	-----Rs '000-----				
27.2 These include amounts due from the following related parties:					
GoP related entities	<u>3,163,535</u>	<u>1,184,682</u>	<u>1,978,853</u>	<u>3,163,535</u>	<u>3,039,371</u>

27.3 These include amounts due from the following related parties:					
Emirates Telecommunication Corporation	25,308,481	3,399,849	21,906,632	25,306,481	15,155,221
Etisalat - Afghanistan	500,441	8,287	492,154	500,441	101,883
Etihad Etisalat Company	-	-	-	-	54,803
Etisalat's subsidiaries and associates	115,048	91,730	23,318	115,048	26,738
GoP related entities	<u>205,219</u>	<u>205,219</u>	<u>-</u>	<u>205,219</u>	<u>105,594</u>
	<u>26,127,189</u>	<u>3,705,085</u>	<u>22,422,104</u>	<u>26,127,189</u>	<u>15,444,239</u>

	Note	2022 Rs '000	2021 Rs '000
27.4 Expected credit loss on trade debts and contract assets			
Balance at beginning of the year		7,656,038	8,190,008
Expected credit loss on trade debts and contract assets	39	1,732,727	1,549,339
Recognised due to change in accounting policy		1,297,323	-
Recovery of Defence Saving Certificates / adjustment		4,120	7,979
		<u>3,034,170</u>	<u>1,557,318</u>
		<u>10,690,208</u>	<u>9,747,326</u>
Write off against expected credit loss on trade debts and contract assets		<u>(2,173,439)</u>	<u>(2,091,288)</u>
Balance at end of the year		<u>8,516,769</u>	<u>7,656,038</u>

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

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	Note	2022 Rs '000	2021 Rs '000
28. Loans to banking customers			
Loans to banking customers		62,978,273	36,411,344
Accumulated impairment loss on non-performing loans to banking customers	28.1	<u>(3,694,279)</u>	<u>(2,035,615)</u>
Long term portion shown under non-current assets		59,283,994	34,375,729
		<u>(12,705,350)</u>	<u>(8,212,253)</u>
		<u>46,578,644</u>	<u>26,163,476</u>
28.1 Accumulated impairment loss on non-performing loans to banking customers			
Balance at the beginning of the year		2,035,615	1,313,063
Impact of Re-measurement due to adoption of IFRS 9		3,349,055	
Impairment loss / (Reversal) for the year	39	<u>(901,613)</u>	<u>1,512,900</u>
Loans written-off during the year		<u>(788,778)</u>	<u>(790,348)</u>
		<u>3,694,279</u>	<u>2,035,615</u>
29. Loans and advances			
Loans			
Current portion of long term loans to employees - secured	24	325,137	349,032
Advances - considered good			
Advances to employees	29.1	175,209	144,616
Advances to suppliers and contractors	29.2	5,778,312	2,851,924
Others		-	10,720
		5,953,521	3,007,260
		<u>6,278,658</u>	<u>3,356,292</u>
29.1 These include advances to executives and key management personnel amounting to Rs 18,566 thousand (December 31, 2021: Rs 6,366 thousand) and 1,616 thousand (December 31, 2021: 3,886) respectively.			
	Note	2022 Rs '000	2021 Rs '000
29.2 These include amounts due from the following related parties:			
TF Pipes Limited		26,774	26,774
30. Income tax recoverable			
Balance at beginning of the year		27,404,527	24,837,418
Current tax charge for the year - P&L	42	<u>(4,070,222)</u>	<u>(4,351,726)</u>
Tax (charge) / credit on re-measurement gains - OCI		<u>(106,734)</u>	<u>502,650</u>
		<u>(4,176,956)</u>	<u>(3,849,076)</u>
Tax paid during the year		5,508,997	6,416,185
Balance at end of the year		<u>28,736,568</u>	<u>27,404,527</u>
31. Receivable from the Government of Pakistan (GoP)			
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 Holding Company's employees during the year ended June 30, 2008.			
	Note	2022 Rs '000	2021 Rs '000
32. Deposits, prepayments and other receivables			
Deposits		339,047	328,418
Prepayments			
- Pakistan Telecommunication Authority - a related party		26,903	24,313
- Prepaid rent and others		<u>1,079,671</u>	<u>1,141,726</u>
		1,106,574	1,166,039
Other receivables			
Due from related parties	32.1	89,047	72,605
Accrued interest receivable	32.2	-	8,837,417
Funded Pension	12.1	3,189,002	1,802,337
Gratuity - funded	12.1	46,994	-
Federal Excise Duty (FED)	32.3	3,338,694	3,338,694
Forward exchange contracts		-	1,492,975
Others	32.4	<u>4,838,684</u>	<u>2,628,554</u>
		<u>12,948,042</u>	<u>19,667,039</u>

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	Maximum aggregate amount	Up to 6 months	More than 6 months	2022	2021
	-----Rs '000-----				
32.1 Etisalat - UAE	71,305	-	71,305	71,305	71,305
Pakistan Telecommunication Employees Trust	15,366	12,409	2,957	15,366	1,300
Employees' Provident fund - U Bank	2,376	2,319	57	2,376	-
	<u>89,047</u>	<u>14,728</u>	<u>74,319</u>	<u>89,047</u>	<u>72,605</u>

32.2 This represents mark-up accrued on advances and investments.

	Note	2022 Rs '000	2020 Rs '000
32.3 Federal Excise Duty	32.3.1	3,804,870	3,804,870
Provision for doubtful amount		(466,176)	(466,176)
		<u>3,338,694</u>	<u>3,338,694</u>

32.3.1 (i) This includes amount of Rs 3,283,111 thousand (December 31, 2021: 3,283,111 thousand) payments under protest by the Holding Company on account of FED on interconnect charges. The Honourable Supreme Court has decided the case in favor of the Holding Company.

(ii) This also includes federal excise duty on technical service fee of Rs 521,759 thousand (December 31, 2021: Rs 521,759 thousand) paid by PTML to the taxation authority under protest.

32.4 (i) This includes amount 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 1 November 2013.

(ii) This amount is net off provision for impairment of Rs. 185,239 thousand (December 31, 2021: 185,239 thousand).

33. Short term investments	Note	2022 Rs '000	2021 Rs '000
Amortized cost			
Term deposit receipts - Maturity upto 6 months	33.1	-	7,750,000
Lending to Financial Institution	33.2	6,581,567	-
Pakistan Investment Bonds (PIBs) - Maturity upto 6 months	33.3	5,690,878	-
Fair value through Profit or Loss			
Mutual Funds	33.4	21,971,007	12,082,206
Market treasury bills - Maturity upto 6 months	33.5	20,326,564	-
Pakistan Investment Bonds (PIBs) - Maturity upto 6 months	33.3	51,120,968	-
TFCs		2,268,757	-
Fair value through Other Comprehensive Income			
Market treasury bills - Maturity upto 6 months	33.5	34,442,208	20,996,827
Pakistan Investment Bonds (PIBs) - Maturity upto 6 months	33.3	-	5,735,487
Sukuks	33.6	1,510,561	-
		<u>143,912,508</u>	<u>46,564,520</u>

33.1 Term deposit receipts carry interest at the rate of 10.5% to 16% (December 31, 2021: 8.5% to 12%) per annum.

33.2 This represented reverse repo from National Bank of Pakistan which carrying interest rate ranging from 6.10% to 16.40% per annum amounting to 6,581,567 thousand (December 31, 2021: Nil) with the maturity date of Jan 3, 2023.

33.3 This represents Pakistan Investment Bonds carrying interest at the rate ranging from 9.00% to 17.67% (2021: 9% to 9.5%) per annum.

33.4 This represents investments in open ended mutual funds. Fair value of these investments is determined using quoted repurchase price. Units held in funds are tabulated below:

	2022		2021	
	No. of units in '000	Rs '000	No. of units in '000	Rs '000
ABL Cash Fund	528,895	5,320,257	681,214	7,043,168
Faysal Income and Growth Fund	62,576	7,245,671	36,078	4,037,161
Pak Oman Government Securities Fund	198,043	2,310,052	88,979	1,001,877
JS Islamic Income Fund	15,240	1,689,996		
JS Microfinance Sector Fund	38,209	3,845,698		
Alfalah GHP Income Multiplier Fund	17,422	1,015,165		
Alfalah GHP Income Multiplier Fund	9,167	534,168		
	<u>869,552</u>	<u>21,971,007</u>	<u>806,271</u>	<u>12,082,206</u>

33.5 This represents market treasury bills having yield of 15.55% to 16.95% (December 31, 2021: 7.40% to 11.45%) per annum.

33.6 Ijarah Sukuk carries mark up at the rate of 16.45% to 19.30% (2021: Nil) per annum and due to mature in 22 June 2027.

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34. Cash and bank balances	Note	2022 Rs '000	2021 Rs '000
Cash in hand		2,116,029	951,354
Balances with banks:			
Local currency			
Current account maintained with SBP	34.1	5,721,518	2,990,491
Current accounts	34.2	1,672,033	282,660
Saving accounts	34.3	2,607,082	8,404,468
		10,000,633	11,677,619
Foreign currency			
Current accounts (USD 15,242 thousand: December 31, 2021: USD 5,291 thousand)		3,451,254	934,039
Saving accounts (USD 3,543 thousand: December 31, 2021: USD 3,228 thousand, Euro 683 thousand: December 31, 2021: Euro 434 thousand)		965,178	656,583
		4,416,432	1,590,622
	34.4	16,533,094	14,219,595

- 34.1 This includes balance maintained with SBP to comply with the requirement of Prudential Regulations for microfinance banks to maintain minimum cash reserve not less than 5% (2021: 5%) of U Bank's time and demand deposits with tenure of less than 1 year.
- 34.2 This includes Rs 12,800 thousand (December 31, 2021: Rs 10,600 thousand) placed under lien with a bank in respect of standby letter of guarantee issued to China Union Pay International.
- 34.3 These carry mark-up ranging between 7% to 18.25% per annum (December 31, 2021: 3.5% to 11.5%).
- 34.4 Bank balance includes Rs 862 thousand (December 31, 2021: Rs 1,924 thousand) carrying profit at the rate of 7% per annum (December 31, 2021: 4%) from Shariah arrangements.

35. Revenue	Note	2022 Rs '000	2021 Rs '000
Broadband & IPTV		35,268,813	31,468,960
Cellular and other wireless		53,822,692	51,843,695
Fixed line voice services		9,016,356	9,942,808
Revenue from retail customers		98,107,861	93,255,463
Corporate and wholesale		28,263,137	23,977,524
International		10,307,321	9,342,375
Banking		14,965,409	11,050,084
Total revenue	35.1	151,643,728	137,625,446

- 35.1 Revenue is net of trade discount amounting to Rs 1,772,149 thousand (December 31, 2021: Rs. 1,775,680 thousand) and Federal Excise Duty / Sales tax amounting to Rs 23,416,617 thousand (December 31, 2021: Rs 21,170,133 thousand).

36. Cost of services	Note	2022 Rs '000	2021 Rs '000
Staff cost	36.1	15,704,899	15,680,830
Outsourced staff cost		2,034,300	1,711,821
Security service charges		1,344,934	1,352,186
Interconnect cost		3,920,185	5,835,842
Foreign operators cost and satellite charges		6,990,766	8,761,761
Fuel and power cost		19,813,899	12,878,439
Cost of devices sold		1,659,920	1,230,873
Amortization of contract costs	25	5,603,907	5,250,684
Rent, rates and taxes		820,562	842,525
Repairs and maintenance and IT cost		12,051,726	10,012,393
Depreciation on property, plant and equipment	20.5	27,351,412	25,991,208
Depreciation on ROU assets	21.1	3,204,711	2,873,988
Amortization of intangible assets	22.8	6,668,806	4,437,867
Annual license fee and regulatory charges	36.2	3,390,707	2,947,764
Markup / interest expense - U Bank		6,837,677	3,324,590
Other expenses		2,769,995	1,962,938
		120,168,406	103,095,709

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- 36.1 This includes Rs 3,121,098 thousand (December 31, 2021: Rs 3,087,866 thousand) in respect of employees retirement benefits.
- 36.2 This represents the Group's contribution to the National Information Communication Technology Research and Development Fund (National ICT R&D Fund), Universal Service Fund (USF), annual license fee and other regulatory charges, in accordance with the terms and conditions of its license to provide telecommunication services.

37. Administrative and general expenses	Note	2022 Rs '000	2021 Rs '000
Staff cost	37.1	7,322,884	6,632,700
Outsourced staff cost		329,008	229,092
Technical services assistance fee	37.2	5,019,157	4,816,891
Fuel and power cost		666,453	454,013
Gas and water		102,568	105,060
Rent, rates and taxes		407,480	325,911
Repairs and maintenance		1,192,618	980,402
Travelling and conveyance		673,123	396,896
Legal and professional charges	37.3	726,357	553,594
Billing and printing expenses		383,232	372,784
Depreciation on property, plant and equipment	20.5	1,150,984	1,092,268
Depreciation on ROU assets	21.1	1,226,920	1,114,346
Amortization of intangible assets	22.8	337,072	322,021
Other expenses	38.2	891,361	841,339
		<u>20,429,217</u>	<u>18,237,317</u>

- 37.1 This includes Rs 717,507 thousand (December 31, 2021: Rs 691,196 thousand) in respect of employees retirement benefits.
- 37.2 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.

37.3 Auditors' remuneration	Note	2022 Rs '000	2021 Rs '000
Statutory audit, including half yearly review		14,800	12,800
Out of pocket expenses		600	600
Fee for Certifications		2,650	2,607
Advisory services		1,900	1,051
Taxation services		-	190
		<u>19,950</u>	<u>17,248</u>

38. Selling and marketing expenses

Staff cost	38.1	3,182,240	3,309,929
Outsourced staff cost		620,125	522,572
Sales and distribution charges		960,659	794,915
Advertisement and publicity	38.2	3,433,470	3,246,269
Depreciation on property, plant and equipment	20.5	134,219	122,123
Others		230,950	151,415
		<u>8,561,663</u>	<u>8,147,223</u>

- 38.1 This includes Rs 489,007 thousand (December 31, 2021: Rs 491,937 thousand) in respect of employees retirement benefits.

- 38.2 Donations that exceed Rs 1,000 thousand are given to the parties given hereunder :

Names of Donees	2022 Rs '000	2021 Rs '000
Rashid Khan Trust	-	7,000
Pakistan Poverty Alleviation fund (PPAF)	-	2,250
PTCL's flood affected employees	10,000	
Prime Minister flood relief fund	40,000	
Pakistan Red Crescent	5,000	
Akhuwat Foundation	5,000	
	<u>60,000</u>	<u>9,250</u>

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		2022 Rs '000	2021 Rs '000
39. Impairment loss on trade debts and contract assets	Note		
Impairment loss on:			
Trade debts and contract assets	27.4	1,732,727	1,549,339
Loans to banking customers	28.1	(884,660)	1,512,900
		<u>848,067</u>	<u>3,062,239</u>
40. Other income			
Income from financial assets:			
Return on bank deposits	40.1	3,840,141	1,728,442
Interest on investment in Government securities		3,550,113	1,147,398
Late payment surcharge from subscribers		131,570	164,144
Gain on fair value remeasurement of forward exchange contracts		-	1,231,118
Gain on disposal of investments		155,181	140,523
Others		429,652	153,753
		<u>8,106,657</u>	<u>4,565,378</u>
Income from non-financial assets:			
Gain on disposal of property, plant and equipment		2,599,819	883,714
Government grants recognized		2,503,543	2,957,774
Re-chargeable projects income		177,419	326,337
Rental income		1,015,970	853,171
Others		1,243,413	213,894
		<u>7,540,164</u>	<u>5,234,890</u>
		<u>15,646,821</u>	<u>9,800,268</u>
40.1 Return on bank deposits includes Rs 117 thousand (December 31, 2021: Rs 273 thousand) earned from Shariah arrangements.			
41. Finance costs and other expenses	Note	2022 Rs '000	2021 Rs '000
Interest on:			
Long term loans from banks		13,872,716	5,073,090
Long term vendor liability		2,316,845	1,252,566
Lease liabilities		1,902,613	1,930,576
License fee	41.1	1,054,586	258,065
Employee loans - Imputed interest		-	39,064
Exchange loss		5,781,162	2,248,605
Impairment of goodwill on acquisition of DVCOM Data		535,000	-
Bank and other charges		4,241,940	694,227
		<u>29,704,862</u>	<u>11,496,193</u>
42. Provision for income tax			
Current tax			
Current	30	6,446,550	4,351,726
Prior		(512,467)	-
Deferred	11		
Current		(10,968,160)	(991,246)
Prior		400,993	(2,548,712)
		<u>(10,567,167)</u>	<u>(3,539,958)</u>
		<u>(4,633,084)</u>	<u>811,768</u>
42.1 Reconciliation of effective tax rate:			
Profit before tax (Rupees in thousand)		<u>(12,421,666)</u>	<u>3,387,033</u>
		%	%
Applicable tax rate		33.00	29.00
Reversal of turnover tax of prior period		0.26	0.38
Impact of change in tax rate		(0.35)	-
Income chargeable tax at lower rate		-	(5.55)
Tax effect of amounts that are not deductible for tax purposes		4.02	0.23
Other		0.37	(0.09)
		<u>4.30</u>	<u>(5.03)</u>
Average effective tax rate charged to the consolidated statement of profit or loss		<u>37.30</u>	<u>23.97</u>

43. Non-funded financing facilities

The Holding Company has non funded financing facilities available with banks, which include facilities to avail letters of credit and letters of guarantee. The aggregate facility of Rs 25,232,000 thousand (December 31, 2021: Rs 25,150,000 thousand) and Rs 17,718,000 thousand (December 31, 2021: Rs 15,300,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facility availed at the year end is Rs 12,580,000 thousand (December 31, 2021: Rs 13,840,217 thousand) and Rs 11,558,806 thousand (December 31, 2021: Rs 11,867,256 thousand) respectively. The letter of guarantee facility is secured by a hypothecation charge over certain assets of the Holding Company, amounting to Rs 118,316,667 thousand (December 31, 2021: Rs 39,701,000 thousand).

	2022 Rs '000	2021 Rs '000
44. Cash generated from operations		
Profit before tax	(12,421,666)	3,387,033
Adjustments for non-cash charges and other items:		
Depreciation of property, plant and equipment	28,636,616	27,205,598
Impairment of property, plant and equipment	59,538	147
Depreciation of right of use assets	4,431,631	3,988,334
Amortization of intangible assets	7,005,879	4,759,888
Amortization of contract costs	5,603,907	5,250,684
Reversal for obsolete stores and spares	(223,366)	(177,707)
Impairment loss on trade debts and contract assets	1,732,727	1,549,339
Impairment loss on non performing loans to banking customers	(884,660)	1,512,900
Provision for employees retirement benefits	4,154,707	4,076,241
Gain on disposal of property, plant and equipment	(2,599,819)	(883,714)
Return on bank deposits and Government securities	(7,390,254)	(2,875,840)
Gain on disposal of investments measured at fair value through profit or loss (FVTPL)	(155,181)	(140,523)
Release of deferred government grants	(2,503,543)	(2,957,774)
Finance cost	18,267,007	7,277,948
Impairment of goodwill on acquisition of DVCOM Data	535,000	-
Unearned revenue realised	(159,574)	(130,074)
Exchange gain	(2,700,050)	(787,487)
Imputed interest on loans and advances	21,645	39,064
Imputed interest on lease liabilities	1,902,613	1,930,576
	43,313,157	53,024,633
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets:		
Stock in trade, stores and spares	(2,448,429)	(1,936,577)
Trade debts and contract assets	(12,515,101)	(4,515,458)
Loans to banking customers	(28,006,069)	(5,882,330)
Loans and advances	(2,922,366)	(1,802,355)
Deposits, prepayments and other receivables	9,074,797	(2,637,506)
	(36,817,168)	(16,774,226)
Increase / (decrease) in current liabilities:		
Trade and other payables	18,557,864	9,806,808
Security deposits	166,818	62,696
	18,724,682	9,869,504
	25,220,671	46,119,911

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44.1. Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities							Equity	Total
	Sub-ordinated loan	Loans from banks	Vendor liability	Licence fee payable	Lease liabilities	Unpaid / unclaimed dividend	Interest accrued	Revenue reserve	
	Rs '000								
Balance at December 31, 2021	598,920	80,876,473	45,987,380	25,816,770	18,256,320	210,317	1,033,404	36,604,086	209,383,670
Changes from financing cash flows									
Draw-downs / additions	-	84,830,517	21,279,366		3,769,698	-	-	-	109,879,581
Repayments	(149,820)	(11,271,592)	(13,171,910)	(18,365,097)	(5,987,066)	(503)	(17,406,918)	-	(66,352,906)
	(149,820)	73,558,925	8,107,456	(18,365,097)	(2,217,368)	(503)	(17,406,918)	-	43,526,675
Other changes									
Interest cost on lease liabilities	-	-	-	-	1,902,613	-	-	-	1,902,613
Liability related changes	-	-	5,740,482	6,317,746	(23,297)	-	18,290,188	-	30,325,119
Adjustment on initial application of IFRS 9	-	-	-	-	-	-	-	(3,611,584)	(3,611,584)
Lease facility availed	-	-	-	-	-	-	-	-	-
	-	-	5,740,482	6,317,746	1,879,316	-	18,290,188	(3,611,584)	28,616,148
Total equity related changes	-	-	-	-	-	-	-	(8,167,525)	(8,167,525)
Balance at December 31, 2022	449,100	154,435,398	59,835,318	13,769,419	17,918,268	209,814	1,916,674	24,824,977	273,358,968
Balance at December 31, 2020	599,160	43,765,075	40,226,922	25,816,770	20,016,417	211,511	1,371,131	35,481,208	167,488,194
Changes from financing cash flows									
Draw-downs / additions	-	45,892,813	12,386,299	-	2,038,743	-	-	-	60,317,855
Repayments	(240)	(8,781,415)	(8,970,105)	-	(5,413,484)	(1,194)	(7,669,892)	-	(30,836,330)
	(240)	37,111,398	3,416,194	-	(3,374,741)	(1,194)	(7,669,892)	-	29,481,525
Other changes									
Interest cost on lease liabilities	-	-	-	-	1,930,576	-	-	-	1,930,576
Liability related changes	-	-	2,344,264	-	(315,932)	-	7,332,165	-	9,360,497
	-	-	2,344,264	-	1,614,644	-	7,332,165	-	11,291,073
Total equity related changes	-	-	-	-	-	-	-	1,122,878	1,122,878
Balance at December 31, 2021	598,920	80,876,473	45,987,380	25,816,770	18,256,320	210,317	1,033,404	36,604,086	209,383,670

44.2 Cash and cash equivalents

	Note	2022 Rs '000	2021 Rs '000
Cash and bank balances	34	16,533,094	14,219,585
Short term running finance	17	(40,799,207)	(8,227,208)
		(24,266,113)	5,992,387

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45. 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	
	2022	2021	2022	2021	2022	2021	2022	2021
	-----Rs '000-----							
Managerial remuneration	-	-	185,242	46,022	558,284	551,115	1,852,114	1,677,658
Honorarium	300	300	-	-	-	-	-	-
Retirement benefits	-	-			55,538	72,146	197,866	189,878
Housing	-	-	72,759	24,842	181,434	246,269	616,111	631,651
Utilities	-	-			80,111	66,672	213,997	108,171
	<u>300</u>	<u>300</u>	<u>258,001</u>	<u>70,864</u>	<u>875,367</u>	<u>936,202</u>	<u>2,880,088</u>	<u>2,607,358</u>
Bonus paid	-	-	35,244	65,256	168,184	179,947	429,995	348,448
	<u>300</u>	<u>300</u>	<u>293,245</u>	<u>136,120</u>	<u>1,043,551</u>	<u>1,116,149</u>	<u>3,310,083</u>	<u>2,955,806</u>
Number of persons	1	1	1	1	60	77	722	614

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. Approximate value of medical and car facility is Rs 269,812 thousand (December 31, 2021 : Rs 173,957 thousand).

The aggregate amount charged in the consolidated financial statements for the year as fee paid to 21 directors including chairman (December 31, 2021: 20) is Rs 175,956 thousand (December 31, 2021: Rs 201,598 thousand) for attending the Board of Directors, and its sub-committee meetings.

46. Rates of exchange

Assets in US dollars have been translated into Rupees at USD 1 = Rs 226.43 (December 31, 2021: USD 1 = Rs 176.52), while liabilities in US dollars have been translated into Rupees at USD 1 = Rs 226.43 (December 31, 2021: USD 176.52).

47. Financial risk management**47.1 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), Euro (EUR) and Chinese Yuan (CNY). 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:

	2022 Rs '000	2021 Rs '000
USD		
Trade and other payables	(9,328,685)	(7,973,700)
Long term vendor liability	(2,439,593)	(1,747,008)
License fee payable	(14,114,921)	(25,906,624)
Trade debts	28,409,020	17,864,236
Cash and bank balances	<u>4,251,570</u>	<u>1,503,993</u>
Net exposure	<u>6,777,391</u>	<u>(16,259,103)</u>
EUR		
Trade and other payables	(245,980)	(150,516)
Trade debts	292,250	220,032
Long term vendor liability	(30,888)	-
Cash and bank balances	<u>164,861</u>	<u>86,652</u>
Net exposure	<u>180,243</u>	<u>156,168</u>
AED		
Trade and other payables	<u>(4,351)</u>	<u>(3,392)</u>
CNY		
Vendor liability	<u>(27,714,906)</u>	<u>(25,714,980)</u>

The following significant exchange rates were applied during the year:

	2022	2021
Rupees per USD		
Average rate	204.52	162.63
Reporting date rate	226.43	176.52
Rupees per EUR		
Average rate	214.53	192.18
Reporting date rate	241.31	199.64
Rupees per AED		
Average rate	55.68	44.28
Reporting date rate	61.65	48.06
Rupees per CNY		
Average rate	30.32	25.24
Reporting date rate	32.57	27.70

If the functional currency, at the reporting date, had fluctuated by 5% against the USD, AED, EUR and CNY with all other variables held constant, the impact on profit after taxation for the year would have been Rs 737,038 thousand (December 31, 2021: Rs 1,484,656 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 FVTPL. To manage its price risk arising from investments in mutual funds, the Group diversifies its portfolio.

Financial assets include investments of 21,971,007 thousand (December 31, 2021: 12,082,206 thousand) 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 779,971 thousand (December 31, 2021: 428,918) 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 consolidated statement of financial position, the interest rate profile of the Group's interest bearing financial instruments at the year end :

	2022 Rs '000	2021 Rs '000
Financial assets		
Fixed rate instruments:		
Staff loans	1,434,188	1,649,737
Short term investments	56,279,331	22,507,388
Bank balances - savings accounts	3,572,260	9,061,051
	61,285,779	33,218,176
Variable rate instruments:		
Short term investments	87,633,177	24,057,132
Loans to banking customers	59,283,994	34,375,729
	146,917,171	58,432,861
	<u>208,202,950</u>	<u>91,651,037</u>
Financial liabilities		
Fixed rate instruments:		
Deposits from banking customers	92,183,090	54,756,473
Floating rate instruments:		
Long term loans from banks	154,435,398	80,876,473
Long term vendor liability	18,358,897	15,544,513
License fee payable	12,634,844	24,854,533
Short term running finance	40,799,207	8,227,208
	<u>226,228,346</u>	<u>129,502,727</u>
	<u>318,411,436</u>	<u>184,259,200</u>

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 563,109 thousand (December 31, 2021: Rs 504,596 thousand) lower / higher, mainly as a result of higher / lower markup income on floating rate loans / investments.

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(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:

	2022 Rs '000	2021 Rs '000
Long term loans and advances	1,307,997	1,476,477
Trade debts and contract assets	41,375,661	29,190,559
Loans to banking customers	59,283,994	34,375,729
Loans and advances	5,953,521	3,007,260
Deposits and other receivables	8,502,774	15,162,306
Short term investments	143,912,508	46,564,520
Bank balances	14,417,065	13,268,241
	<u>274,753,520</u>	<u>143,045,092</u>

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. Impairment loss on trade debts and contract assets arising from contract with customers amounts to Rs 848,067 thousand (December 31, 2021: Rs 3,062,239 thousand).

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	A-1+	AAA	PACRA
Bank Alfalah Limited	A-1+	AA+	PACRA
MCB Bank Limited	A-1+	AAA	PACRA
MCB Islamic Bank Limited	A-1	A	PACRA
Soneri Bank Limited	A-1+	AA-	PACRA
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA
The Bank of Punjab	A-1+	AA+	PACRA
Habib Bank Limited	A-1+	AAA	VIS
Askari Bank Limited	A-1+	AA+	PACRA
Allied Bank Limited	A-1+	AAA	PACRA
United Bank Limited	A-1+	AAA	VIS
BankIslami Pakistan Limited	A-1	A+	PACRA
Bank Al-Habib Limited	A-1+	AAA	PACRA
Faysal Bank Limited	A-1+	AA	PACRA
Citi Bank, N.A	P-1	Aa3	Moody's
Albaraka Bank (Pakistan) Limited	A-1	A+	VIS
Mobilink Microfinance Bank Limited	A-1	A	PACRA
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS
JS Bank Limited	A-1+	AA-	PACRA
Sindh Bank Limited	A-1	A+	VIS
SME Bank Limited	B	CCC	PACRA
SilkBank Limited	A-2	A-	VIS
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AAA	VIS
The Bank of Khyber	A-1	A+	VIS
First Women Bank Limited	A-2	A-	PACRA
Samba Bank Limited	A-1	AA	VIS
U Microfinance Bank Limited	A-1	A+	VIS
Khushhali Microfinance Bank Limited	A-1	A+	VIS
Telenor Microfinance Bank Limited	A-1	A	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.

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(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 the Group's financial liabilities:

As at December 31, 2022	Gross amount	Less than one year	One to five years	More than five years
	-----Rs '000-----			
Long term loans from banks	154,435,398	76,174,791	60,488,617	17,771,990
Lease liabilities	17,918,268	4,476,012	11,588,137	1,854,119
Security deposits	1,531,698	1,531,698	-	-
Long term vendor liability	59,835,318	15,915,561	43,919,757	-
Trade and other payables	107,669,659	107,669,659	-	-
Interest accrued	1,916,674	1,916,674	-	-
License fee payable	13,769,419	164,459	13,026,416	578,544
Unpaid / Unclaimed Dividend	209,814	209,814	-	-
Short term running finance	40,799,207	40,799,207	-	-
Deposits from banking customers	92,183,090	90,910,070	1,273,020	-
	<u>490,268,545</u>	<u>339,767,945</u>	<u>130,295,947</u>	<u>20,204,653</u>
As at December 31, 2021				
Long term loans from banks	80,876,473	28,634,429	41,575,377	10,666,667
Lease liabilities	18,256,320	3,388,099	11,270,175	3,598,046
Security deposits	1,364,880	1,364,880	-	-
Long term vendor liability	45,987,380	10,386,943	35,600,437	-
Trade and other payables	91,274,653	91,274,653	-	-
Interest accrued	1,033,404	1,033,404	-	-
License fee payable	25,816,770	4,809,781	20,474,092	532,897
Unpaid / Unclaimed Dividend	210,317	210,317	-	-
Short term running finance	8,227,208	8,227,208	-	-
Deposits from banking customers	54,756,473	53,432,764	1,323,709	-
	<u>327,803,878</u>	<u>202,762,478</u>	<u>110,243,790</u>	<u>14,797,610</u>

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47.2 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 / (liabilities) fair value hierarchy as at December 31 are as follows:

		Level 1	Level 2	Level 3	Total
		Rupees '000'			
Long term other investments	2022			51,427	51,427
Market treasury bills	2022	-	54,768,770	-	54,768,770
Interest rate swap	2022	-	-	913	913
Forward exchange contracts	2022	-	(442,318)	-	(442,318)
Long term other investments	2021		-	51,427	51,427
Market treasury bills	2021	-	20,996,827	-	20,996,827
Interest rate swap	2021	-	-	(15,497)	(15,497)
Forward exchange contracts	2021	-	1,492,975	-	1,492,975

Measurement of fair value

Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Sensitivity of input to fair value
Non listed equity investments - Thuraya Satellite Telecommunication Company	Discounted cash flows: The valuation model considers the present value of projected cash flows, discounted using long term discount rate that reflect the risk inherent to the investment in these equity instruments	Long term discount rate 9% (31 December 2021: 10%) Future free cash flows	1% (31 December 2021: 1%) increase (decrease) in the discount rate would decrease (increase) the fair value by Rs 434,200 thousand (Rs 443,080 thousand) (31 December 2021: Rs 2,700 thousand (Rs 3,290 thousand)). 1% (31 December 2021: 1%) increase (decrease) in the future free cash flows would decrease (increase) the fair value by Rs.1,887,690 thousand (Rs 1,819,700 thousand (31 December 2021: Rs. 1,330 thousand (Rs 1,280 thousand)).
Non listed equity investments - Alcatel - Lucent Pakistan Limited	Discounted cash flows: The valuation model considers the present value of projected cash flows, discounted using long term discount rate that reflect the risk inherent to the investment in these equity instruments	Long term discount rate 15.5% (31 December 2021: 10%) Future free cash flows	1% (31 December 2021: 1%) increase (decrease) in the discount rate would decrease (increase) the fair value by Rs 171,010 thousand (Rs 173,890 thousand) (31 December 2021: Rs 551,940 thousand (Rs 675,570 thousand)). 1% (31 December 2021: 1%) increase (decrease) in the future free cash flows would decrease (increase) the fair value by Rs 760,880 thousand (Rs 736,110 thousand) (31 December 2021:Rs. 238,160 thousand (Rs 230,110 thousand)).
Interest rate Swap	The fair value is calculated as the present value of estimated future cashflows	Not Applicable	Not Applicable

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47.3 Financial instruments by categories - 2022

	FVOCI - equity instruments	FVTPL - equity instruments	FVTPL - debt instruments	FVOCI - debt instruments	Financial assets at amortized cost	Total
-----Rs '000-----						
Financial assets as per consolidated statement of financial position						
Long term other investments	51,427	-	-	-	-	51,427
Debt securities- treasury bills	-	-	20,326,564	34,442,206	-	54,768,770
Long term loans and advances	-	-	-	-	7,261,518	7,261,518
Trade debts and contract assets	-	-	-	-	41,375,661	41,375,661
Loans to banking customers	-	-	-	-	59,283,994	59,283,994
Receivable from the Government of Pakistan	-	-	-	-	2,164,072	2,164,072
Other receivables	-	-	-	-	8,502,774	8,502,774
Short term investments	-	21,971,007	53,389,725	1,510,561	12,272,445	89,143,738
Cash and bank balances	-	-	-	-	16,533,094	16,533,094

Financial liabilities as per consolidated statement of financial position

Amortized cost

Loans from Banks	154,435,398
Subordinated debts	449,100
Vendor liability	59,835,318
Trade and other payables	107,669,659
Security deposits	1,531,698
Unpaid / unclaimed dividend	209,814
License fee payable	13,769,419
Lease liabilities	17,918,268
Interest accrued	1,916,674
Short term running finance	40,799,207

	FVOCI - equity instruments	FVTPL - equity instruments	FVTPL - debt instruments	FVOCI - debt instruments	Financial assets at amortized cost	Total
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Financial instruments by categories - 2021

Financial assets as per consolidated statement of financial position

-----Rs '000-----						
Long term other investments	51,427	-	-	-	-	51,427
Debt securities- treasury bills	-	-	-	20,996,827	-	20,996,827
Long term loans and advances	-	-	-	-	4,483,737	4,483,737
Trade debts and contract assets	-	-	-	-	29,190,559	29,190,559
Loans to banking customers	-	-	-	-	34,375,729	34,375,729
Receivable from the Government of Pakistan	-	-	-	-	2,164,072	2,164,072
Other receivables	-	-	-	-	15,162,306	15,162,306
Short term investments	-	12,082,206	-	5,735,487	7,750,000	25,567,693
Cash and bank balances	-	-	-	-	14,219,595	14,219,595

Financial liabilities as per consolidated statement of financial position

Amortized cost

Loans from banks	80,876,473
Subordinated debts	598,920
Vendor liability	45,987,380
Trade and other payables	91,274,653
Security deposits	1,364,880
Unpaid / unclaimed dividend	210,317
License fee payable	25,816,770
Lease liabilities	18,256,320
Interest accrued	1,033,404
Short term running finance	8,227,208

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47.4 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 monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board 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.

48. Employees' Provident Funds

Investments out of the provident funds have been made in accordance with the provisions of section 218 of the Companies Act ,2017 and the rules formulated for this purpose.

49. Transactions with related parties

The Government of Pakistan and Etisalat International Pakistan (EIP), UAE are the majority shareholders of the Group. Additionally, the Group's associate T.F. Pipes Limited, Directors, Chief Executive, Key management personnel and employees retirement benefits are also related parties of the Group. The remuneration of the Directors, Chief Executive and Executives is given in note 45 to these Consolidated Financial Statements. The amounts due from and due to these related parties are disclosed in the respective notes including note 12, 13, 16, 23, 24, 27, 29, 30, 31 and 32. The Holding Company has also issued a letter of comfort and corporate guarantee in favour of PTML as disclosed in note 19.17. The Group had transactions with the following related parties during the year:

Particulars	Aggregate % of Shareholding in the Holding Company
Shareholders	62.18%
The Government of Pakistan	26%
Etisalat International Pakistan	
Associated undertakings	
Emirates Telecommunication Corporation - Ultimate Parent Company	Not applicable
Etisalat - Afghanistan	Not applicable
Etihad Etisalat Company	Not applicable
Etisalat - Egypt	Not applicable
Etisalat - Nigeria	Not applicable
Emirates Data Clearing House	Not applicable
TF Pipes Limited	Not applicable
Telecom Foundation	Not applicable
Pakistan MNP Database (Guarantee) Limited	Not applicable
Employees retirement benefit plans	
Pakistan Telecommunication Employees Trust	Not applicable
PTCL - General Provident Fund Trust	Not applicable
PTML - Employees Provident Fund	Not applicable
PTCL - Employees Gratuity Fund	Not applicable
PTML - Employees Gratuity Fund	Not applicable
U Bank - Employees Provident Fund	Not applicable
U Bank - Employees Gratuity Fund	Not applicable
Other related parties	
Pakistan Telecommunication Authority	Not applicable
Universal Service Fund - The Government of Pakistan	Not applicable
National ICT R&D Fund	Not applicable
Pakistan Electronic Media Regularity Authority	Not applicable

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Chief Executive, directors and key management personnel

The Group also has transactions with Chief Executive Officer, directors and other key management personnel which are disclosed in note 24 and 45 to these financial statements.

Following particulars relate to the Holding and associated companies incorporated outside Pakistan with whom the Group had entered into transactions during the year:

<u>Names</u>	<u>Country of Incorporation</u>	<u>Basis of Association</u>
Holding Company		
Etisalat International Pakistan	United Arab Emirates	Holding Company
Associated Companies		
Emirates Telecommunication Corporation	United Arab Emirates	Associate of the Holding Company
Etisalat - Afghanistan	Afghanistan	Associate of the Holding Company
Etihad Etisalat Company (Mobily)	Kingdom of Saudi Arabia	Associate of the Holding Company
Etisalat - Nigeria	Nigeria	Associate of the Holding Company
Emirates Data Clearing House	United Arab Emirates	Associate of the Holding Company

Details of Transactions with related parties

	2022 Rs '000	2021 Rs '000
Shareholders		
Technical services assistance fee	5,019,157	4,816,891
Associates		
Sale of goods and services	6,716,693	4,642,156
Purchase of goods and services	1,048,884	651,539
Expenses reimbursed to Pakistan		
MNP Database (Guarantee) Limited	24,000	32,250
Rentals paid to Pakistan Telecommunication Employees Trust (PTET)	756,023	687,294
Employees retirement benefit plan		
Contribution to PTET	822,813	807,959
Contribution to Gratuity Fund	475,956	423,121
Contribution to Provident Fund	172,905	196,829
Other related party		
Charge under license obligations	2,084,764	1,744,046



50. Operating segment information

50.1 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 organized into three operating segments i.e. fixed line communications (Wireline), wireless communications (Wireless) and banking. The reportable operating segments derive their revenue primarily from voice, data and other services.

50.2 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 consolidated comprehensive income for the year.

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

	Wireline	Wireless	Banking	Total
	Rs '000			
Year ended December 31, 2022				
Segment revenue	81,325,484	62,396,275	14,966,147	158,687,906
Inter - segment revenue	(5,670,912)	(1,372,528)	(738)	(7,044,178)
Revenue from external customers	75,654,572	61,023,747	14,965,409	151,643,728
Segment results	8,597,403	(18,635,941)	2,249,956	(7,788,582)
Year ended December 31, 2021				
Segment revenue	74,328,780	58,806,476	11,050,433	144,185,689
Inter - segment revenue	(5,159,621)	(1,400,273)	(349)	(6,560,243)
Revenue from external customers	69,169,159	57,406,203	11,050,084	137,625,446
Segment results	6,672,664	(5,208,436)	1,111,037	2,575,265

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

	<u>Wire line</u>	<u>Wireless</u>	<u>Banking</u>	<u>Total</u>
	<u>Rs '000</u>			
As at December 31, 2022				
Segment assets	<u>219,832,894</u>	<u>204,880,573</u>	<u>218,673,777</u>	<u>643,387,244</u>
Segments liabilities	<u>173,303,293</u>	<u>180,804,295</u>	<u>212,104,892</u>	<u>566,212,480</u>
As at December 31, 2021				
Segment assets	<u>184,828,498</u>	<u>193,039,942</u>	<u>102,974,597</u>	<u>480,843,037</u>
Segments liabilities	<u>132,033,093</u>	<u>166,394,841</u>	<u>94,310,334</u>	<u>392,738,268</u>

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50.4 Other segment information is as follows:

	Wireline	Wireless	Banking	Total
	Rs '000			
Year ended December 31, 2022				
Depreciation	15,321,579	12,827,767	487,269	28,636,615
Amortization	603,229	6,338,093	64,556	7,005,878
Finance cost	(1,016,642)	23,267,660	7,453,844	29,704,862
Interest income	275,869	37,556	7,076,829	7,390,254
Income tax expense	4,325,356	(9,114,354)	155,914	(4,633,084)
Year ended December 31, 2021				
Depreciation	14,787,269	12,013,366	404,964	27,205,599
Amortization	499,678	4,209,836	50,374	4,759,888
Finance cost	328,844	8,894,494	2,272,855	11,496,193
Interest income	784,417	(92,501)	2,183,924	2,875,840
Income tax expense	2,723,453	(2,129,683)	217,998	811,768

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

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

	2022 (Number)	2021 (Number)
51. Number of employees		
Total number of persons employed at year end	21,425	21,852
Average number of employees during the year	21,432	21,812

52. Offsetting of financial assets and liabilities

	Gross amounts subject to offsetting	Offset	Net amount	Amount not in scope of offsetting	Net as per statement of financial position
	-----Rs '000-----				
As at December 31, 2022					
Trade debts	32,104,693	(4,068,147)	28,036,546	21,855,884	49,892,430
Trade creditors	(4,572,933)	4,068,147	(504,786)	(19,107,820)	(19,612,606)
As at December 31, 2021					
Trade debts	23,144,418	(7,564,956)	15,579,462	21,267,135	36,846,597
Trade creditors	(8,144,923)	7,564,956	(579,967)	(13,079,179)	(13,659,146)

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53. Date of authorization for issue and final dividend

53.1 The Board of Directors of the Holding Company in its meeting held on February 15, 2023 has recommended a final dividend of Re _____ per share for the year ended December 31, 2022, amounting to Rs _____ thousand for approval of the members in the forthcoming Annual General Meeting.

53.2 These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on February 15, 2023.

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Chief Financial Officer

President and CEO

Chairman

53. Date of authorization for issue

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on February 15, 2023.

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Chief Financial Officer

President and CEO

Chairman