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PTCL
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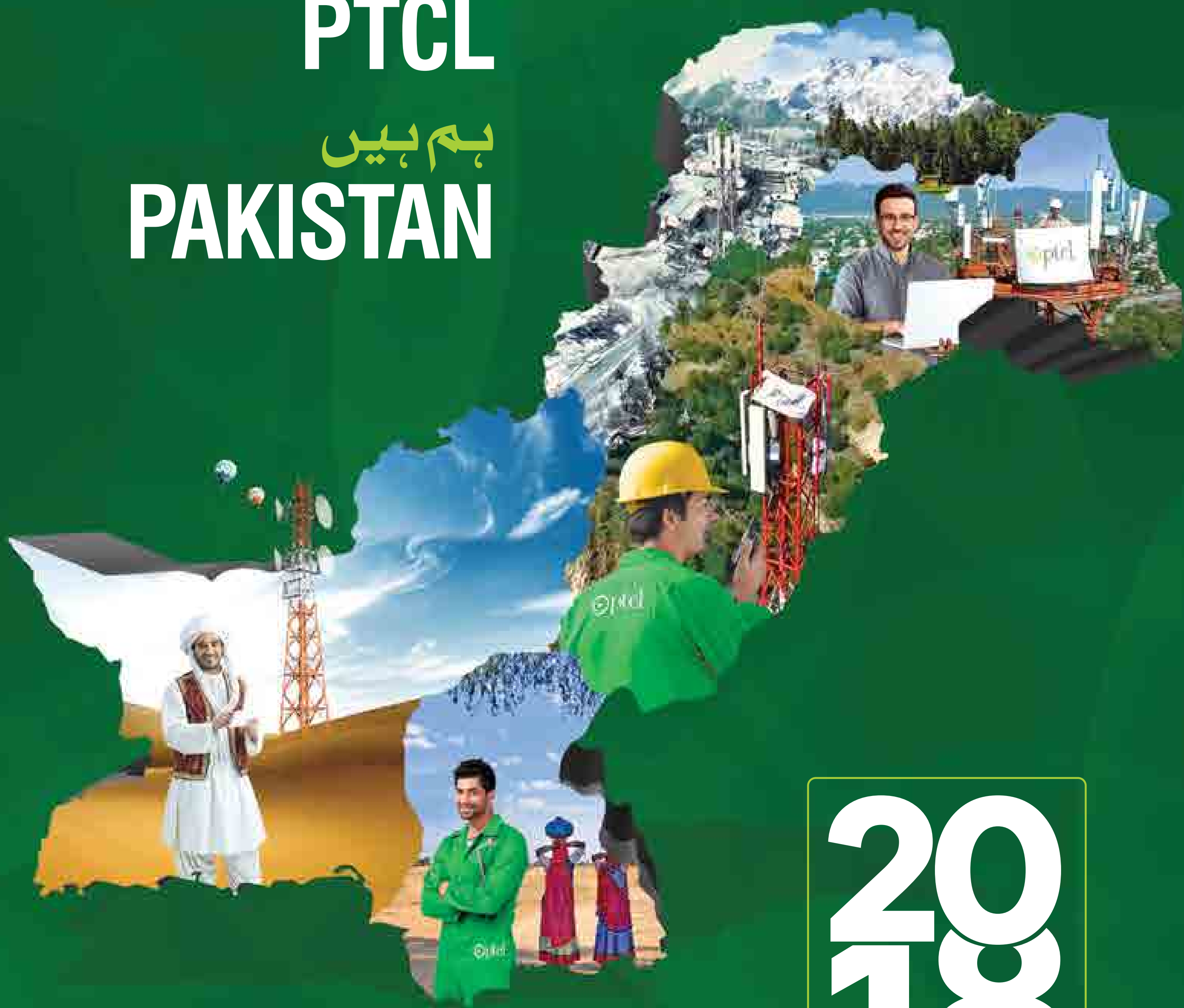

2018
ANNUAL REPORT

Pakistan Telecommunication Company Limited

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PTCL

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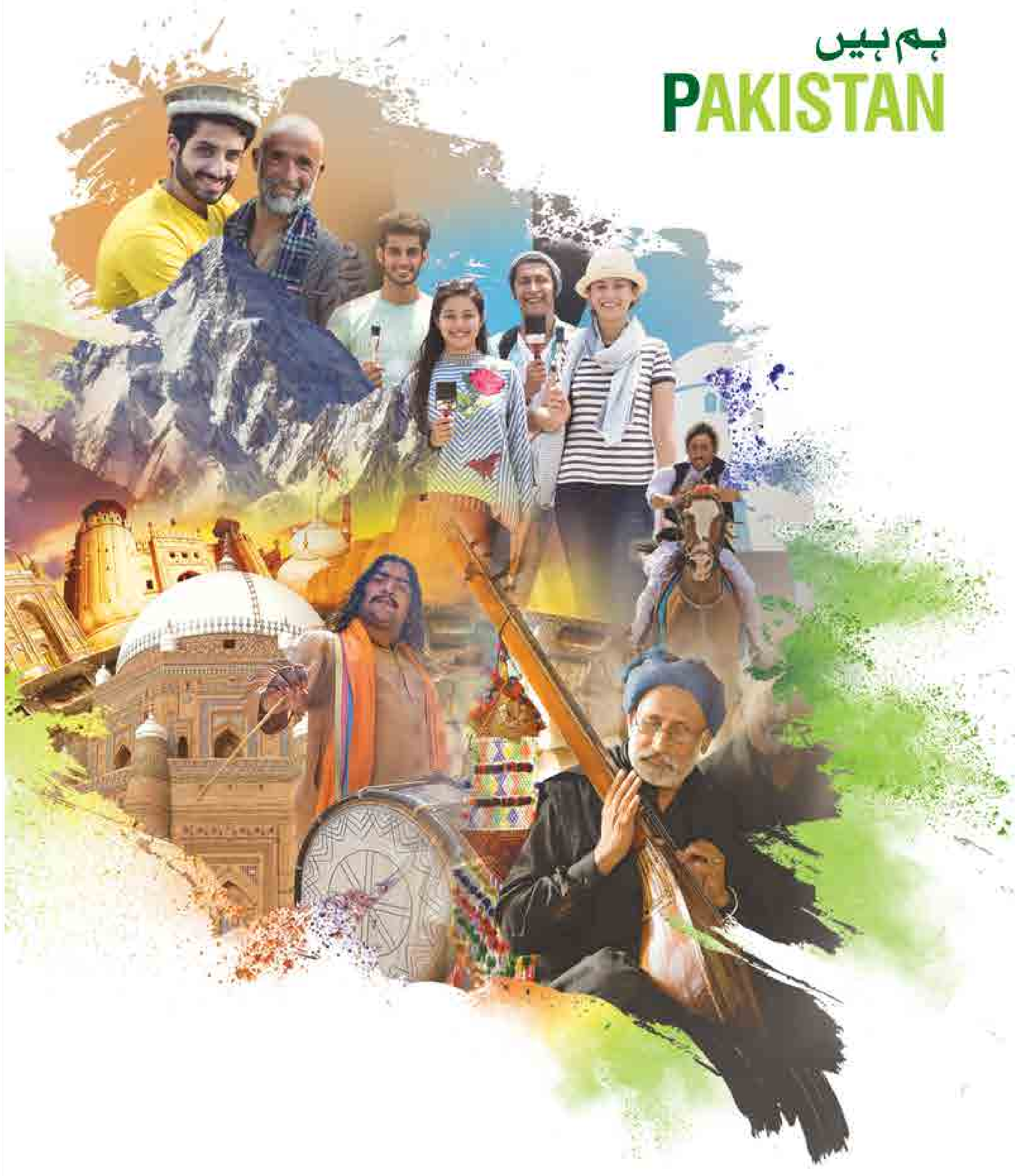
PAKISTAN



Contents

Vision

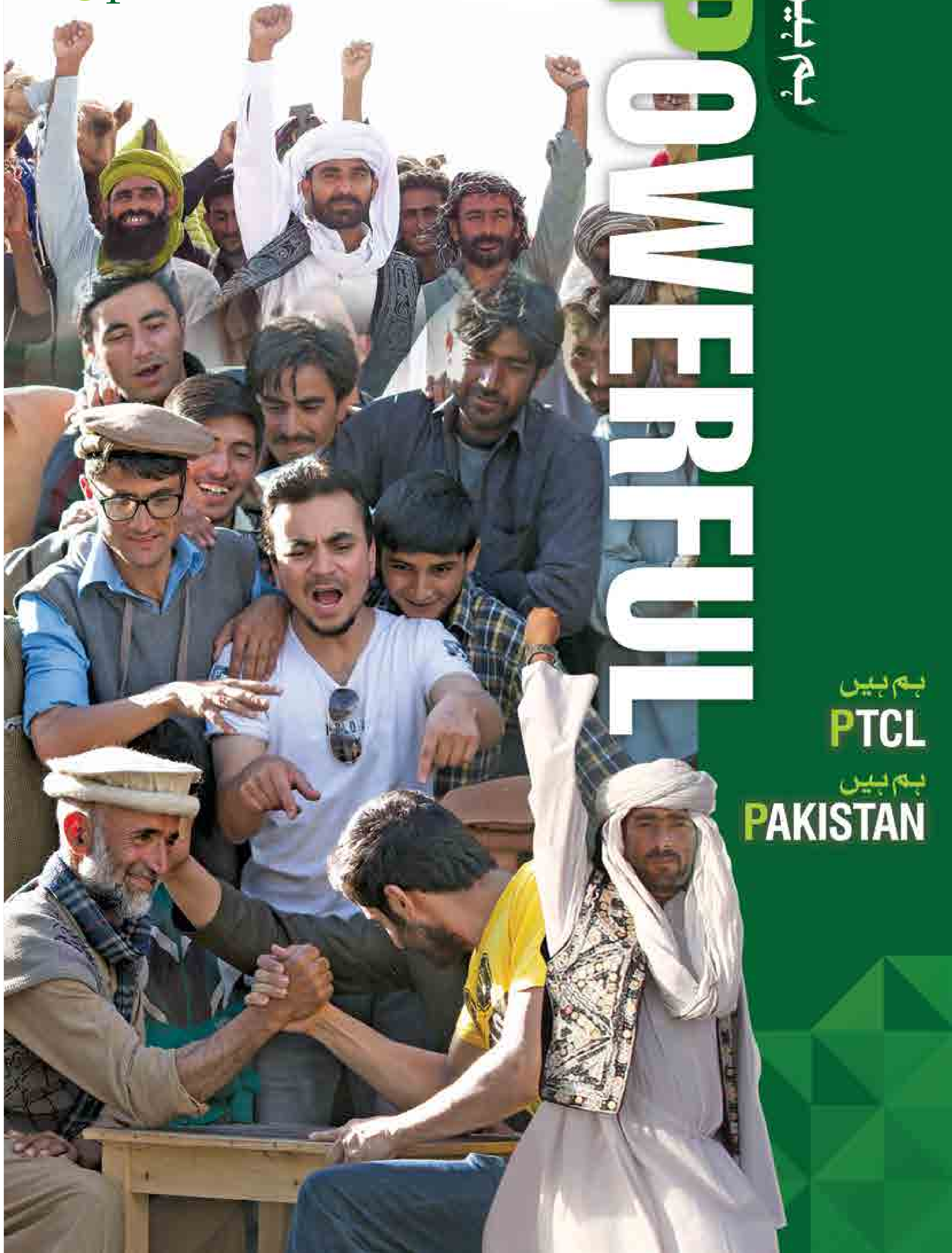
- To be the leading and most admired Telecom and ICT provider in and for Pakistan.

Mission

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

Values

- We Care
- We Put Customer First
- We Work As One Team
- We Embrace Change



Board of Directors

Corporate Information

Management

Rashid Naseer Khan
President & Chief Executive Officer

Mohammad Nadeem Khan
Chief Financial Officer

Syed Mazhar Hussain
Chief Human Resource Officer

Saad Muzaffar Waraich
Chief Technology and Information Officer

Sikandar Naqi
Chief Business Development Officer

Moqeem Ul Haque
Chief Commercial Officer / Chief Strategy Officer

Adil Rashid
Chief Business Services Officer

Jahanzeb Taj
Chief Business Operations Officer

Muhammad Shehzad Yousuf
Chief Internal Auditor

Company Secretary

Saima Akbar Khattak

Legal Advisor

Zahida Awan
Executive Vice President (Legal Affairs)

Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

Bankers

Conventional

Citibank N.A - Pakistan
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
Khushhali Bank Limited
MCB Bank Limited
Mobilink Microfinance Bank Limited
National Bank of Pakistan
NRSP Microfinance Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
Telenor Microfinance Bank Limited
The Bank of Khyber
United Bank Limited
U Microfinance Bank Limited

Islamic

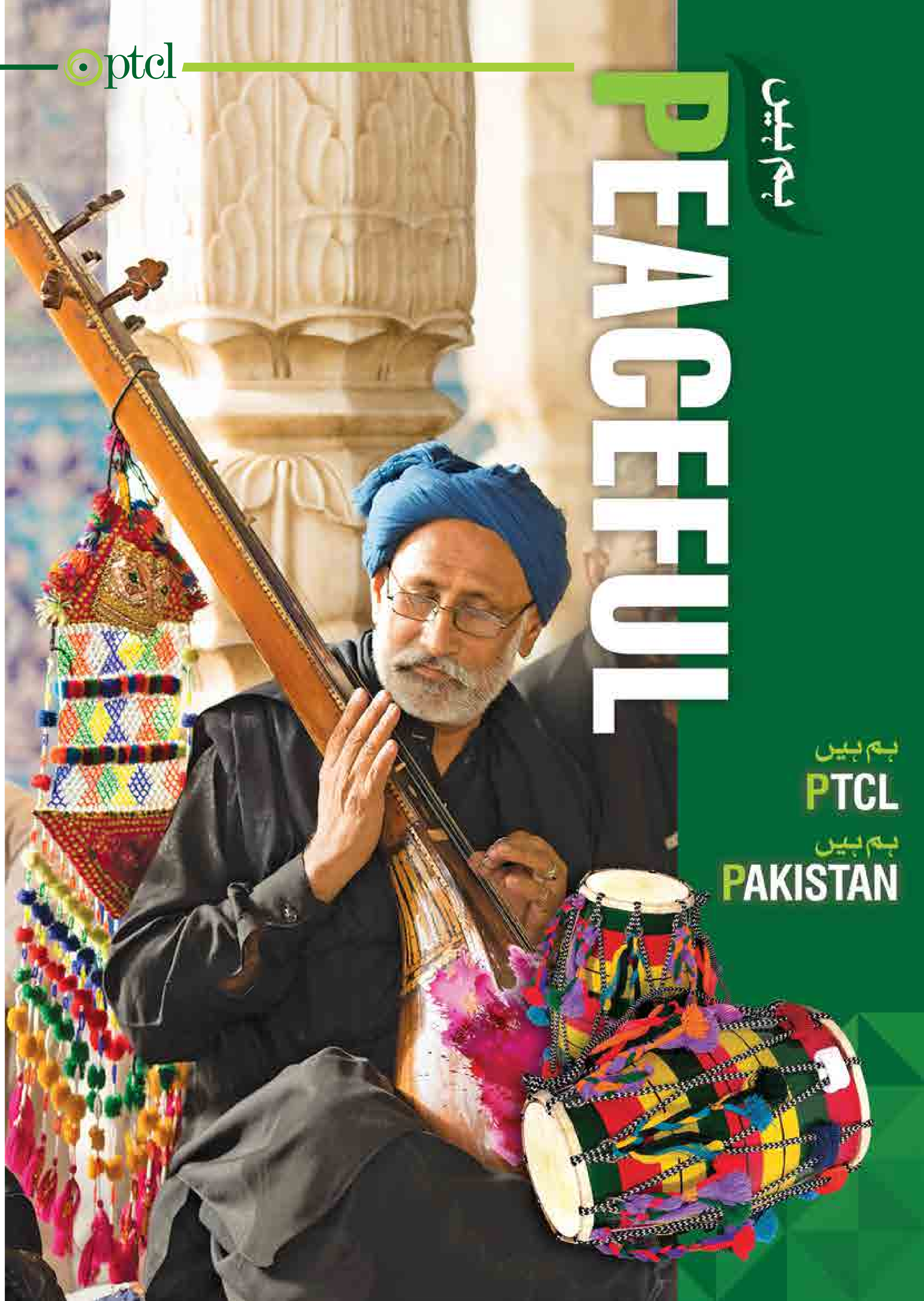
Meezan Bank

Registered Office

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

Share Registrar

FAMCO Associates (Pvt.) Limited
8-F, Next to Hotel Faran, Nursery, Block-6,
P.E.C.H.S., Shahra-e-Faisal, Karachi.
Tel # 021- 34380101-2
Fax # 021-34380106
E-mail: info.shares@famco.com.pk



The Management Team

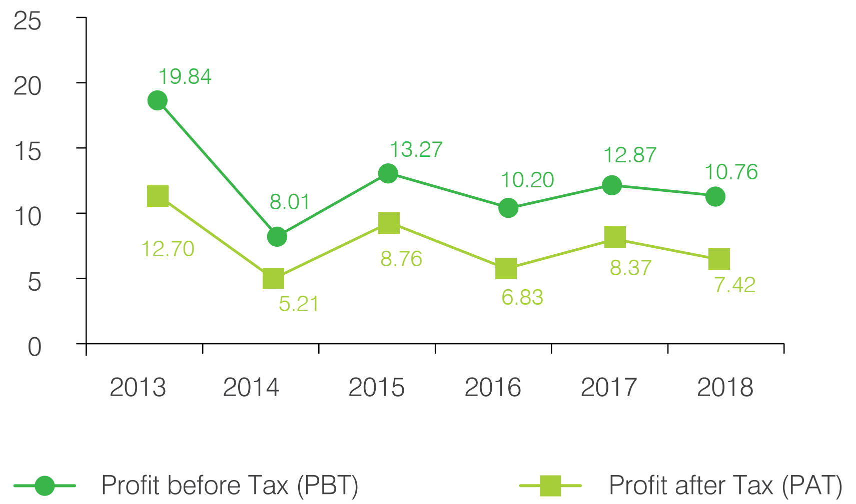
ptcl

Operating & Financial Highlights

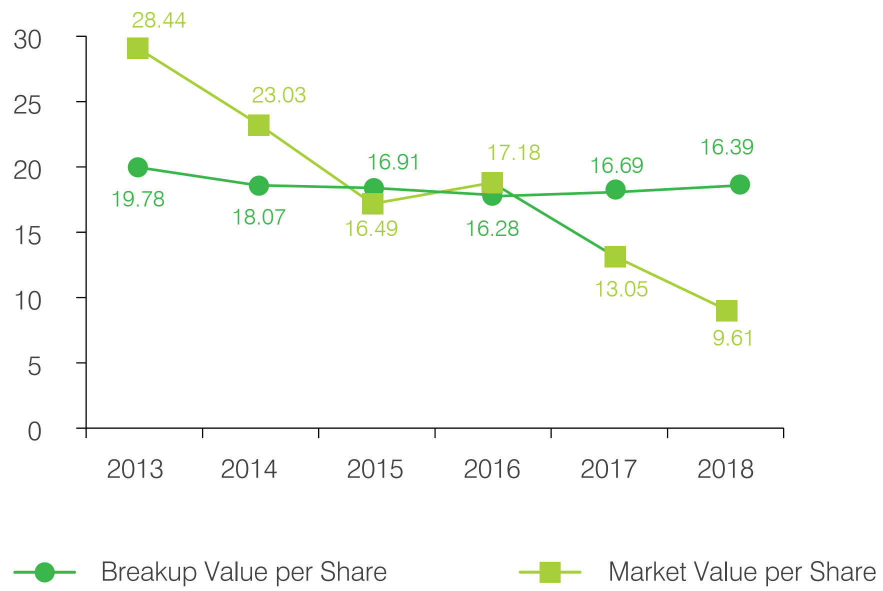
Year ended Dec 31		2018	2017	2016	2015	2014	2013
Key Indicators							
Operating							
Operating profit margin	%	9.29	10.31	12.83	11.45	15.56	19.70
Net profit margin	%	10.59	12.02	9.57	11.56	6.39	15.66
Performance							
Fixed assets turnover	Times	0.77	0.79	0.82	0.87	0.99	1.06
Debtors' turnover	Times	4.35	4.60	5.01	5.04	4.75	4.77
Return on equity	%	8.80	9.96	8.08	9.82	5.40	12.85
Return on capital employed	%	5.45	6.13	7.51	6.66	9.32	11.69
Retention	%	31.29	39.05	25.38	(16.44)	(144.84)	19.66
Leverage							
Debt:Equity	Ratio	31:69	28:72	28:72	32:68	30:70	28:72
Debt ratio	%	53.80	50.76	50.57	49.01	47.20	42.49
Liquidity							
Current	Times	1.00	1.14	1.27	1.55	1.57	1.94
Quick	Times	0.91	1.09	1.23	1.49	1.51	1.85
Valuation							
Earnings per share	Rs	1.46	1.64	1.34	1.72	1.02	2.49
Breakup value per share	Rs	16.39	16.69	16.28	16.91	18.07	19.78
Dividend payout ratio	%	68.71	60.95	74.62	116.44	244.84	80.34
Price earnings ratio	Times	6.60	7.95	12.82	9.60	22.55	11.42
Market price to breakup value	Times	0.59	0.78	1.06	0.98	1.27	1.44
Dividend per share	Rs	1.00	1.00	1.00	2.00	2.50	2.00
Dividend yield	%	10.41	7.66	5.82	12.13	10.86	7.03
Dividend cover ratio	Times	1.46	1.64	1.34	0.86	0.41	1.24
Market value per share (as on Dec 31)	Rs	9.61	13.05	17.18	16.49	23.03	28.44
Historical Trends							
Operating Results							
Revenue	Rs (m)	70,100	69,620	71,420	75,752	81,513	81,061
Profit/(loss) before tax	Rs (m)	10,757	12,874	10,201	13,272	8,012	19,838
Profit/(loss) after tax	Rs (m)	7,422	8,368	6,835	8,760	5,207	12,696
Dividend	Rs (m)	5,100	5,100	5,100	10,200	12,750	10,200
Financial Position							
Share capital	Rs (m)	51,000	51,000	51,000	51,000	51,000	51,000
Reserves	Rs (m)	32,571	34,102	32,013	35,218	40,815	49,782
Shareholders' equity	Rs (m)	83,571	85,102	83,013	86,218	92,144	100,872
EBITDA	Rs (m)	21,193	22,693	23,673	23,234	26,000	28,311
Working capital	Rs (m)	139	8,936	16,213	25,778	25,280	36,335
Current assets	Rs (m)	68,178	71,250	75,356	72,592	69,625	74,918
Total assets	Rs (m)	196,044	187,348	182,637	180,378	179,574	181,908
Non-current liabilities	Rs (m)	44,433	39,933	40,481	47,345	43,085	42,453

Operating & Financial Highlights
Graphical Presentation

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

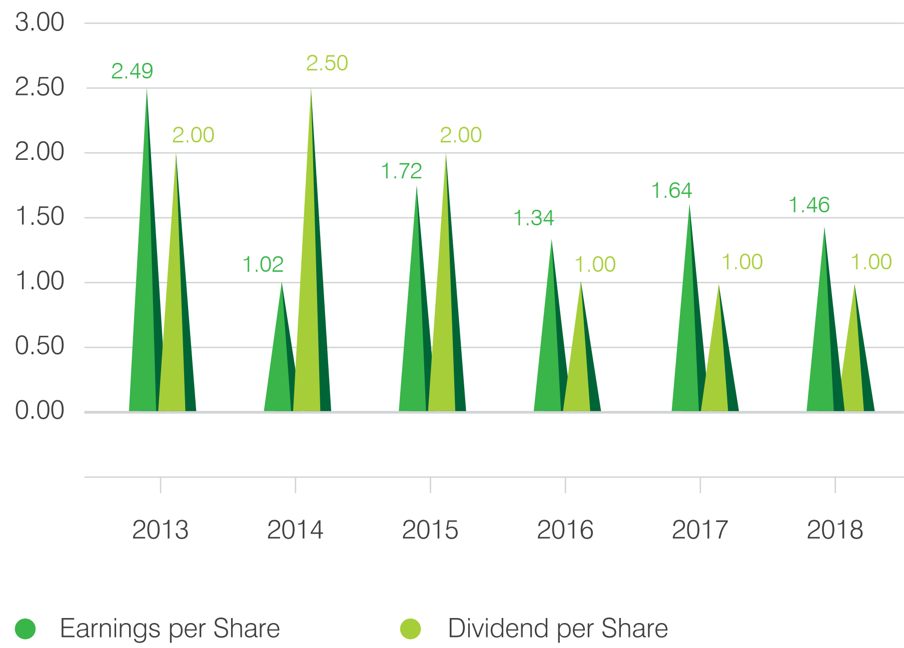


BREAKUP VALUE VS MARKET VALUE (RUPEES)

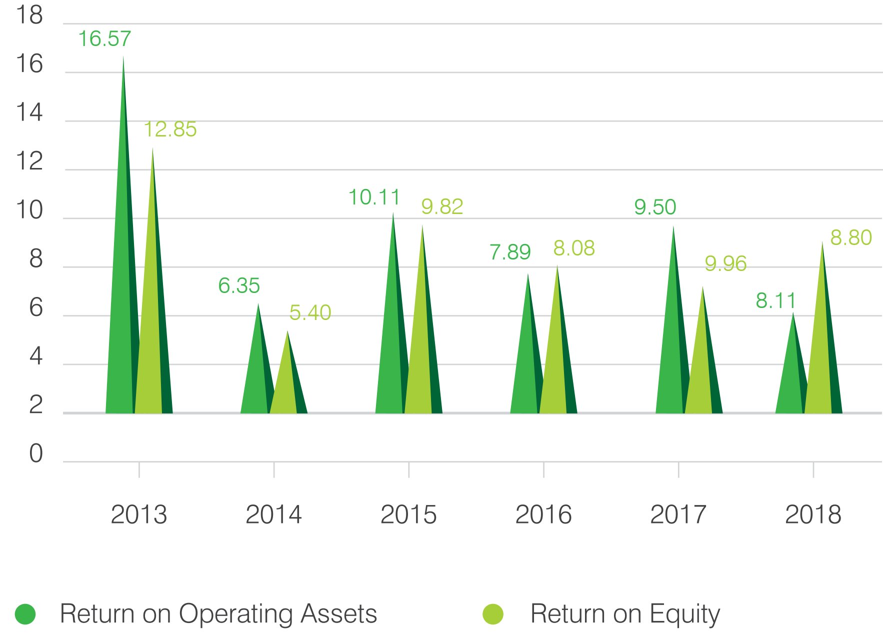


Operating & Financial Highlights
Graphical Presentation

DIVIDEND PAYOUT PER SHARE (RUPEES)

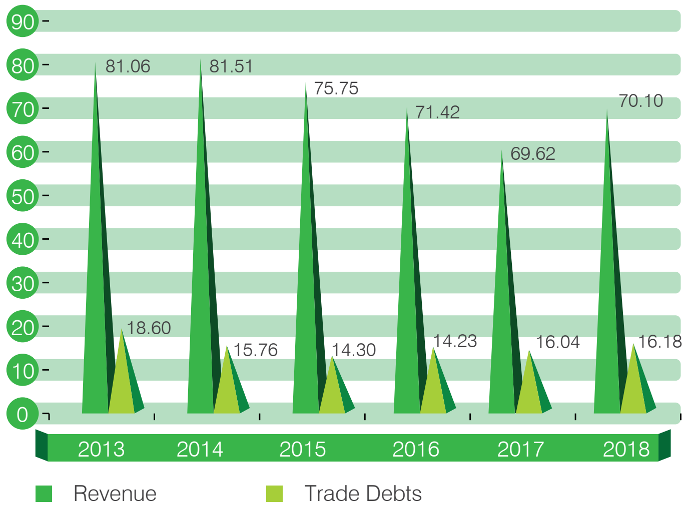


RETURN ON OPERATING ASSETS & EQUITY (PERCENTAGE)

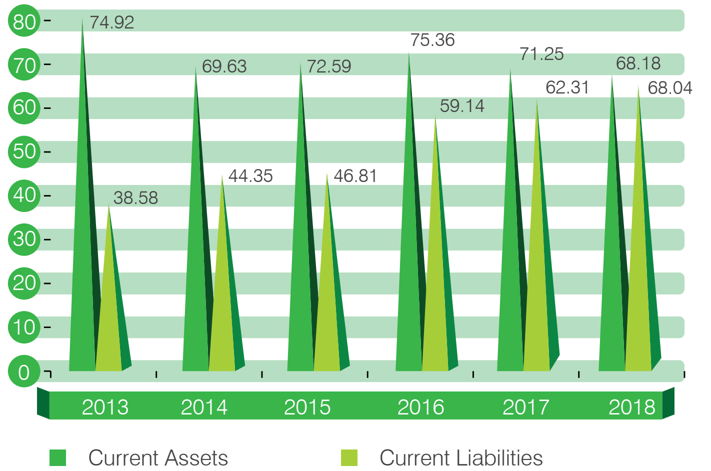


Operating & Financial Highlights
Graphical Presentation

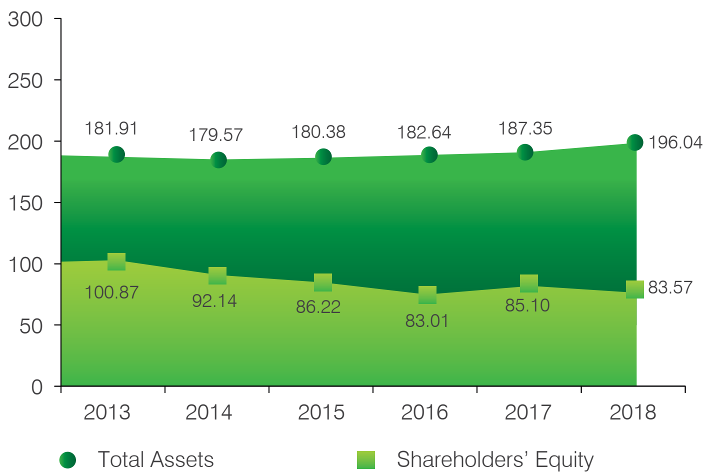
REVENUE AND TRADE DEBTS (RUPEES IN BILLION)

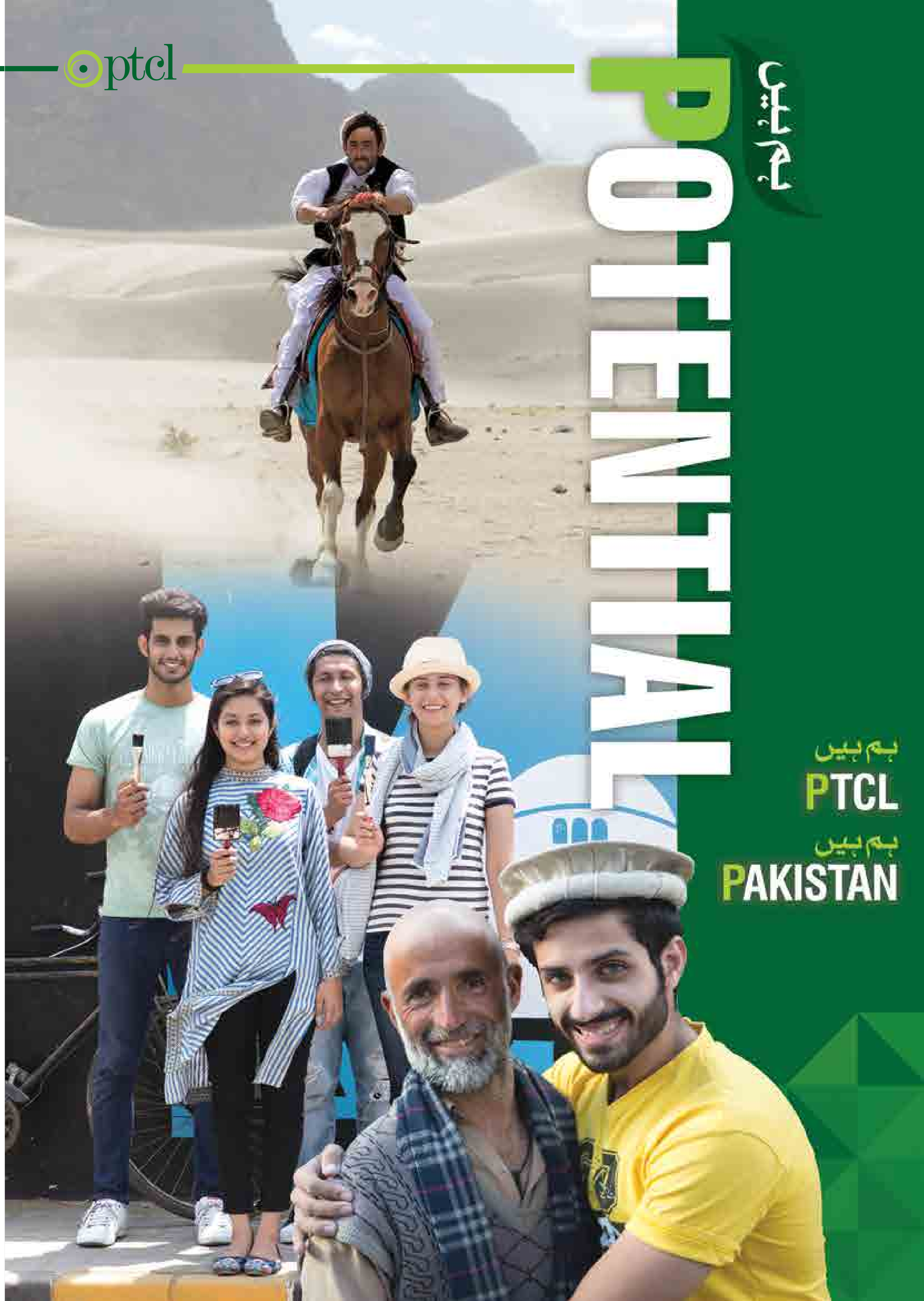


CURRENT ASSETS & CURRENT LIABILITIES (RUPEES IN BILLION)



TOTAL ASSETS VS SHAREHOLDERS' EQUITY (RUPEES IN BILLION)





Chairman's Review

On behalf of the Board of Directors, I extend felicitation to Mr. Rashid Naseer Khan on assuming the responsibilities as the new Group CEO of PTCL. I also welcome the new Directors on the Board and place on record the Board's appreciation and thanks for the invaluable contributions of the outgoing Directors as well as of the previous CEO, Dr. Daniel Ritz.

During 2018, the telecom industry continued to grow in spite of the economic challenges of substantial devaluation of Pak Rupee, rise in the discount rate by the Central bank from 5.75% to 10% and significant increase in utility prices and resultant inflation. The addition in subscribers came mostly in mobile sector, and in there, the increase in data subscribers was four times the increase of overall mobile users. The tele-density of the fixed line consumers, however, remained static. While the voice segment was affected by OTT applications and menace of grey traffic, there was attrition in fixed-line data subscribers, mainly due to shift towards mobile data. The DSL segment, however, grew by 2% to 1.6 million by end of 2018 whereas there was healthy growth of 42% in FTTH users, although the number of users was limited to 60K only.

These trends indicate the shift in telecom users' preferences from voice to data and their appetite for high-speed, larger volume broadband products. Under the guidance of the Board, PTCL indeed has taken the steps in the right direction to capitalise on these opportunities, a prime example thereof is the Network Transformation Project (NTP). Not only the revenue increase in the transformed exchanges is higher than the average, but the fault occurrence in there has reduced also.

Accordingly, 2018 was a fruitful year for PTCL Group with 8% increase in revenue - made possible by positive contribution from all the operational companies, and significant increase in the Group's profitability. With Earning per Share of Rs. 1.46, the PTCL's Board declared interim cash dividend of 10% for the year 2018.

Further, performance of the Board and its sub-committees during 2018 was satisfactory. The Board and its committees remained vigilant to the performance of PTCL as well as of the risks and challenges faced by it and, by way of constant analysis of Company's performance in meetings of the Board and sub-committees, guided the management with concrete measures to further improve PTCL's performance in line with related legal, regulatory and corporate governance frameworks. The Board and its committees received agenda and supporting written material including follow-up material in sufficient time prior to the Board and its committees' meetings. Meetings of the Board and its committees were held at enough frequent intervals to discharge their responsibilities effectively.

On behalf of the Board, I assure all the stakeholders that in line with the emergence of the business opportunities in the telecom sector of Pakistan, we, in our capacity as Board members, shall continue to guide PTCL Group's management to make best possible use of such opportunities as per the regulatory frameworks, towards the value maximization for the shareholders.

Maroof Afzal
Chairman PTCL Board

Islamabad: March 04, 2019

چیئرمین کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے میں جناب راشد نصیر خان کو پی ٹی سی ایل کے نئے گروپ سی ای او کی ذمہ داریاں سنبھالنے پر مبارکباد پیش کرتا ہوں۔ میں نئے ڈائریکٹرز کو بھی خوش آمدید کہتا ہوں اور سابقہ ڈائریکٹرز اور بالخصوص سابقہ سی ای او ڈاکٹر ڈینئیل رِٹز کو، ان کی اَن تھک محنت، بے مثال کامیابیوں پر خراج تحسین پیش کرتا ہوں اور سب کا شکریہ ادا کرتا ہوں۔

سال 2018 کے دوران روپے کی قدر میں کمی، مرکزی بینک کی طرف سے ڈسکاؤنٹ ریٹ میں 5.75 سے 10 فیصد تک اضافہ اور دیگر معاشی مشکلات کے باوجود ٹیلی کام انڈسٹری آگے بڑھتی رہی۔ صارفین کی تعداد میں نمایاں اضافہ موبائل سیکٹر میں ہوا۔ اور اس میں ڈیٹا سبسکرائبرز میں اضافہ مجموعی طور پر موبائل صارفین میں اضافہ سے 4 گنا زیادہ تھا۔ تاہم فکسڈ لائن صارفین کی ٹیلی ڈینسٹی پر جمود رہا جبکہ وائس سیگمینٹ گرے ٹریفک اور او ٹی ٹی ایپلی کیشنز سے متاثر ہوا۔ فکسڈ لائن ڈیٹا صارفین میں کمی کی اہم وجہ صارفین کی موبائل ڈیٹا کی طرف منتقلی بھی تھی۔ تاہم ڈی ایس ایل سیگمینٹ میں 2018 کے آخر میں 1.6 ملین صارفین کے ساتھ 2 فیصد اضافہ ہوا جبکہ ایف ٹی ٹی ایچ یوزرز میں 42 فیصد تک اضافہ ہوا اگرچہ اس کے صارفین کی تعداد صرف 60000 تک محدود تھی۔

یہ رجحانات ٹیلی کام صارفین کی، وائس سے ڈیٹا کی جانب منتقلی کی ترجیحات کو ظاہر کرتے ہیں اور نتیجتاً ان کی ضرورت ہائی اسپیڈ اور زیادہ والیم کی براڈ بینڈ پراڈکٹس ہیں۔ بورڈ کی رہنمائی کے مطابق پی ٹی سی ایل نے ان مواقع سے بھرپور فائدہ اٹھانے کیلئے بہترین اقدامات کئے ہیں جن میں سے ایک اہم اقدام نیٹ ورک ٹرانسفارمیشن پراجیکٹ ہے۔ ٹرانسفارمڈ ایکس چینجز کے ریونیو میں نہ صرف اوسط سے زیادہ اضافہ ہوا ہے بلکہ نقائص میں بھی نمایاں کمی آئی ہے۔

لہٰذا ریونیو میں 8 فیصد اضافے اور گروپ کی منافع پذیری میں معتد بہ اضافہ کے ساتھ سال 2018 پی ٹی سی ایل گروپ کیلئے فائدہ مند رہا جس میں تمام آپریشنل کمپنیوں نے مثبت کردار ادا کیا۔ فی شیئر 1.46 روپے منافع کے ساتھ پی ٹی سی ایل کے بورڈ نے سال 2018 کیلئے 10 فیصد عبوری کیش ڈیویڈنڈ کا اعلان کیا۔

مزید برآں سال 2018 کے دوران بورڈ اور اس کی ذیلی کمیٹیوں کی کارکردگی اطمینان بخش رہی۔ بورڈ اور اس کی ذیلی کمیٹیوں نے پی ٹی سی ایل کو درپیش مسائل کے حل کیلئے محتاط انداز اختیار کئے رکھا، ذیلی کمیٹیوں اور بورڈ کی میٹنگز کے دوران کمپنی کی کارکردگی پر مسلسل نظر رکھی گئی اور متعلقہ قانونی، ریگولیٹری اور کارپوریٹ گورننس فریم ورک کے ساتھ پی ٹی سی ایل کی کارکردگی کو مزید بہتر بنانے کیلئے مینجمنٹ کی ٹھوس اقدامات کے ساتھ رہنمائی کی گئی۔ بورڈ اور اس کی ذیلی کمیٹیوں کو میٹنگز کے ایجنڈا اور دیگر تحریری مواد مناسب وقت میں بورڈ اور کمیٹیوں کی میٹنگز سے پہلے موصول ہوئے۔ اپنی ذمہ داریوں سے موثر طریقے سے عہدہ براء ہونے کیلئے بورڈ اور اس کی کمیٹیوں کی میٹنگز کا انعقاد مناسب وقفوں سے کیا گیا۔

بورڈ کی جانب سے میں تمام اسٹیک ہولڈرز کو یقین دلاتا ہوں کہ پاکستان کے ٹیلی کام سیکٹر میں موجود کاروبار کے مواقع سے فائدہ اٹھانے کیلئے ہم بحیثیت بورڈ ممبران، پی ٹی سی ایل گروپ کی مینجمنٹ کو ریگولیٹری فریم ورک کے مطابق بہترین رہنمائی فراہم کریں گے تاکہ شیئر ہولڈرز کیلئے ویلیو میں زیادہ سے زیادہ اضافہ ہو سکے۔

معروف افضل
چیئرمین پی ٹی سی ایل بورڈ

اسلام آباد: 04 مارچ، 2019

Group CEO's Message

I feel privileged and honoured to be assigned with the revered responsibility to lead PTCL Group at this important juncture in time when the contemporary technical advancements such as 5G mobile, artificial intelligence and big data analytics are set to impact the telecom industry world over, and Pakistan will not be an exception. PTCL, being the leading and the only fully integrated telecom operator of the country along with its subsidiaries is cognizant of these challenges. I also acknowledge the invaluable services of my predecessor, Dr. Daniel Ritz whose leadership in the preceding three years helped PTCL Group to grow.

2018, I believe, would be remembered in Pakistan as the year of change. With the new government setting-in after the general elections in middle of 2018, second half of the year witnessed major adjustments on the economic front. The currency devaluation of about 30%, rise in utility prices and almost doubling of the primary interest rate during the year, increased cost of doing business considerably, beyond estimations. PTCL Group suffered a loss of ruppees one billion in 2018 on account of currency devaluation alone.

Nonetheless, the telecom industry in Pakistan grew during the year. With overall tele-density of 75% at the end of the year, the cellular tele-density was 74% with about 154 million mobile subscribers. Of these, the subscribers availing data services of 3G/4G were about 62 million i.e. 40%. Compared to 7% annual growth in overall mobile industry, the mobile data subscribers increased by 28%, of which the increase in 4G data subscribers was phenomenally high i.e. 155%. On the contrary, the voice segment remained dampened, principally because of subscribers' shift to OTT and grey trafficking.

The growth and proliferation of data services in the country is, in fact, a good sign for PTCL Group. With penetration of fixed-line broadband to only 5% of the households, the growth potential in the segment is abundant, for the ultimate benefit of PTCL. Similarly, the data subscribers of Ufone grew by 46% in 2018 compared to the industry's average of 28%.

To reap the benefits of the market potential in fixed-line broadband market, in 2018 PTCL continued with its ambitious Network Transformation Project which is implemented in phases, with significant investments involved. Accordingly, out of 100 exchanges planned for the transformation, 51 are completed to-date with positive results in the form of higher than average revenue growth of 12% and 36% reduction of the network faults in these transformed exchanges.

Similarly, for the wireless broadband segment of PTCL, focus remained on providing the subscribers with high-end CharJi/LTE services across the country. Not only the spectrum capacity was doubled in major cities besides launching CharJi/LTE in Peshawar, the network was shifted from 3G EVO to CharJi/LTE in most other cities and towns. AJK remained of special attention in this regard, wherein the number of sites were expanded and new sectors added to increase the capacity.

To ensure that needs of all broadband subscribers – fixed as well cellular – using high-speed internet are optimally catered to, PTCL also expanded its country-wide fiber footprint and increased the back-haul capacity of its transmission and core networks.

The enterprise segment of PTCL business was equally taken care of. PTCL Smart Cloud is Pakistan's first SDN (Software Defined Network) enabled cloud infrastructure with robust security features, duly certified by ISO. Besides the Smart Cloud, the Corporate customers also benefit from modern-day services like Cyber Security, Data Centre Hosting, IT System Integration Projects and Managed Services – offered in collaboration with renowned global IT companies thus ensuring that our valuable customers are beneficiary of the latest technologies.

Besides PTCL, the operational subsidiaries viz. Ufone and Ubank also expanded their businesses in accordance with their respective market dynamics.

These expansions, upgradations and modernisation of networks, as well as timely and effective commercial and customer care measures, duly proved fruitful in terms of growth in revenue and profitability of PTCL Group. The Group revenue of Rs. 126.2 billion in 2018 grew by 8% due to revenue increase in all the contributory units – revenue increase in PTCL, Ufone and Ubank being about 1%, 13% and 64% respectively –, Group's operating profits at Rs. 8.9 billion almost tripled over last year and the profitability after tax increased by 32%, despite the adverse impact of devaluation and higher prices and inflation. PTCL also declared an interim cash dividend of 10% (Re. 1.0 per share) in 2018.

Financial strength of PTCL was acknowledged in 2018 through an independent rating exercise by JCR-VIS, assigning long-term rating of AAA – a testimony of stakeholders' confidence in long-term sustainability of PTCL.

The above-noted successes would not have been possible without the concerted efforts of our employees in the right direction. To ensure that our work force is suitably equipped technically as well as in soft skills, to effectively meet the challenges of today's competitive business environment, managements of the Group companies continuously arranged to impart the needed training to our staff, after thorough analysis of the training needs of each group of employees. At the same time, welfare, safety and entertainment aspects were given equal importance to keep the employees engaged and motivated and, accordingly, suitable interventions were implemented throughout the year. To ensure our employees display standardised professional behaviors in the best interest of all the stakeholders, PTCL launched its new set of values during the year after careful deliberations.

CSR (Corporate Social Responsibility) is always a point of focus for the PTCL Group. Keeping with the practices in previous years, CSR activities were undertaken throughout the year, across the country. Notable mentions in this respect are the free medical services in various regions and support to WWF in plantation of mangrove seeds in Balochistan.

In line with the public expectations and regulatory requirements, all related information was continuously shared through regulatory submissions, media briefings, investors conference and presence of PTCL on all the media channels – print, electronic and social. We were also sponsors in various sporting events of national importance. Consequently, with the enhancement of public trust, PTCL was declared the 'Fastest Growing Brand in Pakistan' by Brand Finance - the leading independent brand valuation and strategy consultancy.

Going forward, data would remain the driving force of the telecom industry in the near future. If harnessed effectively by the operators in Pakistan and the latest technologies are made available timely in coordination of all stakeholders, this opportunity can help Pakistan to change radically for the betterment in the realms of economic growth and advancement in social sectors like education, health and gainful employment – the catalyst for the change would be the abundant youth population.

Concluding, on behalf of PTCL Group management, I acknowledge with gratitude the contributions of all the stakeholders – our valuable customers, diligent employees, business partners and always supportive shareholders. I am confident that with this continuing support, PTCL Group would maintain its leading role in the telecom industry of Pakistan by serving its diversified customers base – retail, enterprise and carriers, with products and services based upon latest technologies in cost-effective manner.

Rashid Naseer Khan
President & Chief Executive Officer

Islamabad: March 04, 2019

گروپ چیف ایگزیکیٹو آفیسر کا پیغام

یہ میری عزت افزائی ہے کہ مجھے پی ٹی سی ایل گروپ کے سربراہ کی بھاری ذمہ داری دی گئی ہے اور وہ بھی وقت کے ایک ایسے اہم موڑ پر جب دنیا بھر کے ٹیلی کام سیکٹر پر 5G موبائل، مصنوعی ذہانت اور بگ ڈیٹا اینالیٹکس کے اثرات نمودار ہو رہے ہیں اور یہ اثرات بلاشبہ پاکستان پر بھی ظاہر ہوں گے۔ اور اِن بدلتے حالات کے بارے میں پاکستان کا وسیع ترین نیٹ ورک ہونے کے ناطے پی ٹی سی ایل مکمل طور پر آگاہ ہے۔ میں جناب ڈینیئل رِٹز کی گراں قدر خدمات پر ان کو خراج تحسین پیش کرنا چاہتا ہوں جن کی قیادت میں گزشتہ تین سالوں میں پی ٹی سی ایل نے شاندار کارکردگی کا مظاہرہ کیا۔

مجھے یقین ہے کہ سال 2018 پاکستان میں تبدیلی کے سال کے طور پر جانا جائے گا۔ 2018 کے وسط میں ہونے والے عام انتخابات کے نتیجے میں آنے والی حکومت کے بعد باقی آدھے سال میں معیشت زبوں حالی کا شکار ہوئی۔ روپے کی قدر میں 30 فیصد کمی، یوٹیلٹی کی قیمتوں میں اضافہ اور سال کے دوران پرائمری انٹرسٹ ریٹ تقریباً دوگنا ہونے کی وجہ سے کاروباری سرگرمیوں کی لاگت اندازے سے زائد ہوگئی۔ صرف روپے کی قدر میں کمی کی وجہ سے پی ٹی سی ایل گروپ کو 2018 میں ایک ارب روپے کا نقصان ہوا۔

تاہم اس سال کے دوران پاکستان میں ٹیلی کام کے شعبے میں ترقی ہوئی۔ سال کے اختتام پر مجموعی طور پر 75 فیصد ٹیلی ڈینسٹی کے ساتھ، تقریباً 154 ملین موبائل سبسکرائبرز کے ساتھ سیلولر ٹیلی ڈینسٹی 74 فیصد تھی۔ ان میں سے 3G/4G ڈیٹا سروسز استعمال کرنے والے سبسکرائبرز تقریباً 62 ملین یعنی 40 فیصد تھے۔ موبائل انڈسٹری میں مجموعی طور پر 7 فیصد کے مقابلے میں موبائل ڈیٹا سبسکرائبرز میں 28 فیصد تک اضافہ ہوا جس میں سے 4G ڈیٹا سبسکرائبرز کا حیرت انگیز اضافہ 155 فیصد تھا۔ اس کے برعکس وائس سیگمینٹ تنزلی کا شکار رہا جس کی وجہ گرے ٹریفکنگ اور سبسکرائبرز کی او ٹی ٹی پر منتقلی تھی۔

ملک میں ڈیٹا سروسز کا پھیلاؤ اور ترقی، بلاشبہ پی ٹی سی ایل گروپ کیلئے ایک مثبت اشارہ ہے۔ گھرانوں کے صرف 5 فیصد کو فکسڈ لائن براڈ بینڈ کی فراہمی کے ساتھ، اس سیگمینٹ میں ترقی کے بے شمار مواقع موجود ہیں جو پی ٹی سی ایل کیلئے فائدہ مند ہیں۔ اسی طرح یوفون کے ڈیٹا سبسکرائبرز میں سال 2018 میں 46 فیصد اضافہ ہوا۔

فکسڈ لائن براڈ بینڈ مارکیٹ میں موجود مواقع سے فائدہ اٹھانے کیلئے، سال 2018 میں پی ٹی سی ایل نے خاطر خواہ سرمایہ کاری کے ذریعے، اپنے نیٹ ورک ٹرانسفارمیشن پراجیکٹ پر کام جاری رکھا۔ اسی طرح، ٹرانسفارمیشن کیلئے پلان کی گئی 100 ایکس چینجز میں سے اب تک 51 مکمل ہو چکی ہیں جن کے مثبت نتائج میں مجموعی آمدنی میں 12 فیصد اضافہ ہے جو اوسط ریونیو گروتھ سے زیادہ ہے۔ ان ٹرانسفارمڈ ایکس چینجز میں نیٹ ورک کی خرابیوں میں 36 فیصد کمی آئی ہے۔

اسی طرح پی ٹی سی ایل کے وائرلیس براڈ بینڈ سیگمینٹ کیلئے، ملک بھر میں سبسکرائبرز کو بہترین CharJi/LTE سروسز کی فراہمی پر توجہ مرکوز رہی۔ پشاور میں CharJi/LTE کے آغاز کے علاوہ، نہ صرف اہم شہروں میں اسپیکٹرم کیپسٹی کو دوگنا کیا گیا بلکہ دوسرے شہروں اور قصبوں میں نیٹ ورک 3GEVO سے CharJi/LTE پر منتقل کیا گیا۔ اس ضمن میں آزاد جموں وکشمیر خاص توجہ کا محور رہا جہاں سائٹس کی تعداد بڑھائی گئی اور کیپسٹی بڑھانے کیلئے نئے سیکٹرز کا اضافہ کیا گیا۔

ہائی اسپیڈ انٹرنیٹ کو استعمال کرنے والے سیلولر اور فکسڈ براڈ بینڈ صارفین کی ضروریات کو پورا کرنے کیلئے پی ٹی سی ایل نے ملک بھر میں فائبر نیٹ ورک کو توسیع دی اور اپنے مرکزی نیٹ ورکس اور ٹرانسمیشن کی کیپسٹی بڑھائی۔

پی ٹی سی ایل بزنس کے انٹرپرائز سیگمینٹ کا بھی خاص خیال رکھا گیا۔ پی ٹی سی ایل کلاؤڈ، پاکستان کا پہلا ایس ڈی این (سافٹ ویئر ڈیفائنڈ نیٹ ورک) اِن ایبلڈ کلاؤڈ انفراسٹرکچر ہے جو بہترین حفاظتی خصوصیات کے ساتھ آئی ایس او سے سرٹیفائیڈ ہے۔ سمارٹ کلاؤڈ کے علاوہ کارپوریٹ کسٹمرز بھی جدید سروسز جیسا کہ سائبر سیکیورٹی، ڈیٹا سینٹر ہوسٹنگ، آئی ٹی سسٹم انٹیگریشن پراجیکٹس وغیرہ سے مستفید ہو رہے ہیں یہ سروسز معروف گلوبل آئی ٹی کمپنیوں کے اشتراک سے فراہم کی جا رہی ہیں تاکہ ہمارے صارفین کو جدید ٹیکنالوجی کی فراہمی یقینی بنائی جا سکے۔

پی ٹی سی ایل کے علاوہ ذیلی آپریشنل کمپنیاں، یوفون، یو بینک بھی اپنی اپنی مارکیٹ میں کاروبار کو فروغ دے رہے ہیں۔ نیٹ ورک میں اضافہ، اپ گریڈیشن اور جدت لانے کے ساتھ ساتھ صارفین کیلئے اٹھائے گئے اقدامات کی بدولت پی ٹی سی ایل گروپ کے ریونیو اور منافع میں اضافہ ہوا۔ 2018 میں گروپ ریونیو 126.2 ارب روپے میں 8 فیصد اضافہ ہوا جس کی وجہ تمام یونٹس کے ریونیو میں اضافہ تھا۔ پی ٹی سی ایل، یوفون اور یو بینک کے ریونیو میں بالترتیب 1 فیصد، 13 فیصد اور 64 فیصد اضافہ ہوا۔ گروپ کے آپریٹنگ منافع جات 8.9 ارب روپے تھے جو کہ گزشتہ سال کے مقابلے میں تین گنا اضافہ ہے اور مہنگائی، روپے کی قدر میں کمی کے باوجود ٹیکس کے بعد منافع میں 32 فیصد اضافہ ہوا۔ پی ٹی سی ایل نے 2018 میں عبوری کیش ڈیویڈنڈ 10 فیصد (01 روپے فی شیئر) کا بھی اعلان کیا۔

جے سی آر۔ وی آئی ایس کی جانب سے ایک آزادانہ ریٹنگ کے ذریعے 2018 میں پی ٹی سی ایل کی مضبوط مالی حیثیت کو تسلیم کیا گیا اور طویل مدتی ریٹنگ AAA دی گئی اور یہ پی ٹی سی ایل پر اسٹیک ہولڈرز کے اعتماد کا منہ بولتا ثبوت ہے۔

یہ تمام تر کامیابیاں ہمارے پرعزم اسٹاف کی بہترین کارکردگی کی بدولت ممکن ہوئیں۔ اپنے ملازمین کو جدید ٹیکنالوجی سے آراستہ کرنے اور ان کی مہارتوں میں بہتری اور اضافے کیلئے گروپ کمپنیز ہمیشہ مختلف قسم کی تربیت کے مواقع فراہم کرتی رہتی ہیں۔ اس کے ساتھ ساتھ ملازمین کی بھلائی، ان کے تحفظ اور تفریحی امور کو مدنظر رکھتے ہوئے سال بھر مختلف قسم کی سرگرمیوں کا انعقاد بھی کیا جاتا ہے۔ تمام اسٹیک ہولڈرز کے وسیع تر مفاد میں، ملازمین کی جانب سے بہترین پیشہ وارانہ طریقہ کار اپنانے کیلئے پی ٹی سی ایل نے نہایت توجہ کے ساتھ نئی اقدار متعارف کرائی ہیں۔

سی ایس آر (کارپوریٹ سوشل ریسپانسیبلٹی) پی ٹی سی ایل گروپ کیلئے ہمیشہ سے توجہ کا محور رہا ہے۔ گزشتہ سالوں کی طرح اس سال بھی ملک بھر میں سی ایس آر کی سرگرمیوں کا انعقاد کیا گیا۔ اس ضمن میں ڈبلیو ڈبلیو ایف کے تعاون سے بلوچستان میں مینگروف کے بیج لگانا اور مختلف علاقوں میں مفت طبی سہولیات کی فراہمی نمایاں اقدام ہیں۔

عوام کی توقعات اور حکومتی قوانین کے مطابق تمام متعلقہ معلومات، قانونی دستاویزات، میڈیا بریفنگ، سرمایہ کاروں کی کانفرنس اور پی ٹی سی ایل کے میڈیا ذرائع یعنی پرنٹ، الیکٹرانک اور سوشل کے ذریعے مسلسل فراہم کی جاتی رہیں۔ ہم قومی اہمیت کے حامل کھیلوں کی مختلف سرگرمیوں میں بھی اشتراک کرتے رہے۔ نتیجتاً عوام کے اعتماد میں اضافے کے ساتھ، برانڈ فنانس کی جانب سے پی ٹی سی ایل کو پاکستان میں تیزی سے ترقی کرنے والے برانڈ کا درجہ دیا گیا۔

مستقبل قریب میں ڈیٹا، ٹیلی کام انڈسٹری کیلئے سب سے اہم عنصر ہوگا۔ اگر پاکستان میں آپریٹرز اس کا موثر استعمال کر سکے اور تمام اسٹیک ہولڈرز کے تعاون سے جدید ٹیکنالوجیز بروقت مہیا ہو سکیں تو یہ مواقع پاکستان میں بہتر تبدیلی لا سکتے ہیں جس سے تعلیم اور صحت کے شعبوں میں نوجوانوں کی کثیر آبادی کی بدولت مثبت تبدیلی رونما ہوگی۔

آخر میں پی ٹی سی ایل گروپ مینجمنٹ کی طرف سے تمام اسٹیک ہولڈرز، ہمارے معزز صارفین، پرعزم ملازمین، کاروباری شراکت داروں اور شیئر ہولڈرز کا شکریہ ادا کرتا ہوں۔ مجھے یقین ہے کہ آپ سب کے مسلسل اعتماد کی بدولت پی ٹی سی ایل گروپ اپنے صارفین کو بہترین سروسز کی فراہمی کے ذریعے پاکستان کی ٹیلی کام انڈسٹری میں اپنا نمایاں مقام برقرار رکھے گا۔

Rashid Khan

راشد نصیر خان

پریزیڈنٹ اینڈ چیف ایگزیکیٹو آفیسر

اسلام آباد: 04 مارچ، 2019

VALUES WE LIVE BY

WE CARE

WE TREAT EVERYONE WITH **RESPECT, DIGNITY** AND **RESPONSIBILITY.**

WE PUT CUSTOMER FIRST

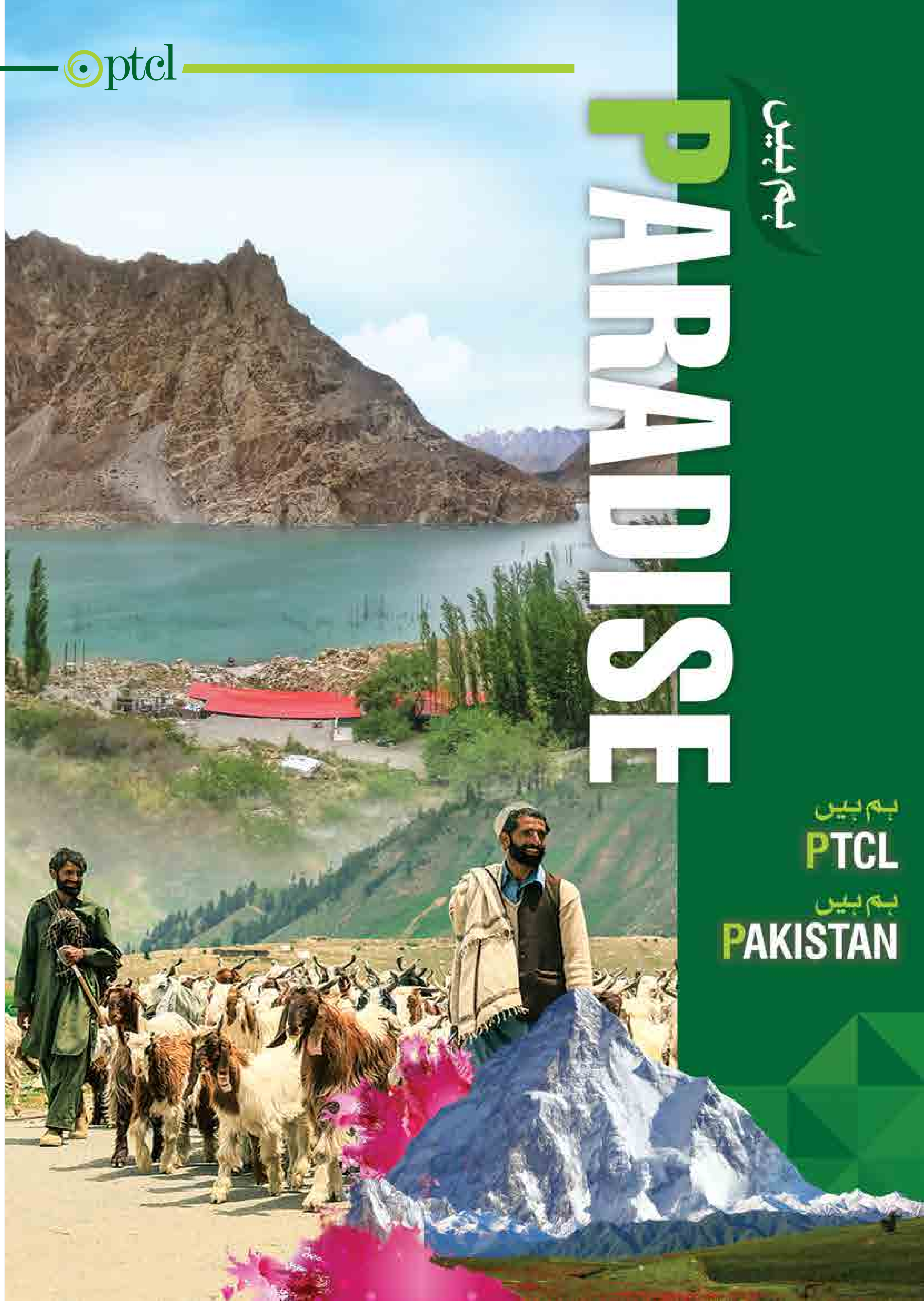
WE ARE **PASSIONATE** ABOUT SERVING OUR **CUSTOMERS.** THEIR **SATISFACTION** IS A KEY MEASURE OF **OUR SUCCESS.**

WE WORK AS ONE TEAM

WE **SEEK** & **VALUE** EVERYONE'S **CONTRIBUTION. TOGETHER** WE ARE **STRONG.**

WE EMBRACE CHANGE

WE **SHAPE** OUR OWN **DESTINY** BY **BEING PROACTIVE** & OPEN TO **NEW IDEAS.**



Directors' Report

On behalf of the Board of Directors of Pakistan Telecommunication Company Limited (PTCL), we are pleased to present the annual report and the audited financial statements for the year-ended December 31, 2018 together with the auditors' report thereon.

Cognizant of the contemporary challenges in Pakistan's telecom industry whereby cellular operators are attaining growth in data services, PTCL Group is fully prepared to meet these challenges with timely actions on all operational and business fronts.

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

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

Industry Outlook

During the year under review, Pakistan's economic environment remained challenging mainly on account of economic stabilisation measures adopted by the new government which assumed power after the general elections held in 2018. These measures, inter-alia, consisted of about 30% devaluation of Pak Rupee since December 2017, gradual increase in interest rate by State Bank of Pakistan from 5.75% to 10% and upward adjustment of utility prices. Resultantly, GDP growth is anticipated to decelerate to around 3.5% in FY 2019, as manufacturing and agriculture sectors are likely to post performance below par amid significant monetary and fiscal tightening and rising cost of doing business. However, the new government's eagerness to control the economic situation and recent collaboration/alliances with other governments is expected to restore investors' confidence and interest.

For the telecom operators, the devaluation of Pak Rupee has increased the cost of doing business as significant portion of their capital expenditure and operating cost is foreign-currency dependent. Reducing margins, therefore, may become a catalyst for the operators to explore in-market synergies and consolidations.

During 2018 the telecom market witnessed steady growth and remained highly competitive. Data remained the major growth lever while the voice revenue continued to decline. With 7% yearly increase in number of mobile subscribers, the growth in 3G/4G mobile subscribers was 28%, inclusive of customers' migration from other wireless broadband services such as WiMax and EvDO as well. Accordingly, to meet the ever-growing data demand, the telecom operators continued to make capital investment in infrastructure upgradation with the aim to offer higher data speeds to increasing number of subscribers.

Pakistan's fixed line penetration of PSTN and broadband, however, remained less than 8% and 5% of total households respectively. Such under-penetration, is an opportunity for fixed line operators to deploy quality network in order to fulfill the demand for highspeed data products. Amongst the prevalent fixed line broadband technologies of DSL, FTTH (Fiber to the Home) and HFC (Hybrid Fiber Coaxial), FTTH remained the technology of choice, subscribers of which increased by 42% during the year. In line with the market trend and to provide the customers with higher-speed data services, PTCL also enhanced its FTTH footprint in addition to modernising its existing copper access network and reducing the copper loop lengths under the Network Transformation Project.

In recent years, Pakistan has seen a rapid digitalisation of major industries resulting in transformed business and operating models. Almost all the commercial banks have launched their online banking services and exponential growth is witnessed in ecommerce industry. These digitalisation trends are opening new opportunities in ICT (Information and Communication Technologies) sector that are positively contributing to corporate and VAS (Value Added Services) revenue growth.

Corporate and enterprise segment witnessed increase in its customers' requirements for managed services, cloud infrastructure and security solutions, which are helping in development of new revenue streams.

Financial Performance

During the year, the PTCL Group performed well. Not only the revenues of all the Group companies grew, but the Group's profitability also increased compared to last year. To maintain its market leadership through provision of quality services to its esteemed customer base using latest technologies, PTCL Group made significant investments for expansion and upgradation of the networks.

Revenues

During 2018, PTCL revenue was Rs. 70.1 billion with about 1% growth over last year. Revenue from Broadband & IPTV, Corporate and Carrier & Wholesale increased by 6%, 13% and 14% respectively. However, based upon declining voice traffic volumes due to subscribers' conversion to OTT (Over the Top) and cellular services as well as increase in illegal/grey traffic termination, Voice revenue, both local and international, decreased. Further, although the overall Wireless data revenue declined, the revenue from Charji/LTE services included in there increased significantly. As a result of transformation of a considerable number of exchanges under the NTP, the pace of overall revenue increase accelerated towards end of year as the last quarter of 2018 witnessed 3% revenue growth over same period last year.

PTCL Group's revenue for the year grew by 8% from last year to Rs. 126.2 billion as a result of positive contribution by all Group companies. Besides the increase in PTCL's revenue as aforesaid, Ufone revenue increased by 13% whereas growth in Ubank revenue was significantly higher i.e. 64% over the last year.

Profitability

PTCL's profitability for the year remained under stress. The operating profit of Rs. 6.5 billion was 9% lower than the last year, primarily due to increase in operating cost on account of currency devaluation and higher subscriber acquisition cost. Further, the reduction in profit after tax was 11%, mainly caused by declining non-operating income due to lesser availability of funds for investment as well as reduced operating profit as aforesaid. PTCL's earnings per share (EPS) for the year was Rs. 1.46.

PTCL Group's operating profit at Rs. 8.9 billion almost tripled over last year whereas the profit after tax increased by 32%. Main reason of the increased profitability was revenue growth of the Group, as already described. PTCL's Group earnings per share (EPS) for the year was Rs. 1.12.

Cash Flows

PTCL's cash flows, generated through operations during the year, were primarily used towards network transformation and upgradation and long term loans to its subsidiaries, UBank and Ufone.

At the Group level, besides the above-stated PTCL's network transformation, the cash flows were also used for Ufone's network upgradation.

Dividends and Appropriations

For the year under review, the Directors declared an interim cash dividend of 10% (Re. 1.0 per share). Further, the income of Rs. 179 million earned on the insurance reserve funds was transferred from unappropriated profits to the insurance reserve.

Other Matters

Your attention is drawn to note 12.7 of PTCL's financial statements as well as note 18.7 of the consolidated financial statements for the year, which explains that the matter relating to certain employees' rights under the PTCL pension scheme is pending with various courts, as highlighted by external auditors in their audit reports.

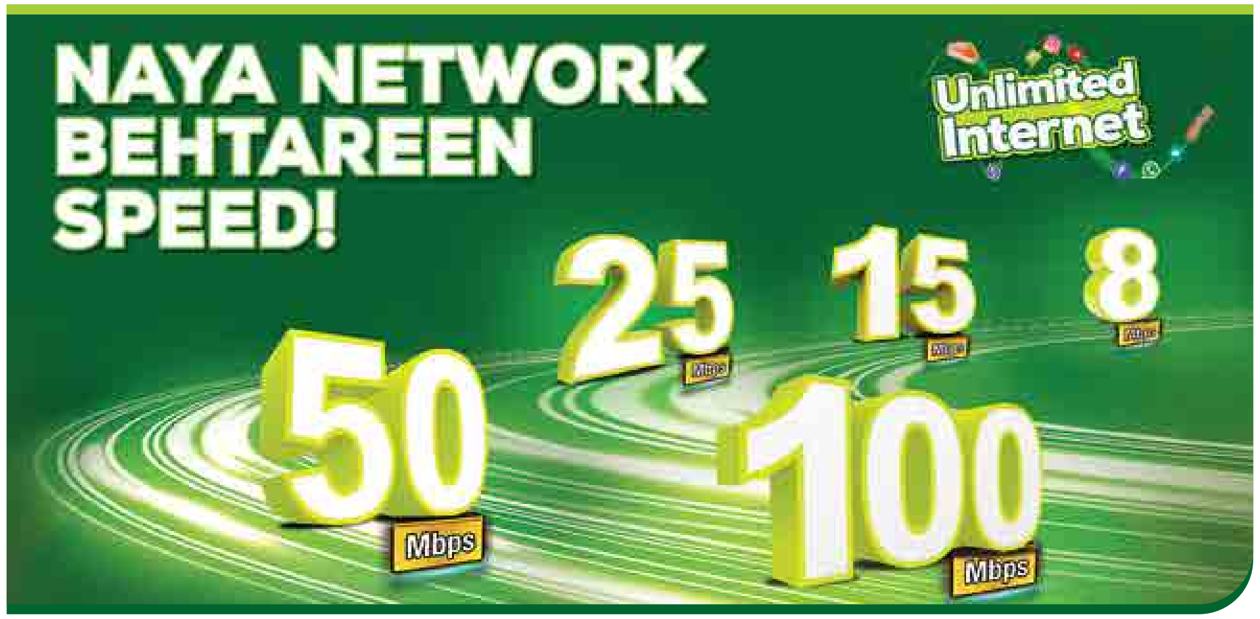
Product & Services - Consumers

Cognizant of the ever-increasing demand of data services and diversified needs of our esteemed customers' base, PTCL continued to offer newer packages with larger data volumes and higher speeds as well as strengthening the existing products, all at affordable prices, and in line with the on-going transformation and upgradation of the network. A brief of such product offerings is provided in ensuing paragraphs.

Wireline

In line with the region-specific factors of customers' needs and affordability, new packages of 3Mbps, 5Mbps and 6Mbps, all at attractive pricing and coupled with large data volumes, were introduced during the year in various regions.

Further, in order to attract new customer base, discounted installation pricing for limited periods were offered in various zones and regions at various times of the year. In similar fashion, different loyalty promos were also made applicable to existing customer base whereby our loyal customers were upgraded from 1Mbps to 2 Mbps and 2 Mbps to 4Mbps data packages without any change in the pricing. The 8Mbps package was also offered at the price of 6Mbps package for a limited time period. For NTR-I region, a specific customer win-back campaign with discounted billing also proved successful.



Further, free unlimited on-net calls (PTCL Landline to PTCL Landline and PTCL Landline to V-Fone) were also bundled with various packages, notably of 3Mbps and 5Mbps.

During the year, various special GPON (Gigabit Passive Optical Network) promos were also launched in different regions whereby the customers were offered packages of 10Mbps and above coupled with specialised pricing. As a result, the customer base availing FTTH (Fiber to the Home) broadband services expanded.

Pricing of various wire-line packages were also rationalised during in the year with the aim to sustain the customer and revenue base.

Wireless

With the objective to offer higher-speed packages to our wireless broadband customer base, CharJi/LTE services were launched in various cities through transformation of related spectrum and network elements. Further, existing 3G EVO customers in various regions were offered attractive complimentary upgradation to CharJi/LTE by exchanging their existing device with CharJi Cloud at reduced pricing. Upon successful migration of customers to CharJi/LTE packages, the related wireless network was made exclusively LTE-enabled thus significantly enhancing the network capabilities which in turn provided the customers with superior quality of service.

Further, various attractive double volume campaigns were launched during the year whereby the subscribers purchasing/recharging/upgrading their EVO or CharJi devices during the promotion month were entitled to additional volume as per their allotted package at the same monthly line rents for a limited number of months.

To bring the inactive customers back on the network, various re-connect promos were launched with discounted pricing and higher volumes for limited time period. Similarly, in the under-utilised 3G EVO areas, mostly comprising of tier-2 cities, specific location-based packages with attractive offerings were launched which proved successful in increasing the customer base.

Content & Multimedia

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

Your Company also entered into an agreement with E-Vision (Etisalat) through which PTCL Smart TV/OTT customers were provided with premium movies and content from several Hollywood studios.

Further, during the year PTCL also launched 'Starz play by Cinepax'- Video-on-Demand (VOD) service for PTCL Smart TV and Smart TV App customers enabling availability of Hollywood movies, TV shows, documentaries and kids' entertainment programs, sourced from some of the prominent studios.

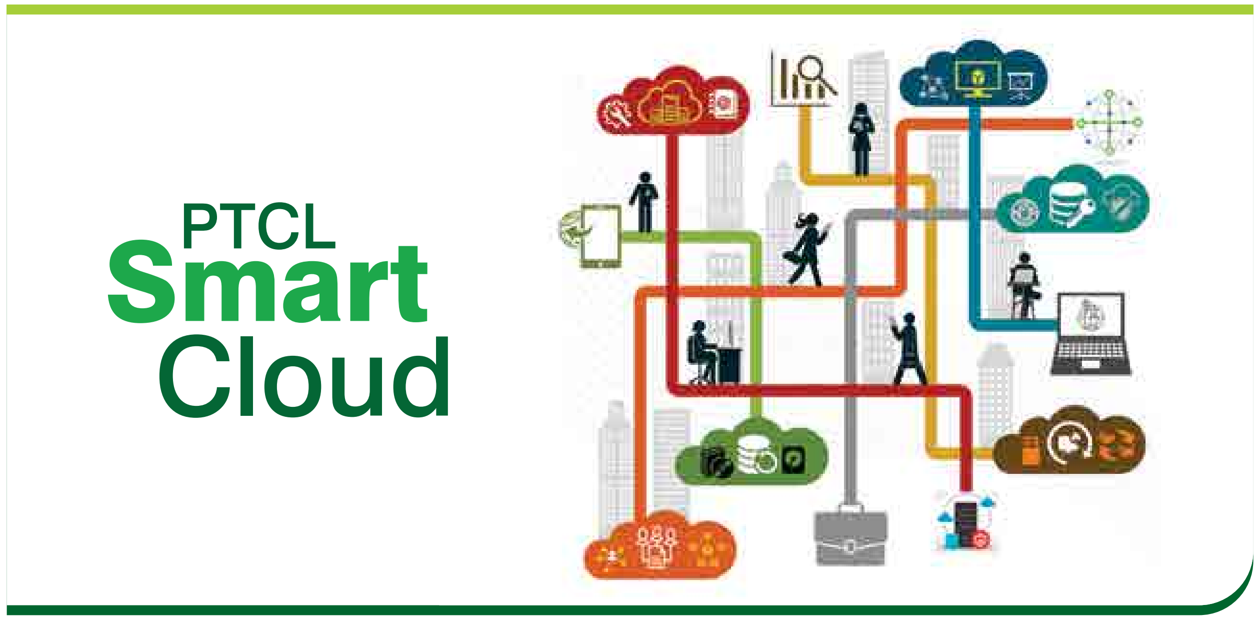
PTCL Smart TV interface was also revamped thus not only enhancing the visual appeal and aesthetics thereof but also making the process of content discovery more user friendly by adopting a modular design based on tiles, enabling easy navigation. As a result, the customer experience has enhanced.

Product & Services - Business

In order to meet the specialised telecommunication needs of our valued enterprise and corporate customers as well as other telecom operators, your Company offers a wide range of products and services ensuring that each such offering is agile, customer centric and innovative, to the extent possible. The array of these offerings cover the digitalisation, cloud, data center hosting, managed services and connectivity needs for our valued customers, both within and outside the country.

Digital Services

Leading the way for digital transformation in Pakistan, your Company has enhanced its digital services portfolio from serving connectivity needs to becoming a valued - added partner for our enterprise customers. Realising the growing market needs for digitalisation, our focus remains on proactive sales strategy and prudent account management which results in long-term relationship management.



In 2018, PTCL enhanced its alliances/partnerships with the Global IT Companies to strongly position itself as the leading ICT as well as system integration services provider in Pakistan. PTCL Smart Cloud as Pakistan's first SDN (Software Defined Network) enabled cloud infrastructure, made its niche in the market by providing flexible and innovative solutions, catering to the present-day needs of our enterprise customers across multiple industry segments viz. education, financial, healthcare and FMCG.

During the year, PTCL had special emphasis on new areas like PTCL Smart Cloud, Cyber security initiatives, Data Center Hosting, security solutions, IT System Integration Projects and Managed Services. Accordingly, with successful implementation of projects in these areas, revenue from Corporate segment grew by 13% annually.

Carrier and Wholesale Services

Your Company being the only fully-integrated telecom operator in Pakistan, possesses vast capacity of fiber-based back-hauling which is vital for country-wide internet connectivity.

With the growth in 3G/4G customers of cellular operators, the demand for back-hauling is on the rise to ensure reliable data services to these customers. PTCL duly capitalises on such opportunities by timely entering into contractual arrangements with other carriers to provide them with the needed connectivity using its vast back-hauling resources. The rationale of availing PTCL's capacity for these operators is not only to ensure fast and reliable data services to their mobile customers but also the considerable savings in their CAPEX and OPEX costs.

Accordingly, during the year, the IP bandwidth service business with different carriers was further expanded. PTCL in collaboration with Special Communications Organisation (SCO) successfully established strategic partnership to monetize CPEC cross border connectivity. In addition, PTCL also started new projects to enhance cross border connectivity with neighbouring Afghanistan and Iran.

Resultantly, revenue from this segment of PTCL business increased by 14% during the year.

Support Functions

Network Infrastructure

In order to timely realise the opportunities offered by the ever-increasing demand of higher speeds and larger volumes of data services from all facets of its valued customers comprising of retails, corporate and wholesale segments, your Company is continuously expanding and modernising its network with innovative technologies and smart solutions in a synchronised manner. Service delivery platforms and network elements are being transformed with high throughput devices to enhance customers' experience.

The foremost current initiative of PTCL in this regard is the Network Transformation Project (NTP) committing significant amount of CAPEX to fiberize and renovate the wireline access network connected to the top 100 exchanges, country-wide, thus enabling higher-end data products up to 100Mbps speed with better quality of experience to our valued customers.

To-date, under NTP, 51 such exchanges were fully transformed. In this regard, during 2018, additional 1,456 MSAGs (Multi Services Access Gateway) were added. In these MSAGs, as well as in allied exchanges, 479K new VDSL2 ports as well as 57K new GPON lines to provide FTTH service were added. Expansion in IP network at 40 sites was also completed. Through this deployment, not only the network faults were reduced enhancing quality of service, but the customers were also enabled to opt for higher-end data packages.

To improve diagnostic and remedial-action capabilities of the wireline access network, a Network Analyser solution was deployed. The solution has not only helped to improve the last mile visibility, but also aids to reduce the workload at field level by increasing the First Call Resolution (FCR) at contact centres. For new connections, auto feasibility without physical visit to customer premises has also been made possible thus reducing the service provisioning time. Customers can migrate from copper network to fiber (GPON) network by retaining the same landline number. Also, the commissioning of a new IPTV/OTT headend at Multan has provided the needed redundancy to the primary site at Islamabad. Capacity of 10 HD (High Definition) channels was added for IPTV customers as well.

In the wireless access network, for CharJi/LTE sites in major cities, the spectrum capacity was doubled. Similarly, for most of the other cities and towns, the network was shifted from EVO to CharJi/LTE. Also, the CharJi/LTE service was launched in Peshawar city. In AJK region, besides increasing number of the CharJi/LTE sites, new sectors were added in number of sites thus expanding the capacity to accommodate over 17,000 additional subscribers. Further, with the development of Flux validity extension feature in OCS (Online Charging System) platform for wireless customers, the subscribers have been facilitated in carrying forward the unused data volumes not only from one period to the next but also from 3G service to CharJi/LTE service on migration. LTE-TDD - Smart Radio service for corporate clients was extended to Gwadar city as well.

To expand the back-haul capability of high-speed service backbone, capacity of the transmission network was enhanced to 100G DWDM (Dense Wave Division Multiplexing) capable of transmitting traffic up to 8Tbps. Also, 246, 100/10 Gb/s MPLS-TP (Multi-Protocol Label Switching – Transport Profile) nodes were installed replacing the legacy transport network of SDH (Synchronous Digital Hierarchy) nodes, enabling handling of larger traffic volumes with ease.

Moreover, to conserve the international bandwidth requirements as well as to provide speedier and seamless content delivery to our valued internet customers, CDN/Cache serving capacity was expanded to around 2Tbps, facilitating local availability of pages of Google, Facebook, Akamai, Qwilt, Netflix, CloudFlare and iFlix.

Your Company is implementing laying of around 1,300 Kms of fiber cable covering 41 Tehsils in KPK and FATA under USF-awarded contracts. This is in addition to laying of 688 Kms of fiber to increase Telenor's back-haul capacities. New microwave links (>1000 Mbps) were also installed for capacity enhancement in high traffic areas of Tall to Parachinar giving resilience to spur fiber for quality services.

With the aim to further improve the communication and collaboration among internal teams spread across the country, 13 new sites for video conferencing system were deployed and integrated with the existing 4 sites. Additionally, on-premises WebEx solution was implemented enabling to join the video conferencing from the workstations.

Further, towards the cost saving measures, solar solution was deployed at 146 sites besides merging a number of sites with Ufone sites.

During the year, PTCL also secured ISO/IEC 27001:2013 and ISO/IEC 27017:2015 certifications relating to Information Security Management System, for its cloud services 'Infrastructure-as-a-Service' (IaaS) offering. The said certifications are testimony of the excellent security features of your Company's Cloud services.

Information Technology (IT)

Your Company continued to provide up-to-date solutions for better customer experience management as well as internal operational efficiency improvements through its IT capabilities based upon leading-edge and integrated technology. In this regard, various initiatives of IT transformation, facility revamp and synergy with Ufone were undertaken during the year.

During the year, revamping of PTCL tier-1 sites to enhance operational efficiency thereof in line with to-date international standards was undertaken. Revamping of ICT facility at Satellite Town Rawalpindi and creation of PODC (Performance Optimized Data Centre) at PECHS Karachi were completed. The revamping work on ICT facility at Garden Town Lahore and five other tier-1 sites is under implementation. As a result of this initiative, utilisation of PTCL's infrastructure in terms of systems, storage and network resources is optimised considerably.

A number of initiatives were completed to further add value to the cross functional activities. Capabilities of PTCL's own private cloud infrastructure were increased. Several other projects, notably TEMIP, Nokia Network Analyser, CA ITNOC, Website, Smart Link, PTCL Talent, PCRM, CRM, Share point, E-payment, Siebel and HR solutions were successfully deployed. Further, the existing Active Directory/Microsoft Exchange infrastructure was comprehensively upgraded. Additional EMS (Enterprise Mobility Suite) licenses were procured and the overall PTCL-Wide EMS implementation plan is being rolled out to further improve the compliance, risk management and security aspects of our systems. Databases were also upgraded to the latest version to improve reliability, performance and security thereof.

With the objective to achieve higher levels of customers' satisfaction, ease of operation, and process perfection, systems and processes of the IP Contact Centre were further enhanced. The launch of 'one number', self-service IVR (Interactive Voice Response) change, enhanced one window UI (User Interface) with KYC (Know Your Customer) integration, call back request option on sales queue, bulk upload feature in CBR (Call Based Routing), revamp of employees' helpline, integration of CBR for flexible announcement, numbers whitelisting, routing billing of service requests via OBD (Out Bound Dialer) and embedded SMS/email option inside the finesse one window are few vital mentions.

Further, successful upgradation of obsolete DR (Disaster Recovery) network fabric over SDN approach selected Cisco ACI (Application Centric Infrastructure) solution is underway. In addition, country-wide enterprise network remote sites (130 sites) with software defined WAN (SD-WAN) approach were upgraded. Perimeter security gateway solution for Data Centre traffic deep inspection, auditing, tracking and control was also deployed. Data Centre Core Load Balancer upgradation was completed and, consequently, all major services were duly migrated for better performance and high availability of business applications. In this regard, deployment of WAF (Web Application Firewall) and migration of all critical PTCL web portals, especially official website, was also implemented for enhanced security levels.

In 2018, PTCL also completed the technical upgrades and consolidation of SAP ERP System (PTCL & Ufone), Microsoft SharePoint Portal (PTCL & Ubank), payment collection reconciliation system and customers' interface for online monthly invoices/bills. The ISO 9001:2015 certificate for completion of Project Management Framework and processes was also received. Besides, the integration of a prominent bank's payment system with PTCL ERP system, automation of General Provident Fund (PTCL & Ufone), automation of processes for outsourced staff and law enforcement agencies portal were other notable achievements in your Company's IT domain.

Human Resources

With its vision to become the leading ICT provider in and for Pakistan, your Company launched its new set of values after detailed deliberations. The values are the guiding principles for PTCL employees' behaviours in business dealings. Company-wide sessions led by the top management as well as specially trained personnel were conducted to explain the rationale of these values and the ways for employees to practice these in their daily routine work. The values were also reinforced through communication campaign on digital platforms across the organisation.

A strong leadership pipeline is crucial in meeting the new challenges created by the changing and competitive landscape. During the year, your Company invested in developing leadership capabilities through various programs such as Future Leaders (FueL) for high potential young employees, Management Development Program (MDP) and Executive MBA from LUMS for the top tier and mid-level managers respectively. Certain coaching and business simulation programs were also conducted by renowned trainers for the mid-level management. Also, PTCL relaunched the online training Harvard ManageMentor® (HMM) and 'SkillSoft' for employees to promote e-earning in convenient and cost effective ways. PTCL also launched an online tool 'PTCL Chaperone' to promote a culture of mentoring and coaching.

Cognizant of the need to infuse fresh talent, PTCL hired over 100 newly-graduated management trainees as part of the Summit Program. These management trainees were selected after thorough assessment and went through a focused orientation training in a residential program.

Furthermore, customised training programs encompassing functional and behavioural skills up-gradation were held across the company. 'Developing Managerial Excellence Training' program was launched for Assistant Managers and Managers. Moreover, to equip the front-line staff with new technical skills, 'GPON Installation' training sessions were held inclusive of extensive hands-on training. To further improve the customer-centric culture, 'Culture of Service Excellence' training was conducted.

For the safety of all employees, initiatives such as Emergency Evacuation and Safety drills and Incident Reporting Portal were implemented. Also, a comprehensive HSE (Health, Safety and Environment) Awareness Campaign was launched company-wide along with provisioning of personal protection equipment to the field employees to ensure their safety.

With the view to keep our staff motivated and fully-engaged, various initiatives were undertaken. Besides the implementation of 'Engagement Action Planning' across the organisation, 'PTCL Champions Program' rewarding the exceptional performers amongst front-line employees all year long as well as the 'HR Raabta Program' involving visit of senior HR managers at exchanges/smart shops to understand field staff concerns, proved fruitful.

Further, for the employees welfare, various initiatives were carried out viz. retreats, book club, movie nights for employees and their family members, Iftaar parties, Chand Raat and Eid celebrations, poetry night - 'Bahaar e Sukhan' etc. Your Company also sponsored forty employees to perform Hajj. Moreover, company-wide 'Sports Gala' was organized comprising of sporting events of cricket, badminton, table tennis, long tennis and a tug of war. The event helped to uplift spirits and improved team building and collaboration amongst employees.

Customer Care

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

The front-end customer support staff was enabled to update new order feasibility using Google Maps technology thus increasing customer satisfaction level by optimising provisioning process. Through implementation of Network Analyser solution, First Call Resolution of customer complaints relating to network elements has improved considerably. Similarly, our staff proactively interacted with related customers in the areas where Network Transformation Project was undertaken so as to redress any possible issues. Through a dedicated SMS code (9017) with various extensions, communication with customers relating to billings, payments, order execution etc. has been further expanded. Also, retention of the customers desiring to cancel PTCL services was improved through dedicated retention agents who proactively made efforts to resolve the underlying issues by effectively communicating with such customers.

A major rehabilitation of customer touch points viz. the One Stop Shops (OSS), Customer Service Centres (CSC) and Sales Points was undertaken in 2018. The rehabilitation encompasses provision of new IT equipment, queueing system, surveillance cameras, civil works and whitewash, furniture, fixture and internal & external branding. 59 OSS, 106 CSC and 56 sales points across the country are included in the ambit of the project. While the major work on the rehabilitation was completed during the year, the remaining work is expected to be completed in early part of next year.

In order to ensure that our esteemed customer base is served with the best possible service levels, continuous training and education of the staff dealing with customers is essential. Accordingly, during the year, entire Contact Centre staff was trained on using new technology, digital mediums and latest tools. Similarly, the front-end shop staff was imparted with training on use of related softwares after a careful training-need analysis of each employee. Also, through the master trainers developed for the purpose, the back-office employees were duly trained in using various customer-related systems like CRM, billing etc. with the aim to provide the customers timely and effective service to resolve the issues to their satisfaction.

Moreover, your Company continued to facilitate the customers with ‘self-care’ using PTCL Touch App and website. This was further augmented with live support on all social media channels which was well received by the customers as is evident from the increased number of subscribers interacting with PTCL using these channels.

Marketing and Communication

During the year, PTCL’s brand value was further enhanced through various advertisement and public relation campaigns in print, electronic and social media. Due to these initiatives, your Company was declared the ‘Fastest Growing Brand in Pakistan’ by Brand Finance - the world’s leading independent brand valuation and strategy consultancy.

One of the major brand initiatives for the year was PTCL’s partnership with Islamabad United (ISLU) team for the 3rd edition of Pakistan Super League (PSL). A comprehensive marketing campaign included TV advertisements, outdoor branding, live updates and promotion on digital platforms including media briefing and visit of ISLU team with the PSL winning trophy to PTCL headquarters. Moreover, your Company also sponsored the Hockey Cup 2018 as well as the national cricket team in T20 cricket series i.e. Pakistan vs. New Zealand, West Indies and Scotland tours.

PTCL launched numerous campaigns including ‘8 Mbps speed for the price of 6 Mbps’, ‘CharJi - Double the Speed! Double the Volume!’ along with CharJi/LTE reconnect offer, to cater to the needs of high-speed internet users. These campaigns were well received by customers across Pakistan.

Video-on-Demand (SVOD) service to provide high quality and unlimited access to premium Netflix content, both local and international, to PTCL’s subscribers. A 360° campaign was run, consisting of TV advertisements and digital promotion for the said availability of Netflix. Besides, a famous feature film ‘7 DIN MOHABBAT IN’ was sponsored by PTCL which gave phenomenal mileage to the brand.

Your Company also launched a special Independence Day Campaign, ‘Hum Hain PTCL, Hum Hain Pakistan’, nationwide. The focus of the campaign was to enhance PTCL’s public image by highlighting the fact that PTCL is the national incumbent telecom operator. The campaign was well received by the intended audience and was duly appreciated in the media.

A comprehensive countrywide marketing campaign on NTP (Network Transformation Project) was launched, whereby on-ground marketing activations were executed at the upgraded exchanges in various cities across Pakistan. The objective of this campaign was to create awareness in areas where PTCL exchanges have been upgraded in 2018. The campaign included float activations, outdoor media, live radio and TV interviews along with social media awareness and focusing on the target market through geo-fencing on digital mediums. In furtherance of the objective of the NTP advertisement, the public relation campaign consisted of a bloggers meetup, exclusive blogs and articles, strategic placement of press releases in regional and national print media, radio and TV interviews and news coverage in respective cities.

Further, through corporate communications on events like quarterly media briefings to announce financial results, partnership deals with Netflix and other corporate collaborators, launch of National Incubation Centre in Peshawar, International Women's Day, Breast Cancer Awareness session, CSR activities under Razakar and collaboration with WWF-Pakistan, PTCL's brand was consistently kept visible during 2018.

Regulatory Affairs

In order to ensure seamless migration of wireless broadband services and related device swapping in selected regions and cities from EVDO to Charji/LTE to provide higher speed data services to our valued customers, your Company successfully managed the technical requirement of additional spectrum on an ad-hoc basis in collaboration with the PTA (Pakistan Telecommunication Authority) and the FAB (Frequency Allocation Board).

In coordination with PTA, a new telecom-industry wide agreement was signed for deployment of a comprehensive Web Monitoring System to enable complete coverage of traffic monitoring to restrict grey traffic and also to facilitate web monitoring/blocking in compliance of PTA's directives.

Your Company also signed two new Universal Service Fund projects for optical fiber deployment in un-served areas of Khyber Pakhtunkhwa and FATA. PTCL received a subsidy of Rs. 300 million in this regard.

During the year, various issues relating to 'Right of Way' were duly negotiated with different public sector organisations including National Highway Authority (NHA) and private housing authorities paving the way for timely completion of the network expansion projects.

PTCL also provided the required assistance and arrangements to the Election Commission of Pakistan in relation to the general elections held in 2018.

Corporate Social Responsibility (CSR)

During the year, various CSR initiatives were undertaken by your Company. In furtherance of the causes of education and youth development in the country, PTCL, in collaboration with partners, arranged interventions such as Spellathon, sponsorships and mentorships.

PTCL's medical service teams conducted 495 health awareness sessions and set up 289 mobile medical units that benefitted 35K people from underserved communities, across the country.

Towards the environment protection, your Company took part in the 'Rung Do' program of WWF Pakistan by supporting plantation of 200K mangrove seeds in Lasbela district of Balochistan thus helping to protect inhabitants of Miani Hor island from potential threat of flooding in the foreseeable future. PTCL also contributed towards disaster response by donating 140 pints of blood for the victims of multiple bomb blasts in Balochistan.

For the gender inclusion, multiple initiatives were implemented under the ambit of a virtual club viz. 'The Pink Club'. The club arranged power yoga sessions and a Masterclass on Self-Defence techniques for its female employees. PTCL also carried out nation-wide sessions on breast cancer.

The PTCL Razakaar force continued to undertake quarterly initiatives running parallel at multiple PTCL offices nationwide. A total of 16K beneficiaries were reached out through four initiatives viz. Movie Mania, Ramzan Mehman, Green Exchange and Christmas with PTCL.

During 2018, your Company incurred expenses of Rs. 12.9 million on various CSR activities with benefit thereof extended to about 53K persons from diversified community groups.

Subsidiaries

Pak Telecom Mobile Limited - Ufone

In 2018, Ufone's financial performance enhanced. Revenue for the year increased by 13% compared to last year; operating results turned into profit versus the operating loss of previous year and the loss after tax was reduced considerably, despite absorbing the impact of devaluation of Pakistan Rupee. The main driver for the improved financial performance was more-than-average increase in the subscribers' base. Compared to cellular industry's average increase in total and 3G/4G data subscribers by 7% and 28% respectively in 2018, the corresponding increase in Ufone's subscribers was 14% and 46%, although Ufone is the only mobile operator in Pakistan with 3G license only. Suspension of taxes by The Supreme Court of Pakistan in June 2018 also had a positive impact on the industry revenue, including that of Ufone.

With the increase in Ufone's retail footprint, supported by sales channel efficiency initiatives, the U900 rollout for providing improved quality 3G experience and introducing a new Post-pay universe, the infrastructure of the products was further improved during the year with the main focus on filling the gaps in the product portfolio.

Super Card remained an accomplished product in Pakistan's telecom market. It continued the message of convenience and transparency into Ufone's communication with its customers. To cater to the higher data needs of the customers, Weekly Internet Plus was added in the Super family. Data Portfolio and Super Family was added with bundles tailor-made to customised needs in the market. Accordingly, the yearly growth in use of the Super Family products was 17%.

In 2018, many new features were added to further improve experience of the customers using Ufone's digital platform of 'My Ufone' on Android and iOS Apps as well as Web Portal and Self Service Booths (VTMs). The main added features included Number booking, bill payment and Ublock services beside many others. These digital platforms are instrumental in expanding the digital horizon of Ufone products across Pakistan.

Ufone fully recognises the importance of provisioning of Next Generation Mobile Services (NGMS), especially in the less developed areas of Pakistan and further expanding the network coverage by tapping available avenues for investment and strategic partnerships with other network operators. In this context, Ufone is complying with its NGMS rollout obligations while aggressively working for the expeditious rollout through Infrastructure Sharing (passive and active), National Roaming and other opportunities arising from initiates of the Universal Service Fund Company.

Accordingly, during the year, Ufone won a Universal Service Fund (USF) pilot project in Balochistan Province, under the Next-Generation Broadband for Sustainable Development (NG-BSD) Program for National Highways & Motorways, after a competitive open tendering process. The subsidy amount for the project is Rs. 759 million. The pilot project will also be a test case for National Roaming Activation in Pakistan as Ufone will mandatorily be required to open up the USF-National Highways Network for roaming by interested USF contributors in the country. The project is an addition to Ufone's track record of significant contributions towards extension of mobile network services to far-flung and rural areas of the country.

To replicate the true spirit of care and generosity in Ramzan, Ufone continued the promotion of different humanitarian initiatives during the year. The work of two exceptional Pakistani individuals were duly highlighted under the Ramzan campaign of 'Bano Achai ki Misaal'. Ufone also partnered with The Citizens Foundation on its flagship 'Rahbar' project in which 15 employees of Ufone, for six weekends, trained children on subjects like character building and leadership in the cities of Islamabad and Lahore.

Further, in recognition of the standardised and efficient working on technical front, the respective ISO9001 standard was upgraded from 2008 version to 2015 and IT functionality was also duly included in the scope of ISO9001:2015 certification.

U Microfinance Bank Limited - Ubank

Ubank is a wholly owned subsidiary of PTCL. During the year, the bank's operations were further expanded. Ubank has a network of 141 touch points, across 100 cities and rural areas in Pakistan, offering a wide range of microfinance loans, deposit products and branchless banking solutions. Ubank offers branchless banking services under the banner of 'U Paisa' in collaboration with Ufone. The service is offered at nearly 45,000 agent locations across the country.

Currently, Ubank serves more than 850K customers, where 22% of the served customers are women. The number of Ubank's employees also grew by 50% during the year, where 9% of the total work force comprises of women.

During the year, Ubank's performance enhanced significantly. The deposit portfolio at the end of 2018 grew by 71% while the increase in loan portfolio was 61%. Revenues and profitability also grew considerably.

In view of the national agenda of National Financial Inclusion Strategy 2020, Ubank stands at the forefront of fighting poverty through economic enablement of underserved Pakistanis by contributing to bring the unbanked population into the formal banking net as access to microfinance services contributes significantly towards building a more inclusive society. The said expansion of the formal banking net also helps to document the informal economy which in turn can be of assistance in increasing the national resources.

DVCOM Data (Private) Limited – DVCOM Data

DVCOM Data, a 100% owned subsidiary of PTCL, possesses 5 MHz spectrum in 1900 MHz band. To realise synergies within the PTCL Group, the said spectrum is used through commercial arrangement with PTCL to supplement the wireless broadband services of PTCL.

Smart Sky Private Limited – Smart Sky

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

Corporate Governance

The Company has complied with all the material requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 as well as of Pakistan Stock Exchange (PSX) Regulations. The Directors confirm the following in compliance of the referred Regulations:

Compliance - General

- The vision and mission statement, corporate values and overall corporate strategy for the Company is prepared, adopted and reviewed as and when deemed appropriate by the Board. The last "vision and mission" statement approved by the Board (as part of the HR presentation) was at the 160th Board meeting held on February 22, 2012.
- A formal code of conduct is in place and put on the Company's website.
- Adequate systems and controls, including whistle-blowing policy, are in place for identification and redressal of grievances arising from unethical practices.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- Decisions on all material transactions and or significant matters are taken by the Board of Directors and the management as per the delegation of powers approved by the Board.
- A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- There has been no material departure from the best practices of corporate governance, as detailed in the Regulations.

Compliance – Financial Statement & Auditors

- The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, its cash flows and its changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial information and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial information and in case of any departure therefrom, the same has been adequately disclosed.
- There are no significant doubts about the Company's ability to continue as a going concern.
- The Audit Committee has recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of the Company for the financial year ending December 31, 2019 and the Board has endorsed the same.
- Information regarding outstanding taxes and levies, as required by Listing Regulations, is disclosed in the notes to the financial statements.
- Detail of aggregate amount of remuneration of Directors including perquisites and benefits etc. has been disclosed in Note 37 to the financial statements.
- Statement of Value of Investments in respect of employees' retirement plans has been disclosed in Note 8.1 to the financial statements.

Compliance – Board Performance

- A formal and effective mechanism is put in place for an annual evaluation of the Board's own performance and of its committees.
- The Chairman of the Board at the beginning of the term of each Director issued letter to such Director setting out his role, obligations, powers and responsibilities, remuneration and entitlement in accordance with the Companies Act, 2017 and Company's Articles of Association and policies.
- The Board of Directors has approved the Directors' Remuneration Policy, which is in line with the best corporate and governance practices.
- Training program for new Directors appointed during the year was arranged in February 2019.
- The Board of Directors for the purposes of clause 5.6.1 (a) and 5.6.1 (d) of the PSX Regulations has set the threshold of Company's employees considered as 'Executive'.

Composition of Board

The Board of Directors (the "Board") comprises of nine Members. Pursuant to the provisions of the Shareholders Agreement effected per provisions of the Privatization Commission Ordinance, 2000, between Government of Pakistan (GOP) and the Strategic Investor viz. Etisalat, as well as under the Articles of Association of the Company, the GOP nominates four (04) Members on the Board of the Company while Etisalat International Pakistan ("EIP") nominates five (05) Members. The Board of Directors has not yet elected any independent or female directors because the Company is in discussions with the Securities and Exchange Commission of Pakistan ("SECP") regarding an exemption for these requirements.

Accordingly, the present Board consists of 9 directors:

Independent directors	Nil
Non-executive directors	9
Executive directors	Nil
Total number of directors	**9**

Further, during the year, following persons were members of the Board:

- Mr. Shahid Mahmood
- Mr. Irfan Ali
- Mr. Arif Ahmed Khan
- Mr. Mudassar Hussain
- Mr. Hatem Dowidar
- Mr. Hesham Al Qassim
- Mr. Rizwan Bashir Khan
- Mr. Maroof Afzal
- Mr. Rizwan Malik
- Mr. Abdulrahim A Al Nooryani
- Mr. Serkan Okandan
- Mr. Khalifa Al Shamsi

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

The 'Closed Period', prior to the announcement of interim/final results was determined, and business decisions, which may materially affect the market price of Company's securities, were determined and intimated to Directors, employees and the stock exchange. Material/price sensitive information was disseminated to all market participants through the stock exchange.

Compliance statement with the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Auditors Review thereon by statutory auditors are part of this report. Chairman's Review, Notice of Annual General Meeting, historical business indicators, composition of Audit Committee, Human Resource & Remuneration (HR&R) Committee, Investment & Finance Committee, number of Board Meetings and attendance of Directors and Shareholding Pattern are also part of this report.

Risk Management

The Board, through Audit Committee, regulates the Enterprise Risk Management (ERM) of PTCL. For this purpose, the ERM policy and framework is in place and through an ERM Committee, formed by the Board under CFO's leadership and consisting of cross-functional representation, your Company's risk profile is constantly monitored through identification of enterprise-level inherent risks, their possible impact on PTCL's business and mitigation measures, existing as well as needed, to effectively safeguard Company's assets, businesses, people and reputation.

As such, following are the key identified risks with the potential to adversely impact Company's ability to achieve its strategic targets:

- Tax recoverable and related outstanding cases
- Liability on account of Funded Pension Retirement Scheme
- Occupational health and safety hazards
- Service continuity
- Negative foreign exchange fluctuations
- Cyber security

In coordination with internal and external stakeholders, PTCL continuously evaluates the possible impact of these risks and accordingly takes all needed measures to mitigate/reduce the evaluated impact to acceptable levels.

Challenges and Way Forward

PTCL continues to maintain its market dominance in the fixed line segment despite growing competition from several small-scale operators rolling out FTTH network in high value pockets.

The new market entrants are offering lower price per Mbps to gain market share. The operators, therefore, are striving to upgrade the subscriber base to higher speeds without corresponding increase in the price i.e. ARPU - average revenue per user, per month, resulting in erosion of price per Mbps in the market. At the same time, to provide higher speeds and larger volumes of fixed line data services to meet growing data appetite of consumers as well as keeping in sight the low penetration of wireline broadband, the operators would need to invest considerably to expand and upgrade the networks with latest technologies, thus requiring large capital expenditure with longer payback periods. Realising these market dynamics, your Company is continuously taking the needed measures, foremost of which is the on-going implementation of Network Transformation Project. Also, PTCL is offering attractive bundling offers to its subscribers to sustain PSTN business while growing its broadband subscriber base.

Overall voice traffic is expected to decrease continuously due to rapid adoption of OTT (Over the Top) applications, specifically in international incoming and outgoing traffic, which is resulting in revenue decline of LDI (Long Distance International) operations. On positive side, OTT applications are creating significantly high IP bandwidth requirements in market and PTCL, being the largest submarine and long-haul optical fiber operator in the country, is poised to monetise its fiber footprint.

Rise in digital trends indicates that, in near future, data will be the driving force for the growth of entire telecom industry. Rapid digitalisation of major industries is resulting in complete transformation of business and operating models, which is set to open major revenue growth opportunities in enterprise, ICT and VAS segments. PTCL is all set to transform its existing network to enhance its throughput and user's experience. Digitalisation is a key growth pillar in your Company's agenda for coming years to optimise the operational practices with modern technological solutions.

Acknowledgements

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

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

On behalf of the Board of Directors

Rashid Naseer Khan
President & Chief Executive Officer

Maroof Afzal
Chairman PTCL Board

Islamabad: March 04, 2019

مالیاتی جائزہ اور دیگر امور برائے 2018

پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) کے ڈائریکٹرز 31دسمبر 2018 کو ختم ہونے والے سال کیلئے آڈٹ شدہ مالی حسابات،ہمراہ ڈائریکٹرز رپورٹ اپنے شیئر ہولڈرز (حصص داران) کو پیش کرتے ہوئے خوشی محسوس کررہے ہیں۔

پاکستان میں ٹیلی مواصلاتی صنعت میں درپیش موجودہ مسائل سے واقف ہوتے ہوئے،جس میں سیلولر آپریٹرز ڈیٹا سروسز میں ترقی حاصل کررہے ہیں، پی ٹی سی ایل گروپ ان مشکلات کے ساتھ ساتھ تمام عملیاتی اور کاروباری محاذوں پر ان مسائل کا بروقت تدارک کرنے کیلئے تیار ہے۔

مالیاتی کارکردگی

سال کے دوران پی ٹی سی ایل گروپ نے اچھی کارکردگی کا مظاہرہ کیا۔ نہ صرف گروپ کی تمام کمپنیوں کی آمدن میں اضافہ ہوا بلکہ گروپ کی منافع پذیری بھی گزشتہ برس کے مقابلے میں بڑھی۔

جدید ٹیکنالوجیز کو بروئے کار لاتے ہوئے اپنے معزز صارفین کو معیاری خدمات فراہم کرتے ہوئے مارکیٹ میں اپنی مسابقتی قیادت کو برقرار رکھنے کیلئے پی ٹی سی ایل گروپ نے نیٹ ورکس کی توسیع اور اپ گریڈیشن کیلئے بھاری سرمایہ کاری کی۔

آمدن

2018 کے دوران پی ٹی سی ایل کی آمدن گزشتہ برس کے مقابلے میں 1 فیصد اضافے کے ساتھ 70.1 ارب روپے رہی۔ براڈ بینڈ اور آئی پی ٹی وی، کارپوریٹ اور کیرئیر اینڈ ہول سیل کی آمدن میں بالترتیب 6 فیصد، 13 فیصد اور 14 اضافہ ہوا۔ تاہم وائس ٹریفک میں صارفین کے او ٹی ٹی (اوور دی ٹاپ) اور موبائل سروسز کی جانب بدلتے رجحان اور غیر قانونی ٹریفک میں اضافے کے باعث دونوں مقامی اور بین الاقوامی آمدن میں کمی آئی ہے۔ مزید برآں، مجموعی طور پر وائرلیس ڈیٹا آمدن میں کمی ہوئی تاہم چارجی/ایل ٹی ای کی خدمات سے منسلک آمدن میں نمایاں اضافہ ہوا۔

این ٹی پی کے تحت ایکس چینجز کی بڑی تعداد میں اپ گریڈیشن کے نتیجے میں سال 2018 کی آخری سہ ماہی میں گزشتہ سال کی اسی سہ ماہی کے مقابلے میں مجموعی آمدنی کی شرح میں 3 فیصد اضافہ ہوا۔

تمام گروپ کمپنیوں کی مثبت شراکت کے نتیجے میں پی ٹی سی ایل گروپ کی آمدن گزشتہ برس کے مقابلے میں 8 فیصد اضافے کے ساتھ 126.2 ارب روپے رہی۔ مذکورہ بیان کردہ پی ٹی سی ایل کی آمدن میں اضافے کے علاوہ یوفون کی آمدن میں 13 فیصد اضافہ ہوا جبکہ یو بینک کی آمدن میں 64 فیصد کا خاطر خواہ اضافہ ہوا۔

منافع پذیری

دوران برس پی ٹی سی ایل کی منافع پذیری دباؤ کا شکار رہی۔ بنیادی طور پر آپریٹنگ لاگت میں اضافہ، جو کہ صارفین کے حصول کے اضافی اخراجات اور روپے کی قدر میں نمایاں کمی کی وجہ سے ہوا، کی وجہ سے آپریٹنگ منافع گزشتہ برس کے مقابلے میں 9 فیصد کمی کے ساتھ 6.5 ارب روپے رہا۔

مزید برآں بعد از ٹیکس منافع میں 11 فیصد کمی بنیادی طور پر سرمایہ کاری کے لئے دستیاب فنڈز میں کمی کے باعث ہوئی۔ مذکورہ سال پی ٹی سی ایل کی فی شیئر آمدن 1.46 روپے رہی۔

مذکورہ سال پی ٹی سی ایل گروپ کا آپریٹنگ منافع گزشتہ برس کے مقابلے میں تقریباً 3 گنا اضافے کے ساتھ 8.9 ارب روپے رہا۔ جبکہ بعد از ٹیکس منافع میں 32 فیصد اضافہ ہوا۔ منافع پذیری میں اضافے کی بنیادی وجہ آمدن میں اضافہ ہے۔ پی ٹی سی ایل گروپ کی فی شیئر آمدن 1.12 روپے رہی۔

رقوم کا بہاؤ

پی ٹی سی ایل نے مذکورہ سال نقد ادائیگیاں بنیادی طور پر نیٹ ورکس کی اپ گریڈیشن اور اپنی ذیلی کمپنیوں، یوفون اور یو بینک کیلئے طویل مدتی قرضوں کی مد میں استعمال کیں۔

جب کہ گروپ لیول پر درج بالا ادائیگیوں کے ساتھ کیش فلو یوفون کے نیٹ ورکس کی اپ گریڈیشن کیلئے بھی استعمال کیا گیا۔

ڈیویڈنڈ اور اختصاص

زیر جائزہ سال میں ڈائریکٹرز نے عبوری کیش ڈیویڈنڈ کی مد میں ایک روپیہ فی شیئر (10 فیصد) دیا تھا۔ مزید برآں 179 ملین روپے کی آمدن بھی غیر مختص نفع سے انشورنس ریزرو میں ٹرانسفر کی گئی۔

دیگر معاملات

آپ کی توجہ اس سال کے پی ٹی سی ایل کے فنانشل اسٹیٹمنٹس کی شق 12.7 اور منسلکہ مجموعی فنانشل اسٹیٹمنٹس کی شق 18.7 کی جانب مبذول کروا رہے ہیں جس میں عدالت کے زیر جائزہ پی ٹی سی ایل پنشن اسکیم کے مابین کچھ ملازمین کے حقوق کے متعلق وضاحت کی گئی ہے جیسا کہ بیرونی آڈیٹرز نے اپنی رپورٹوں میں اجاگر کیا۔

درپیش مسائل اور متوقع مستقبل

پی ٹی سی ایل نے مارکیٹ میں اپنی سبقت کو برقرار رکھا ہوا ہے۔ باوجود اس کے کہ بیشتر محدود پیمانے والے آپریٹرز نے اہم مارکیٹوں میں ایف ٹی ٹی ایچ نیٹ ورکس بچھا دیا ہے۔

نئے کاروباری آپریٹرز مارکیٹ شیئرز کے حصول کیلئے کم قیمت ڈیٹا سروسز فراہم کررہے ہیں۔ مذکورہ صورت حال کے پیش نظر آپریٹرز تیز رفتار ڈیٹا بغیر کسی اضافی چارجز کے فراہمی کے لئے کوشاں ہیں جس کے نتیجے میں ڈیٹا کی قیمتیں دباؤ کا شکار ہیں۔

ساتھ ہی صارفین کے تیز رفتار ڈیٹا کیلئے بڑھتے رجحان کی بدولت بڑی مقدار لیکن کم قیمت ڈیٹا سروسز فراہمی کیلئے فکسڈ لائن آپریٹرز کو اپنے نیٹ ورکس میں مسلسل اپ گریڈیشن کرنی پڑ رہی ہے جس کیلئے بھاری سرمایہ کاری درکار ہے۔ ان اقدامات کے ثمر حاصل فوائد طویل مدتی دورانیے پر حاصل ہو پائیں گے۔

مذکورہ صورت حال کو مدنظر رکھتے ہوئے آپ کی کمپنی نیٹ ورکس کی اپ گریڈیشن کے منصوبے پر عمل پیرا ہے۔ جس کا بیشتر حصہ مکمل ہونے کو ہے۔ پی ٹی سی ایل فکسڈ لائن صارفین کیلئے پرکشش آفرز کے ساتھ اپنا کسٹمرز بیس بڑھا رہا ہے۔ مجموعی طور پر وائس ٹریفک میں مسلسل کمی متوقع ہے کیونکہ او ٹی ٹی سہولت کی بدولت خاص طور پر بین الاقوامی موصول اور جانے والی ٹریفک میں کمی کی وجہ سے ایل ڈی آئی آپریٹرز کی آمدن کم ہو رہی ہے۔ او ٹی ٹی سہولت کے مثبت پہلوؤں میں ایک آئی پی بینڈوِڈتھ کی بڑھتی مانگ ہے اور پی ٹی سی ایل ایک بڑے سب میرین اور وسیع آپٹیکل فائبر والا آپریٹر ہونے کے ناطے ان حالات سے مستفید ہونے کے لئے تیار ہے۔

ڈیجیٹلائزیشن رجحانات میں اضافے سے ظاہر ہوتا ہے کہ مستقبل قریب میں ڈیٹا پوری ٹیلی کام صنعت کی ترقی کیلئے ڈرائیونگ فورس ہوگا۔

بڑی صنعتوں کی تیز رفتار کاروباری ڈیجیٹلائزیشن اور آپریٹنگ ماڈل کی مکمل تبدیلی کے عمل کی بدولت آئی سی ٹی اور وی اے ایس کی مد میں بڑے پیمانے پر آمدنی کے نئے مواقع موجود ہوں گے۔

اس ضمن میں صارفین کو بہتر خدمات کی فراہمی کیلئے پی ٹی سی ایل اپنے موجودہ نیٹ ورکس کی اپ گریڈیشن کیلئے بالکل تیار ہے۔ ڈیجیٹلائزیشن آنے والے دور میں کمپنی کی ترقی کا اہم ستون ہوگا جس میں کمپنی کی آپریشنل ضروریات جدید ٹیکنالوجی کے تقاضوں سے لیس ہوں گی۔

خدمات کا اعتراف

کمپنی کے بورڈ آف ڈائریکٹرز، کسٹمرز، سپلائرز، سروس پرووائیڈر، اسٹیک ہولڈرز اور شیئر ہولڈرز کے مسلسل تعاون پر ان کے شکر گزار ہیں۔

ہم اپنے ملازمین کی محنت، ان تھک کوششوں اور جاں فشانی کو سراہتے ہیں جس کی بدولت کمپنی اس مقابلے کے ماحول میں درپیش چیلنجز کا سامنا کرنے کے قابل ہوئی۔

ہم حکومت پاکستان اور اتصالات گروپ کے بھی مشکور ہیں جن کی مسلسل مدد اور حوصلہ افزائی سے ہم اپنے شیئر ہولڈرز کی ویلیو میں اضافے کا مقصد حاصل کرنے کے قابل ہوئے۔

منجانب بورڈ آف ڈائریکٹرز

Maroof Afzal

معروف افضل
چیئرمین پی ٹی سی ایل بورڈ

اسلام آباد: 04 مارچ 2019

Rashid Khan

راشد نصیر خان
پریزیڈنٹ اینڈ چیف ایگزیکٹیو آفیسر

AUDIT COMMITTEE

COMPOSITION

Mr. Serkan Okandan	Chairman
Mr. Abdulrahim A. Al Nooryani	Member
Mr. Rizwan Malik	Member
Mr. Mudassar Hussain	Member
Mr. Mohamed Dukandar	Member

ATTENDANCE

Total 06 meetings of the Audit Committee were held during the Financial Year ended December 31, 2018.

Sr.	Name of Director-Member	Attendance
1	Mr. Serkan Okandan	6
2	Mr. Abdulrahim A. Al Nooryani	6
3	Mr. Irfan	2
	Mr. Aamir Ashraf Khawaja	2
	Mr. Rizwan Malik	2
4	Mr. Mudassar Hussain	6

FUNCTIONS

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

COMPOSITION

Mr. Abdulrahim A. Al Nooryani	Chairman
Mr. Serkan Okandan	Member
Mr. Rizwan Malik	Member
Mr. Mudassar Hussain	Member
Mr. Khalifa Al Shamsi	Member

ATTENDANCE

Total 04 Meetings of the HR & R Committee were held during the Financial Year ended December 31, 2018.

Sr.	Name of Director-Member	Attendance
1	Mr. Abdulrahim A. Al Nooryani	4
2	Mr. Serkan Okandan	4
3	Mr. Irfan Ali	2
	Mr. Rizwan Malik	2
4	Mr. Mudassar Hussain	4
5	Mr. Khalifa Al Shamsi	4

FUNCTIONS

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

INVESTMENT & FINANCE COMMITTEE

COMPOSITION

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

ATTENDANCE

Total 06 Meetings of the Investment and Finance Committee were held during the Financial Year ended December 31, 2018.

Sr.	Name of Director-Member	Attendance
1	Mr. Hatem Dowidar	6
2	Mr. Serkan Okandan	6
3	Mr. Irfan Ali	1
	Mr. Arif Ahmed Khan	5
4	Mr. Mudassar Hussain	6
5	Mr. Khalifa Al Shamsi	6

FUNCTIONS

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

PTCL BOARD

COMPOSITION

Total 06 Board Meetings were held during the Financial Year ended December 31, 2018.

Sr.	Name of Director	Portfolio	Attendance
1	Mr. Aamir Ashraf Khawaja	Chairman	3
	Mr. Maroof Afzal		2
2	Mr. Abdulrahim A. Al Nooryani	Member	6
3	Mr. Arif Ahmed Khan	Member	6
4	Mr. Hatem Dowidar	Member	6
5	Mr. Irfan Ali	Member	3
	Mr. Rizwan Malik	Member	2
6	Mr. Serkan Okandan	Member	6
7	Mr. Mudassar Hussain	Member	6
8	Mr. Khalifa Al Shamsi	Member	5
9	Mr. Hesham Abdulla Al Qassim	Member	6

- Composition of Board Committees is as of February 12, 2019
- Attendance of Committees is of Directors-Members only

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017 (the 'Regulations')

Pakistan Telecommunication Company Limited (the 'Company') Year ended December 31, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors is nine as per the following:

   a. Male: Nine
   b. Female: None[1]

2. The composition of Board is as follows:

a)	Independent Directors	None[2]
b)	Non-executive Directors	1. Maroof Afzal, Chairman
		2. Arif Ahmed Khan
		3. Rizwan Malik
		4. Mudassar Hussain
		5. Abdulrahim A Al Nooryani
		6. Hatem Dowidar
		7. Serkan Okandan
		8. Khalifa Al Shamsi
		9. Hesham Al Qassim
c)	Executive Directors	None

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

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

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

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the 'Act') and the Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of Directors has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations.

[1] The Board of Directors has not yet elected a female director because the Company has applied for exemption from the requirement and is also in discussions with the Securities and Exchange Commission of Pakistan ('SECP') for the purpose.

[2] The Board of Directors has not yet elected an independent director because the Company's legal councels have advised that it is not requried to comply with this requirement. Furthermore, the Company has applied for exemption from the requirement and is also in discussions with the SECP for the purpose.

9. The Board has arranged Directors' Training program for the following:

Names of Directors who have certified the Directors' Training Program:

1.	Arif Ahmed Khan
2.	Mudassar Hussain
3.	Abdulrahim A. Al Nooryani
4.	Serkan Okandan
5.	Hesham Al Qassim

Names of Executives who have certified the Directors' Training Program:

S.No.	Participants Name	PTCL Management
1	Dr. Daniel Ritz	President & CEO
2	Nadeem Khan	Chief Financial Officer
3	Syed Mazhar Hussain	Chief Human Resource Officer
4	Muhammad Shehzad Yousuf	Chief Internal Auditor
5	Sikandar Naqi	Chief Business Development Officer
6	Jahanzeb Taj	Chief Business Operations Officer
7	Amir Siddiqui	Executive Vice President (FP & T)
8	Jamal Akhtar	Advisor (Finance)
9	Zahida Awan	Executive Vice President (Legal)
10	Essa Al Taheri	Executive Vice President (Group Fin. Policies & Sys.)
11	Syed Mohammad Irfan	Executive Vice President (Group Taxation)

10. The Board has approved appointment of Chief Financial Officer ('CFO'), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. The CFO and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising members given below:

a) Audit Committee[3]

1.	Serkan Okandan, Chairman
2.	Rizwan Malik
3.	Mudassar Hussain
4.	Abdulrahim A. Al Nooryani
5.	Mohamed Dukandar

b) Human Resource and Remuneration Committee[4]

1.	Abdulrahim A. Al Nooryani, Chairman
2.	Rizwan Malik
3.	Mudassar Hussain
4.	Serkan Okandan
5.	Khalifa Al Shamsi

c) Investment and Finance Committee

1.	Hatem Dowidar, Chairman
2.	Arif Ahmed Khan
3.	Serkan Okandan
4.	Mudassar Hussain
5.	Khalifa Al Shamsi

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

[3] The Board of Directors has not yet elected an independent director because the Company's legal councels have advised that it is not requried to comply with this requirement. Furthermore, the Company has applied for exemption from the requirement and is also in discussions with the SECP for the purpose.

[4] The Board of Directors has not yet elected an independent director because the Company's legal councels have advised that it is not requried to comply with this requirement. Furthermore, the Company has applied for exemption from the requirement and is also in discussions with the SECP for the purpose.

14. The frequency of meetings (quarterly/half yearly/yearly) of the committees were as per following:

    a) Audit Committee
    The frequency of meetings is on quarterly basis and as per the requirement of the Company. Total six meetings were held during year 2018.

    b) Human Resource and Remuneration Committee
    The frequency of meetings is on quarterly basis and as per the requirement of the Company. Total four meetings were held during year 2018.

    c) Investment and Finance Committee
    The frequency of meetings is on quarterly basis and as per the requirement of the Company. Total six meetings were held during year 2018.

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

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

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Dr. Daniel Ritz
President & Chief Executive Officer

Maroof Afzal
Chairman PTCL Board

Islamabad: February 12, 2019

Review Report on the statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Pakistan Telecommunication Company Limited for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for the compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of the Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2018.

KPMG Taseer Hadi & Co.

Further, we highlight below the status of compliance with the requirements of the Regulations as reflected in the paragraph where these are stated in the Statement of Compliance:

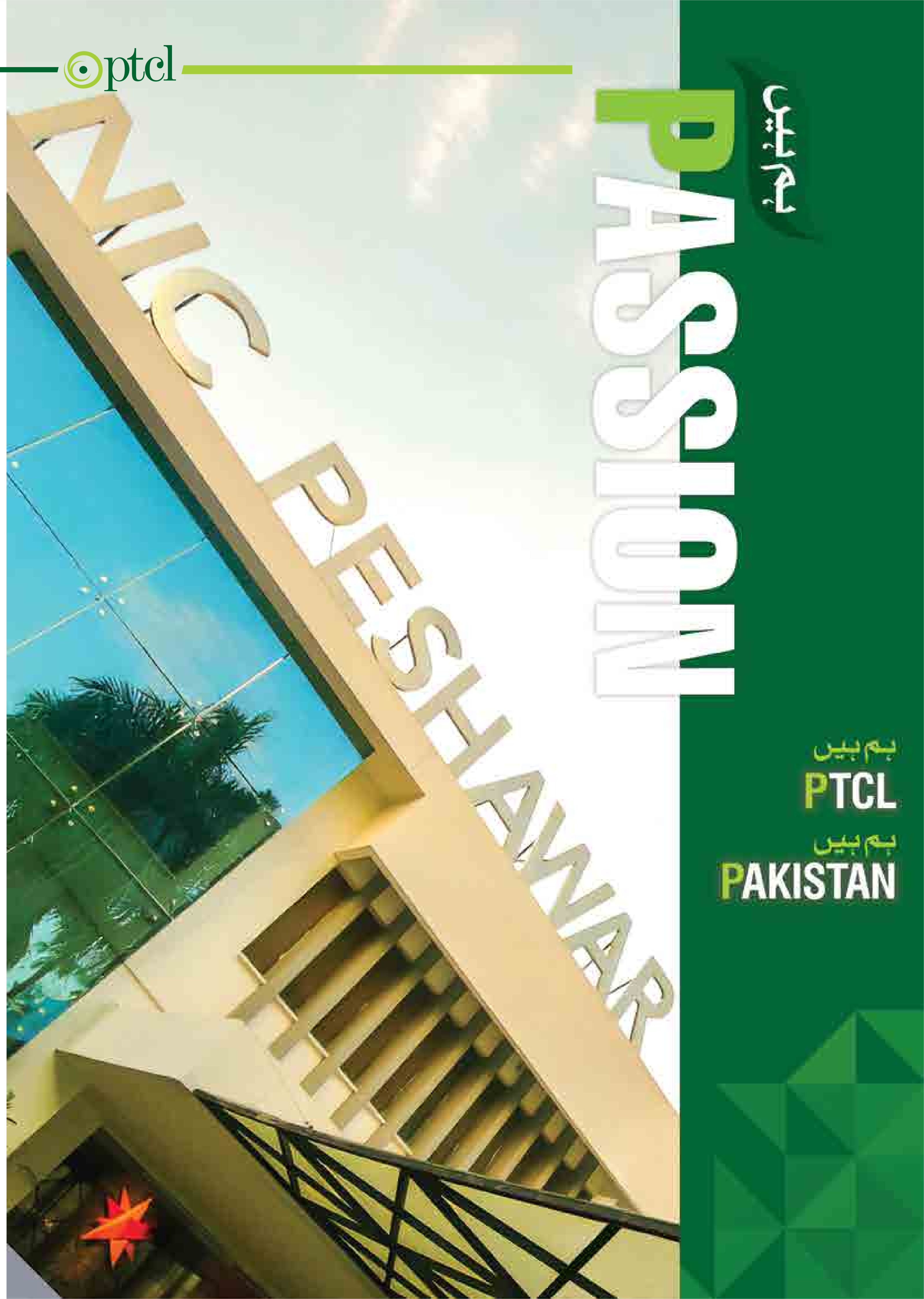
	Reference	Description
ii.	2,12(a) and 12(b)	As stated in para 2, 12(a) and 12(b), the Board of Directors has not yet elected an independent director because the Company's legal counsels have advised that it is not required to comply with this requirement. Furthermore, the Company has applied for an express exemption from this requirement and is also in discussions with the SECP for the purpose.

KPMG Taseer Hadi & CO.

KPMG Taseer Hadi & Co.

Chartered Accountants

Islamabad
March 04, 2019



PTCL & LMKT Ignite the Entrepreneurial Spark in Khyber Pakhtunkhwa

In 2018, LMKT and Pakistan Telecommunication Company Limited (PTCL), announced the formal inauguration of National Incubation Centre (NIC), Peshawar, funded by the Ministry of IT&T and Ignite Fund. The launch ceremony was attended by the Prime Minister of Pakistan as Chief Guest, along with Governor of Khyber Pakhtunkhwa, Minister of IT&T, and other renowned dignitaries from the public and private sectors.

Equipped with the latest ICT infrastructure offering high-speed connectivity, the 12,000 sq. ft. facility, in the heart of Peshawar at PTCL Training Centre, was repurposed to incubate more than 25 handpicked startups each year. The incubatees have access to comprehensive mentoring services allowing them to seek guidance and support on design thinking, business planning, marketing, communication, financial and operational aspects related to their startups.

Industry-renowned start-up incubation curriculum developed by Founder's Institute was implemented for incubatees. Furthermore, specialised workshops designed in collaboration with Microsoft, IBM and other global technology leaders are conducted throughout each session.

NIC Peshawar has been received very positively by academia, public and private sectors with significant partnerships and MoUs lined up with leading organisations and universities. Some of these collaborations include design thinking workshops by IBM, FinTech lab & Google Business Groups.

PTCL Mentor Review Session at NIC Peshawar

PTCL participated as a panelist to judge the Mentor Idea Review session, where innovative Startups and Founders from KPK presented their business ideas. The session included Murtaza Zaidi, Director, NIC Peshawar, Atif Rais Khan, Founder and CEO, LMKT, Jahanzeb Khan, CEO, LMKR Pakistan, Ayub Zakori, MD, Zakori Group, Moqeem ul Haque, Chief Commercial Officer, PTCL, Syed Shahzad Shah, Executive Vice President, Marketing & Communication, PTCL and Fariha Tahir Shah, GM Corporate Communication, PTCL.

The panel discussion explored the potential business ideas and how they can strengthen the entrepreneurial ecosystem of the country. The goal was to review the ideas and analyse the business models of all Founders and Startups. The judges panel, paired with other mentors, listened to a series of Founders' pitches. The interactive session covered presentations on idea viability to market sustainability, real customer problems to their solutions, success or failure of the business, business revenue models, business name impact & memorability and leadership qualities.

Brainstorming Session with NIC Startup at PTCL HQ

Sana and Huzaifa, co-founders of Butnut were invited by PTCL to offer them guidance and support on brand positioning, product placement, pricing and marketing strategies. Being part of NIC Peshawar's 2nd cohort, Butnut is a homemade organic peanut butter startup.

At the PTCL HQ, the founders had a brainstorming session with Fariha Tahir Shah, General Manager, Corporate Communication, PTCL, Hamza Bin Tahir, Manager, Corporate Communication, PTCL, Raja Usman Sarwar, Manager Brands, PTCL and Farah Mahmood, Assistant Manager, Corporate Communication, PTCL.

PTCL team guided the founders to focus on market research and how to position organic peanut butter in the local market, turn it into a viable business and take it forward with a strong marketing, branding and communication strategy. Product tasting was also done during the session with PTCL employees, followed by valuable feedback.

Startups incubated at NIC Peshawar

APRUS Technologies

Muhammad Mohsin Rafiq and Nauman Rafiq, co-founders at APRUS Technologies, developed an electrosurgical generator, which is both energy and cost-efficient. Their prototype is much safer than its counterparts available in the market, as it results in less blood loss and more precision, with a digitized screen for easy monitoring by surgeons.

Eleven.pk

Sajid and Naveed Shah, started Eleven.pk as an online retail startup, after initially buying a starting inventory of $75 and selling it online in less than 24 hours. They were successful in generating PKR 9M revenue by December, 2018.

E-Guard

Faizan Azam and Usman Abbasi, the founders of E-Guard are working on creating a robust monitoring system for electric generators, such as power generators and oil tanks. It not only decreases fuel wastage by keeping a reliable fuel inventory, but also has predictive features that send a signal when maintenance is required.

Bera

Bera is Khyber Pakhtunkhwa's first startup to be valued at 1 Million USD. Dubbed the 'Louis Vuitton' of Peshawari 'chappal' by co-founders, Muhammad Rashid and Muhammad Jehangir, Bera is a rising brand that is working to elevate the stature and design of Peshawari chappal, introducing it into the mainstream fashion.

Franchise PK

Zahid Iqbal and Shakeel Iqbal, the co-founders of Franchise PK, have made a one-stop solution for setting up a franchise in Khyber Pakhtunkhwa and eventually all of Pakistan, in every sector. The startup has already brought more than 150 franchises on-board their online platform, six of which are international brands from the United Kingdom and United Arab Emirates.

Darewro

The founder of Darewro, Ubaidullah, has made the startup a household name in Peshawar. The startup is easily recognised as the pioneer of door-to-door service provider in the region with the most number of riders. They are currently working closely with LMKT on developing their technology roadmap.

Azadi E-Bike

Keeping in mind the environmental challenges and rising fuel prices, Sheharyar Khan, the founder of 'Azadi E-Bike', is working on an electric bike that operates on a battery. Not only is it affordable, but it also helps minimize noise and environmental pollution. A single one-hour charge can last up to a 100kms and reach to a speed of 80kmph.

Nano IT Solutions

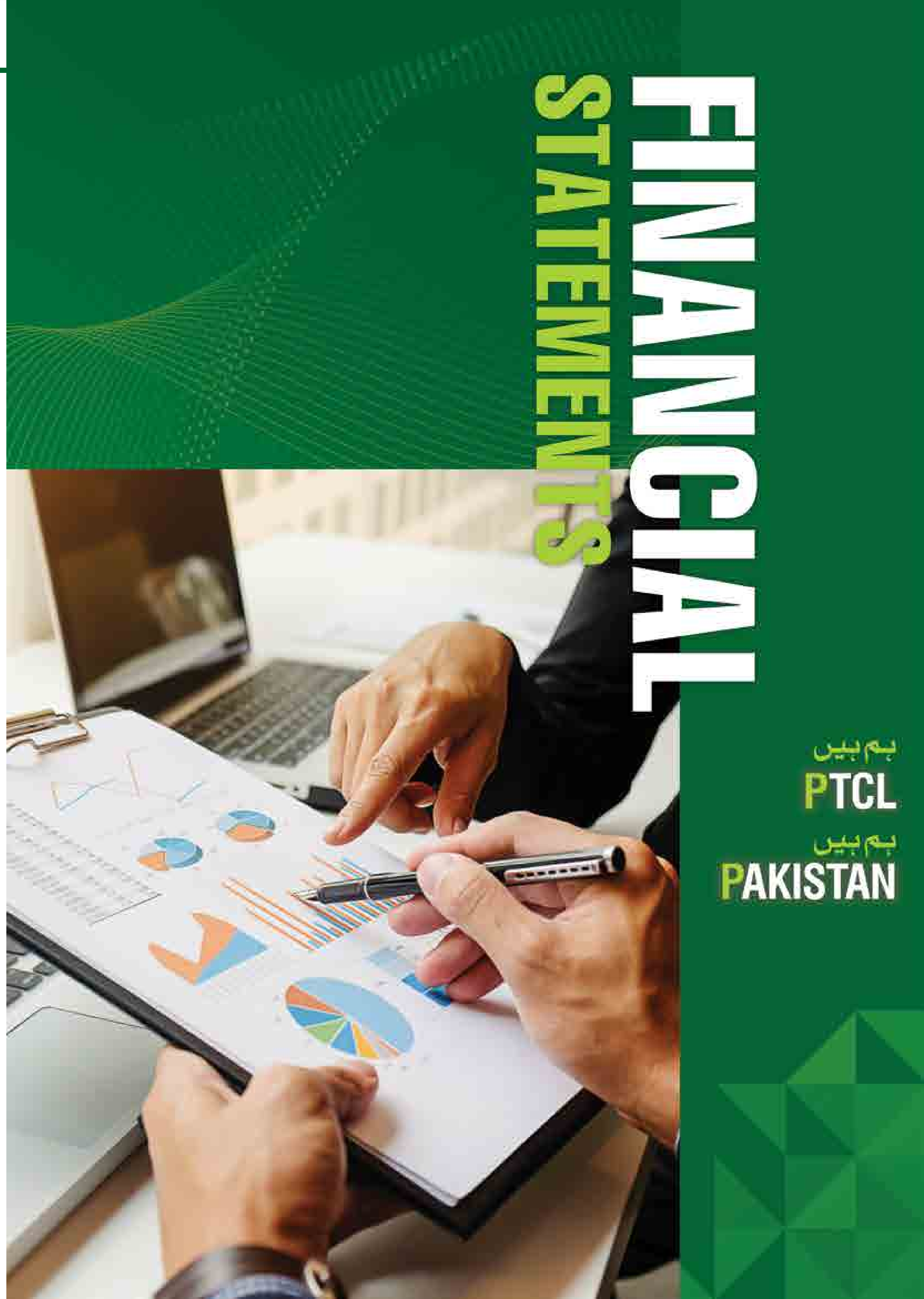
Muhammad Imran, founder of Nano IT Solutions, has developed a VR-driven motion platform for the entertainment industry to engage customers. It is an immersive experience through physical movement created in response to the action of players. The tech can be used in gaming zones and by the tourism industry by enabling people to virtually experience tourist spots.

Smart Tube well

Abdul Haseeb and Muhammad Jawad, co-founders of Smart Tube well, developed an innovative device that is installed inside a clean water pump to monitor the flow, level and pressure of water, along with electricity consumption remotely through any mobile device. This device will help to identify water wastage and water theft and highlight the problem of water levels dropping throughout the country. The device has been piloted in 3 different water stations of Mardan with efficient results.

Tutors Gateway

Uruba Ali and Moiz, co-founders of Tutors Gateway, are trying to provide students with easy access to quality tutors by building a home tuition service platform. The startup will also help create jobs on a daily, hourly and monthly basis.



INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

Report on the audit of the financial statements

Opinion

We have audited the annexed financial statements of Pakistan Telecommunication Company Limited (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants'* Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 12.7 to the financial statements, which describes that the matters relating to certain employees' rights under the PTCL pension scheme are pending with various courts. No provision for any effects on the Company that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** Refer notes 5.20 and 26 to the financial statements. The Company has reported revenue amounting to Rs 70,099,626 thousand for the year ended 31 December 2018. The Company provides telecommunication services in which there is an inherent risk around the accuracy of revenue recorded by the IT billing systems given the complexity of the systems and the significance of volumes of data processed by the systems. We identified recognition of revenue as a key audit matter because (i) revenue is one of the key performance indicator of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets and (ii) recognition and measurement of revenue and contract related assets may involve significant judgement due to adoption of IFRS 15 *'Revenue from Contracts with Customers'* by the Company during the year.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue including involving our internal specialists to test key automated application and general information technology controls; • Comparing a sample of transactions comprising of various revenue streams recorded during the year with relevant underlying supporting documents and cash receipts; • Comparing the amount of revenue recognized with relevant system generated reports and corresponding validation by the Company's revenue assurance function; • Assessing the appropriateness of accounting policies for revenue recognition and relevant contract assets and liabilities for compliance with applicable financial reporting framework including their correct application during the year; • Inspecting manual journal entries relating to revenue recognized during the year and the corresponding underlying documentation for those journal entries which were considered to be material or met certain specified risk-based criteria; and • Considering the appropriateness of disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

S. No.	Key audit matters	How the matter was addressed in our audit
2	**Income tax recoverable** Refer notes 5.21 and 21 to the financial statements. As at 31 December 2018, income tax recoverable is stated at Rs 16,478,323 thousand. The Company has a significant amount of income tax refundable arising mainly from payments of income tax in excess of income tax liabilities and a number of tax assessments are pending at different appellate forums. Because of the likelihood and potential magnitude of misstatements to the completeness and accuracy of the tax expense and the current tax liability, this requires special audit consideration.	Our audit procedures in relation to the matter included: • Consulting our tax specialist to assess the reasonableness of the Company's conclusions on recoverability of income tax refundable; • Reviewing the status of significant pending tax matters, including the Company's assessment of the potential liabilities; • Comparing refund applications filed for refund of tax relating to preceding years with the amounts recorded in the financial statements; • Inspecting correspondence with tax authorities to identify any pending taxation matters relating to the years to which the refund relates; • Testing computation of current income tax provisions; and • Testing, on a sample basis, whether advance tax paid is in accordance with the Income Tax Ordinance, 2001 and amounts recorded in the books of account are supported by underlying documentations.
3	**Cost capitalisation for property, plant and equipment** Refer notes 5.11 (a) and 13 to the financial statements. The Company has recorded additions to property, plant and equipment amounting to Rs 15,016,722 thousand during the current year. The Company continues to incur capital expenditure in connection with the expansion of its network coverage and improvements to network quality. The initial recognition and classification of property, plant and equipment and certain elements of expenditure as either assets or expenses involves subjective judgments or uncertainties.	Our audit procedures in relation to the matter, amongst others, included the following: • Assessing the design, implementation and operating effectiveness of key internal controls over capitalisation of property, plant and equipment including transfers from capital work in progress to operating fixed assets; • Comparing, on sample basis, costs capitalised during the year with underlying supporting documentation; • Assessing the nature of cost incurred meet the criteria for capitalisation under accounting framework; • Comparing, on sample basis, the cost of completed projects from capital work in progress to operating fixed assets with supporting documentation including completion certificates, where relevant, and comparing the date of capitalisation with supporting documentation; and • Assessing whether the depreciation has been correctly computed from the date of capitalisation.

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

S. No.	Key audit matters	How the matter was addressed in our audit
4	**Recoverability of trade debts** Refer notes 5.17.4 and 19 to the financial statements. As at 31 December 2018, the Company's gross trade debtors were Rs 23,453,816 thousand against which allowances for doubtful debts of Rs 7,275,293 thousand were recorded. We identified the recoverability of trade debtors as a key audit matter because it involves significant management judgment and estimates in determining the allowance of expected credit loss.	Our audit procedures to assess the valuation of trade debts included the following: • Obtaining an understanding of and testing the design and implementation of management's key internal controls relating to credit control, debt collection and making allowances for doubtful debts; • Agreeing, on a sample basis, the balances used in management's estimate of expected credit loss with the books of account of the Company; • Testing the assumptions and estimates made by management for the allowances for doubtful debts; and • Evaluating that the allowance for doubtful debt is in accordance with the requirements of applicable financial reporting framework.
5	**Cash and bank balances** Refer note 25 to the financial statements. As at 31 December 2018, the Company has cash and bank balances of Rs 5,375,026 thousand. Cash and bank balances was considered a key audit matter since the collections against the Company's revenue represent voluminous transactions. Although, bank reconciliation statements as at 31 December 2018 have been prepared, historic reconciliations of collection bank accounts are in progress.	Our procedures in relation to cash and bank, amongst other, included the following: • Obtaining bank reconciliation statements of the cash collection bank accounts for the year-end balances and, on a sample basis, testing the accuracy of reconciliation statements and reconciling items; • Reviewing transactions in the bank statements of collection account and testing a sample of transactions as to whether they represents cash receipts; • For a sample of banks, tracing the transfer of funds to the main collection accounts maintained by the Company; • Obtaining the bank confirmations directly from the banks and comparing the balance confirmed by the bank with the balance of statement of respective bank account at the reporting date; and • The reconciling balance as at the year-end was deemed not material.

INDEPENDENT AUDITORS' REPORT
To the members of Pakistan Telecommunication Company Limited

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

Prior Year Financial Statements Audited by Predecessor Auditor

The financial statements of the Company for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those financial statements on 14 February 2018.

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

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
04 March 2019

STATEMENT OF
FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018 Rs '000	2017 Rs '000 Restated
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital	6	51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,985,696	2,806,993
General reserve		27,497,072	27,497,072
Unappropriated profit		2,088,583	3,797,720
		32,571,351	34,101,785
		83,571,351	85,101,785
Liabilities			
Non-current liabilities			
Deferred income tax	7	6,991,303	7,145,461
Employees retirement benefits	8	28,487,425	23,503,831
Deferred government grants	9	7,841,637	8,059,878
Advances from customers		1,112,453	1,223,912
		44,432,818	39,933,082
Current liabilities			
Trade and other payables	10	67,195,789	61,549,919
Security deposits	11	579,039	553,446
Unpaid / unclaimed dividend		264,836	210,187
		68,039,664	62,313,552
Total equity and liabilities		196,043,833	187,348,419
Contingencies and commitments	12		

The annexed notes 1 to 46 are an integral part of these financial statements.

Chief Financial Officer

President & CEO

Chairman

	Note	2018 Rs '000	2017 Rs '000 Restated
Assets			
Non-current assets			
Property, plant and equipment	13	106,151,422	100,537,119
Intangible assets	14	1,690,725	1,882,868
		107,842,147	102,419,987
Long term investments	15	8,968,757	7,977,300
Long term loans and advances	16	10,690,139	5,401,152
Contract cost	17	364,502	300,046
		127,865,545	116,098,485
Current assets			
Stores and spares	18	6,067,575	3,633,569
Contract cost	17	1,093,505	900,139
Trade debts and contract assets	19	16,178,523	16,040,224
Loans and advances	20	1,762,470	1,546,806
Income tax recoverable	21	16,478,323	15,253,394
Receivable from GoP	22	2,164,072	2,164,072
Prepayments and other receivables	23	14,128,424	11,860,653
Short term investments	24	4,930,370	5,607,778
Cash and bank balances	25	5,375,026	14,243,299
		68,178,288	71,249,934
Total assets		196,043,833	187,348,419

Chief Financial Officer

President & CEO

Chairman

STATEMENT OF
PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rs '000	2017 Rs '000 Restated
Revenue	26	70,099,626	69,619,602
Cost of services	27	(52,257,894)	(51,018,513)
Gross profit		17,841,732	18,601,089
Administrative and general expenses	28	(8,456,188)	(8,617,478)
Selling and marketing expenses	29	(2,871,420)	(2,806,321)
		(11,327,608)	(11,423,799)
Operating profit		6,514,124	7,177,290
Other income	30	4,796,873	6,001,194
Finance costs	31	(553,828)	(304,611)
Profit before tax		10,757,169	12,873,873
Taxation	32	(3,334,722)	(4,505,856)
Profit after tax		7,422,447	8,368,017
Earnings per share - basic and diluted (Rupees)	33	1.46	1.64

The annexed notes 1 to 46 are an integral part of these financial statements.

Chief Financial Officer

President & CEO

Chairman

STATEMENT OF
COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rs '000	2017 Rs '000 Restated
Profit for the year		7,422,447	8,368,017
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Remeasurement loss on employees retirement benefits		(5,426,593)	(1,872,484)
Tax effect		1,573,712	561,745
Other comprehensive income for the year - net of tax		(3,852,881)	(1,310,739)
Total comprehensive income for the year		3,569,566	7,057,278

The annexed notes 1 to 46 are an integral part of these financial statements.

Chief Financial Officer

President & CEO

Chairman

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rs '000	2017 Rs '000 Restated
Cash flows from operating activities			
Cash generated from operations	35	27,449,431	32,636,470
Payment to Pakistan Telecommunication Employees Trust (PTET)		(2,779,570)	(5,253,506)
Employees retirement benefits paid		(1,063,334)	(872,100)
Advances from customers		(111,459)	-
Payment of voluntary separation scheme		-	(4,711,600)
Consideration paid against purchase of PTML losses		-	(2,244,885)
Income tax paid		(3,140,097)	(2,869,695)
Net cash inflows from operating activities		20,354,971	16,684,684
Cash flows from investing activities			
Capital expenditure		(19,884,397)	(18,520,231)
Acquisition of intangible assets		(222,694)	(87,881)
Proceeds from disposal of property, plant and equipment		82,657	167,856
Short term investments		3,080,778	20,919,222
Long term loans and advances		(387,358)	(92,572)
Return on long term loans and short term investments		1,142,205	1,630,431
Government grants received		300,000	263,626
Long term investment in U Microfinance Bank Limited (Ubank)		(1,000,000)	-
Subordinated long term loan to PTML		(1,000,000)	(5,000,000)
Subordinated long term loan to Ubank		(4,000,000)	-
Dividend income - Ubank		114,286	-
Net cash outflows from investing activities		(21,774,523)	(719,549)
Cash flows from financing activities			
Dividend paid	36	(5,045,351)	(5,096,980)
Net cash outflows from financing activities		(5,045,351)	(5,096,980)
Net (decrease) / increase in cash and cash equivalents		(6,464,903)	10,868,155
Cash and cash equivalents at the beginning of the year		16,770,299	5,902,144
Cash and cash equivalents at the end of the year	36.1	10,305,396	16,770,299

The annexed notes 1 to 46 are an integral part of these financial statements.

Chief Financial Officer | President & CEO | Chairman

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up capital		Revenue reserves			
	Class 'A'	Class 'B'	Insurance reserve	General reserve	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at December 31, 2016	37,740,000	13,260,000	2,621,288	27,497,072	1,894,739	83,013,099
Impact of change in accounting policy - Note 44	-	-	-	-	131,408	131,408
Balance as at January 01, 2017 - Restated	37,740,000	13,260,000	2,621,288	27,497,072	2,026,147	83,144,507
Total comprehensive income for the year 2017						
Profit for the year	-	-	-	-	8,368,017	8,368,017
Other comprehensive income - net of tax	-	-	-	-	(1,310,739)	(1,310,739)
	-	-	-	-	7,057,278	7,057,278
Distribution to owners of the Company						
Interim dividend for the year ended December 31, 2017 - Re. 1.00 per share	-	-	-	-	(5,100,000)	(5,100,000)
	-	-	-	-	(5,100,000)	(5,100,000)
Transfer to insurance reserve	-	-	185,705	-	(185,705)	-
Balance as at December 31, 2017 - Restated	37,740,000	13,260,000	2,806,993	27,497,072	3,797,720	85,101,785
Total comprehensive income for the year 2018						
Profit for the year	-	-	-	-	7,422,447	7,422,447
Other comprehensive income - net of tax	-	-	-	-	(3,852,881)	(3,852,881)
	-	-	-	-	3,569,566	3,569,566
Distribution to owners of the Company						
Interim dividend for the year ended December 31, 2018 - Re. 1.00 per share	-	-	-	-	(5,100,000)	(5,100,000)
	-	-	-	-	(5,100,000)	(5,100,000)
Transfer to insurance reserve	-	-	178,703	-	(178,703)	-
Balance as at December 31, 2018	37,740,000	13,260,000	2,985,696	27,497,072	2,088,583	83,571,351

The annexed notes 1 to 46 are an integral part of these financial statements.

Chief Financial Officer | President & CEO | Chairman

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. The Company and its operations

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

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

1.1 The business units of the Company include the following:

Business Unit	Geographical Location
1 Headquarters	G-8/4, Islamabad
2 PTCL Business Zone- North	Telecom House F-5/1, Islamabad
3 PTCL Business Zone- Central	131, Tufail Road, Lahore
4 PTCL Business Zone- South	Hatim Alvi Road Clifton, Karachi

1.2 Summary of significant transactions and events:

During 2018, PTCL continues its comprehensive network transformation project with several additional exchanges fully transformed in different parts of Pakistan to provide reliable high internet speed and improve customer experience. This has contributed 6% growth in the broadband & IPTV revenue. With the acquisition of new customers under Managed Services, Cloud Infrastructure, IT and Security Solutions, Corporate business continues to perform strongly and has shown significant growth of 13% over same period last year. In order to arrest decline in EVO revenue, a drive to convert EVO customers to Charji/ LTE was carried out which has resulted in higher subscriber acquisition cost and cost of devices sold, as compared to last year.

During the year, there was a significant devaluation of Pak Rupee against US Dollar which has resulted in increase in cable and satellite and network maintenance charges under cost of services and exchange loss of Rs 323,020 thousand. Re-measurement loss amounting to Rs 5,426,593 thousand on employees retirement benefits has been recognized during the year due to lower than expected returns on plan assets.

The financial strength of PTCL has been acknowledged through an independent rating exercise as a result of which JCR-VIS has assigned PTCL a long-term credit rating of AAA which will enhance stakeholders' confidence.

Interim cash dividend of 10% (Re. 1.00 per share) was declared and paid during the year.

2. Statement of compliance

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

These financial statements are the separate financial statements of the Holding Company (PTCL). In addition to these separate financial statements, the Company also prepares consolidated financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2.1 Standards, interpretations and amendments adopted during the year

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

a) New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2018.

IFRS 15 'Revenue from Contracts with Customers' This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretation upon its effective date: IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transaction Involving Advertising Services. Detailed disclosure of the effects of IFRS 15 is given in note 44.	Effective from accounting period beginning on or after January 01, 2018. Securities and Exchange Commission of Pakistan (SECP) has adopted for local application from accounting period beginning on or after July 01, 2018.

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

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	Effective from accounting period beginning on or after January 01, 2018
Amendments to IFRS 4 'Insurance Contracts' - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.	Effective from accounting period beginning on or after January 01, 2018.
IFRS 9 'Financial Instruments'- This standard contains the requirements for a) the classification and measurement of financial assets and liabilities, b) impairment methodology, and c) general hedge accounting. This standard will supersede IAS 39 'Financial Instruments: Recognition and Measurement'.	Effective from accounting period beginning on or after January 01, 2018. SECP has adopted for local application from accounting period beginning on or after July 01, 2018.
Amendments to IAS 40 'Investment Property'- Clarification on transfers of property to or from investment property.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration'- Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

IFRS 16 'Leases'
This standard replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

Assuming the Company's lease commitments remain at this level, the effect of discounting these commitments is anticipated to result in right-of-use assets and lease liabilities of approximately Rs 1,556,000 thousand to be recognized on January 01, 2019. However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in the actual liability recognized being slightly higher or lower than this. Instead of recognizing an operating expense for its operating lease payments, the Company will instead recognize interest on its lease liabilities and amortization on its right-of-use assets.

Amendments to the following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and interpretations thereto are not yet effective and are not likely to have an impact on the Company's financial statements:

Amendment to IFRS 3 'Business Combinations'	Effective from accounting period beginning on or after January 01, 2020.
Amendments to IFRS 10 'Consolidated Financial Statements'	Effective from accounting period beginning on or after January 01, 2019.
IFRS 17, 'Insurance Contracts'	Effective from accounting period beginning on or after January 01, 2021.
Amendments to IAS 1 'Presentation of Financial Statements'	Effective from accounting period beginning on or after January 01, 2020.
IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors'	Effective from accounting period beginning on or after January 01, 2020.
Amendments to IAS 19 'Employee Benefits' - Plan amendments, curtailments or Settlements.	Effective from accounting period beginning on or after January 01, 2019.
Amendments to IAS 28 'Investments in Associates and Joint Ventures'	Effective from accounting period beginning on or after January 01, 2019.
IFRIC 23 'Uncertainty over Income Tax Treatments'	Effective from accounting period beginning on or after January 01, 2019.

(c) Annual Improvements to IFRS Standards 2015 - 2017 Cycle

The improvements address amendments to following approved accounting standards but are not likely to have an impact on Company's financial statements. The amendments are effective from annual period beginning on or after January 01, 2019.

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

The Companies Act, 2017 specified certain disclosures to be included in the financial statements. The Company has presented the required disclosures in these financial statements and re-presented and reclassified certain comparatives. However, there was no change in the reported amounts of profit and other comprehensive income and the amounts presented in the statement of financial position due to these re-presentations / reclassifications. Additional disclosures include but are not limited to, management assessment of sufficiency of tax provision in the financial statements (note 32.2), change in threshold for identification of executives (note 37), additional disclosure requirements for related parties (note 41) etc.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments at fair value and the recognition of certain employees retirement benefits on the basis of actuarial assumptions.

4. Critical accounting estimates and judgments

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

(a) Provision for employees retirement benefits

The actuarial valuation of pension, gratuity, medical, accumulating compensated absences plans and benevolent grants requires the use of certain assumptions related to future periods, including increase in future salary / pension / medical costs, rate of increase in benevolent grant, expected long-term returns on plan assets and the discount rate used to discount future cash flows to present values.

(b) Provision for income tax

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

(c) Recognition of government grants

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

(d) Useful life and residual value of fixed assets

The Company reviews the useful lives and residual values of fixed assets on a regular basis. Any change in estimates may affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the related depreciation charge.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

(e) 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 a quarterly basis.

(f) 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 Company performs its performance obligations by transferring goods or services to a customer before the customer pays consideration or before payment is due.

(g) 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.

(h) Revenue from contracts with customers - contract cost

Contract cost comprises incremental cost of acquiring the customers and the Company estimates the average life of the customer for amortization of capitalized contract cost.

(i) Other provisions

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

5 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years for which financial information is presented in these financial statements except for the changes as disclosed in para 5.1.

5.1 Changes in accounting policies

5.1(a) IFRS 15 'Revenue from Contracts with Customers'

The Company has adopted IFRS 15 with a date of initial application of January 01, 2018. As a result, the Company has changed its accounting policy for revenue recognition. The Company has applied IFRS 15 in accordance with the retrospective transitional approach and accordingly the comparative periods have been restated. As a result, the Company has changed its accounting policies as detailed below:

Impact of IFRS 15 'Revenue from Contracts with Customers'

Installation charges

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

Contract cost

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Contract assets

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

Contract liability

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration or an amount of consideration is due from the customer. If a customer pays consideration before the Company 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 Company discharges its obligation under the contract.

The Company has not presented a third statement of financial position as at the beginning of the the preceding period (i.e. January 01, 2017) as the Company believes that the effect of restatement and reclassifications is not material. Effect of adoption of IFRS 15 has been disclosed in note 44.

5.1(b) IFRS 9 'Financial Instruments'

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

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The following table and the accompanying notes explain the original measurement categories under IAS 39 and new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 01, 2018.

Financial assets	**Note**	**Original classification under IAS 39**	**New classification under IFRS 9**
Long term investment	15	Available for sale	FVOCI
Trade debts	19	Loans and receivables	Amortized cost
Contract assets	19	Loans and receivables	Amortized cost
Long term loans	16	Loans and receivables	Amortized cost
Deposits	24	Loans and receivables	Amortized cost
Other receivables	23	Loans and receivables	Amortized cost
Interest accrued	23	Loans and receivables	Amortized cost
Receivable from Govt. of Pakistan	22	Loans and receivables	Amortized cost
Short term investment T Bills	24	Loans and receivables	Amortized cost
Short term investment Units of Mutual Funds	24	Available for sale	FVTPL
Cash & Bank balances	25	Loans and receivables	Amortized cost
Financial liabilities			
Trade and other payables	10	Other financial liabilities	Amortized cost
Security deposits	11	Other financial liabilities	Amortized cost

There is no change in the carrying amounts of financial assets and financial liabilities at the initial application date of IFRS 9, except for a change in accounting classification as disclosed in the above table.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9 credit losses are recognized earlier than under IAS 39, however, it has no significant impact on the Company's financial statements.

5.2 Functional and presentation currency

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

5.3 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 statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary items at end of the year exchange rates, are charged to income for the year.

5.4 Insurance reserve

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

5.5 Government grants

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

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

5.6 Borrowings and borrowing costs

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

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

5.7 Trade and other payables

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

5.8 Provisions

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

5.9 Contingent liabilities

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

5.10 Dividend distribution

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

5.11 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 Company. The carrying amount of any replaced parts as well as other repair and maintenance costs, are charged to profit or loss statement during the period in which they are incurred.

Capital work in progress is stated at cost less impairment loss, if any. It consists of expenditure incurred in respect of tangible 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 income for the year. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its remaining useful life.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal of an asset, calculated as the difference between the sale proceeds and the carrying amount of the asset, is recognized in income for the year.

(b) Intangible assets

(i) Licenses

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

The amortization on licenses acquired during the year, is charged from the month in which a license is acquired / capitalized, while no amortization is charged in the month of expiry / disposal of the license.

(ii) Computer software

These are carried at cost less accumulated amortization, and any identified impairment losses. Amortization is calculated, using the straight line method to allocate the cost of software over their estimated useful lives, and is charged to profit or loss statement for the year. Costs associated with maintaining computer software, are recognized as an expense as and when incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

The amortization on computer software acquired during the year is charged from the month in which the software is acquired or capitalized, while no amortization is charged for the month in which the software is disposed off.

5.12 Investments in subsidiaries and associates

Investments in subsidiaries and associates, where the Company has control or significant influence, are measured at cost less impairment loss, if any.

5.13 Impairment of non-financial assets

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

5.14 Stores and spares

These are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost, comprising invoice values and other related charges incurred up to the date of the statement of financial position.

5.15 Earnings per share (EPS)

The Company presents basic earning per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

5.16 Trade debts / Contract assets

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

Effect of adoption of IFRS 15 on opening balances has been disclosed in note 44.

5.17 Financial instruments

5.17.1 Classification

The Company classifies its financial assets 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 Company 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.

(a) 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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(b) 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 at 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 Company 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.

(c) 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 assets. On initial recognition, the Company irrevocably designates a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

5.17.2 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 Company 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.

5.17.3 Subsequent measurement and gains and losses

(i) Financial assets at amortized cost	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 gains 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	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. Equity 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.
(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 Company include trade debts, contract assets, long term loans, deposits, other receivables and short term investments.

5.17.4 Impairment of financial assets

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

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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 Company is exposed to credit risk.

At each reporting date, the Company 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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

5.17.5 Financial liabilities

Financial liabilities 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 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 statement of profit or loss. Any gain or loss on derecognition is also recognized in profit or loss. The financial liabilities of the Company include short term security deposits and trade and other payables.

5.17.6 Derecognition

Financial assets

The Company 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 Company 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 Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company 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.

5.18 Offsetting of financial assets and liabilities

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

5.19 Cash and cash equivalents

Cash and cash equivalents are carried at cost. 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.

5.20 Revenue recognition

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

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Revenue is recognized when the Company 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 the assets.

The Company 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 etc.

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

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

The standalone selling prices are determined based on the observable price at which the Company sells the products and services on a standalone basis. For items that are not sold separately, the Company 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

Products and services	Nature and timing of satisfaction of performance obligations
Voice, Broadband, IPTV	The Company recognizes revenue as and when these services are provided (i.e. actual usage by the customer).
Devices	The Company 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.
Installation charges	Installation services provided for service fulfillment are not distinct POs 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 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.

Principal versus agent presentation

When the Company sells goods or services as a principal, revenue and related cost is reported on a gross basis in revenue and operating costs. If the Company 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 Company 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 arrangement between the Company 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.

5.20.1 Income on bank deposits

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

5.20.2 Dividend income

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

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5.21 Taxation

The tax expense for the year comprises of current and deferred income tax, and is recognized in income for the year, except to the extent that it relates to items recognized directly in other comprehensive income, in which case the related tax is also recognized in other comprehensive income.

(a) Current

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

(b) Deferred

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

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

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

5.22 Employees retirement benefits

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

(a) PTCL Employees GPF Trust

The Company operates an approved funded provident plan covering its permanent employees. For the purposes of this plan, a separate trust, the "PTCL Employees GPF Trust" (the Trust), has been established. Monthly contributions are deducted from the salaries of employees and are paid to the Trust by the Company. In line with the Trust's earnings for a year, the board of trustees approves a profit rate for payment to the members. The Company contributes to the fund, the differential, if any, of the interest paid/credited for the year and the income earned on the investments made by the Trust.

(b) Defined benefit plans

The Company provides the following defined benefits:

(i) Pension plans

The Company accounts for an approved funded pension plan operated through a separate trust, the "Pakistan Telecommunication Employees Trust" (PTET), for its employees recruited prior to January 01, 1996 when the Company took over the business from PTC. The Company operates an unfunded pension scheme for employees recruited on a regular basis, on or after January 01, 1996.

(ii) Gratuity plan

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

(iii) Medical benefits plan

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

(iv) Accumulated compensated absences

The Company provides a facility to its employees for accumulating their annual earned leaves. Accumulated leaves can be encashed at the end of the employees service, based on the latest drawn gross salary as per Company policy.

(v) Benevolent grants

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

The liability recognized in the statement of financial position in respect of defined benefit plans, is the present value of the defined benefit obligations at the date of the statement of financial position less the fair value of plan assets.

The defined benefit obligations are calculated annually, by an independent actuary using the projected unit credit method. The most recent valuations were carried out as at December 31, 2018. The present value of a defined benefit obligation is determined, by discounting the estimated future cash outflows, using the interest rates of Govt. securities as proxy to high quality corporate bonds as per IAS 19 that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income for the year except remeasurement gains and losses arising on compensated absences which are recognized in statement of profit or loss.

5.23 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 Company 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.

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6. Share capital

6.1 Authorized share capital

2018 (Number of shares '000)	2017 (Number of shares '000)		2018 Rs '000	2017 Rs '000
11,100,000	11,100,000	"A" class ordinary shares of Rs 10 each	111,000,000	111,000,000
3,900,000	3,900,000	"B" class ordinary shares of Rs 10 each	39,000,000	39,000,000
15,000,000	15,000,000		150,000,000	150,000,000

6.2 Issued, subscribed and paid up capital

2018 (Number of shares '000)	2017 (Number of shares '000)		2018 Rs '000	2017 Rs '000
3,774,000	3,774,000	"A" class ordinary shares of Rs 10 each issued as fully paid for consideration other than cash - note 6.3 and note 6.5.	37,740,000	37,740,000
1,326,000	1,326,000	"B" class ordinary shares of Rs 10 each issued as fully paid for consideration other than cash - note 6.3 and note 6.6.	13,260,000	13,260,000
5,100,000	5,100,000		51,000,000	51,000,000

6.3 These shares were initially issued to the Government of Pakistan, in consideration for the assets and liabilities transferred from Pakistan Telecommunication Corporation (PTC) to Pakistan Telecommunication Company Limited (PTCL), under the Pakistan Telecommunication (Re-organization) Act, 1996, as referred to in note 1.

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

6.5 The Government of Pakistan, through an "Offer for Sale" document, dated July 30, 1994, issued to its domestic investors, a first tranche of vouchers exchangeable for "A" class ordinary shares of the Company; subsequently, through an Information Memorandum dated September 16, 1994, a second tranche of vouchers was issued to international investors, also exchangeable, at the option of the voucher holders, for "A" class ordinary shares or Global Depository Receipts (GDRs) representing "A" class ordinary shares of the Company. Out of 3,774,000 thousand "A" class ordinary shares, vouchers against 601,084 thousand "A" class ordinary shares were issued to the general public. Till December 31, 2018, 599,547 thousand (December 31, 2017: 599,545 thousand) "A" class ordinary shares had been exchanged for such vouchers.

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

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	Note	2018 Rs '000	2017 Rs '000 Restated
7. Deferred income tax			
Deferred tax liability / (asset) relating to:			
Accelerated tax depreciation		9,210,667	9,611,742
Accelerated tax amortization		313,948	360,133
Provision for obsolete stores		(369,758)	(379,726)
Provision for receivables		(2,163,554)	(2,505,726)
Others		-	59,038
		6,991,303	7,145,461
7.1 Movement during the year			
Balance at the beginning of the year		7,145,461	7,323,613
Charge / (reversal) for the year in respect of			
Accelerated tax depreciation		(401,075)	(162,614)
Accelerated tax amortization		(46,185)	(70,443)
Provision for obsolete stores		9,968	23,948
Provision for receivables		342,172	30,957
Others		(59,038)	-
		(154,158)	(178,152)
		6,991,303	7,145,461
8. Employees retirement benefits			
Liabilities for pension obligations			
Funded	8.1 & 8.2	6,415,222	2,779,570
Unfunded	8.1	5,510,435	4,611,138
		11,925,657	7,390,708
Gratuity - funded	8.1	230,987	82,513
Accumulated compensated absences - unfunded	8.1	1,503,324	1,491,597
Post retirement medical facility- unfunded	8.1	11,108,005	10,939,243
Benevolent grants - unfunded	8.1	3,719,452	3,599,770
		28,487,425	23,503,831

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8.1 The latest actuarial valuations of the Company's defined benefit plans, were conducted at December 31, 2018 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		Funded		Unfunded		Unfunded		Unfunded			
	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
a) The amounts recognized in the statement of financial position:														
Present value of defined benefit obligations	115,539,324	112,027,257	5,510,435	4,611,138	1,490,918	1,275,611	1,503,324	1,491,597	11,108,005	10,939,243	3,719,452	3,599,770	138,871,458	133,944,616
Fair value of plan assets - note 8.3	(109,124,102)	(109,247,687)	-	-	(1,259,931)	(1,193,098)	-	-	-	-	-	-	(110,384,033)	(110,440,785)
Liability at end of the year - note 8.2	6,415,222	2,779,570	5,510,435	4,611,138	230,987	82,513	1,503,324	1,491,597	11,108,005	10,939,243	3,719,452	3,599,770	28,487,425	23,503,831
b) Changes in the present value of defined benefit obligations:														
Balance at beginning of the year	112,027,257	109,098,686	4,611,138	3,242,085	1,275,611	1,015,885	1,491,597	1,430,188	10,939,243	10,757,583	3,599,770	3,491,524	133,944,616	129,035,951
Current service cost	790,444	931,116	261,546	260,661	171,399	148,564	80,234	76,353	75,639	75,438	39,150	44,891	1,418,412	1,537,023
Interest expense	10,785,606	11,587,763	459,459	355,054	111,433	94,107	131,467	133,532	1,060,317	1,153,417	347,789	354,960	12,896,071	13,678,833
Actuarial gain on accumulated compensated absences	-	-	-	-	-	-	(138,274)	(99,291)	-	-	-	-	(138,274)	(99,291)
	11,576,050	12,518,879	721,005	615,715	282,832	242,671	73,427	110,594	1,135,956	1,228,855	386,939	399,851	14,176,209	15,116,565
Remeasurements:														
Gain due to change in financial assumptions	-	(3,860,439)	-	(372,815)	-	-	-	-	-	-	-	-	-	(4,233,254)
(Gain) / loss due to experience adjustments	278,405	1,780,902	211,394	1,154,799	7,400	67,618	-	-	(295,050)	(503,257)	(23,497)	(69,699)	178,652	2,430,363
Benefits paid	(8,342,388)	(7,510,771)	(33,102)	(28,646)	(74,925)	(50,563)	(61,700)	(49,185)	(672,144)	(543,938)	(243,760)	(221,906)	(9,428,019)	(8,405,009)
Balance at end of the year	115,539,324	112,027,257	5,510,435	4,611,138	1,490,918	1,275,611	1,503,324	1,491,597	11,108,005	10,939,243	3,719,452	3,599,770	138,871,458	133,944,616

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	Pension				Gratuity		Accumulated compensated absences		Post-retirement medical facility		Benevolent grants		Total	
	Funded		Unfunded		Funded		Unfunded		Unfunded		Unfunded			
	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
c) Charge for the year:														
Profit or Loss:														
Current service cost	790,444	931,116	261,546	260,661	171,399	148,564	80,234	76,353	75,639	75,438	39,150	44,891	1,418,412	1,537,023
Net interest expense	138,978	288,943	459,459	355,054	4,054	(12,555)	131,467	133,532	1,060,317	1,153,417	347,789	354,960	2,142,064	2,273,351
Actuarial gain on compensated absences	-	-	-	-	-	-	(138,274)	(99,291)	-	-	-	-	(138,274)	(99,291)
Contribution from deputationists / employees	(3,341)	(2,969)	-	-	-	-	-	-	-	-	(18,955)	(19,169)	(22,296)	(22,138)
	926,081	1,217,090	721,005	615,715	175,453	136,009	73,427	110,594	1,135,956	1,228,855	367,984	380,682	3,399,906	3,688,945
Other comprehensive income														
Remeasurements:														
Loss on remeasurement of assets	5,207,395	3,639,048	-	-	40,546	36,327	-	-	-	-	-	-	5,247,941	3,675,375
Gain due to change in financial assumptions	-	(3,860,439)	-	(372,815)	-	-	-	-	-	-	-	-	-	(4,233,254)
(Gain) / loss due to experience adjustments	278,405	1,780,902	211,394	1,154,799	7,400	67,618	-	-	(295,050)	(503,257)	(23,497)	(69,699)	178,652	2,430,363
	5,485,800	1,559,511	211,394	781,984	47,946	103,945	-	-	(295,050)	(503,257)	(23,497)	(69,699)	5,426,593	1,872,484
	6,411,881	2,776,601	932,399	1,397,699	223,399	239,954	73,427	110,594	840,906	725,598	344,487	310,983	8,826,499	5,561,429
d) Significant actuarial assumptions at the date of the statement of financial position:														
Discount rate	10.00%	10.00%	10.00%	10.00%	9.00%	9.00%	9.00%	9.00%	10.00%	10.00%	10.00%	10.00%		
Future salary / medical cost increase	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	9.00%	9.00%	8.00%	8.00%		
Future pension increase	6.25%	6.25%	6.25%	6.25%	-	-	-	-	-	-	-	-		
Rate of increase in benevolent grant	-	-	-	-	-	-	-	-	-	-	2.00%	2.00%		
Average duration of the obligation	21 years	21 years	30 years	30 years	6 years	6 years	6 to 7 years	6 to 7 years	23 years	24 years	17 years	17 years		
Expected mortality rate	SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005			
Expected withdrawal rate	Based on experience		Based on experience		Based on experience		Based on experience		Based on experience		Based on experience			

8.2 PTCL has accounted for pension increases, as approved by the Board of Trustees in accordance with the law and rules for calculating the pension liability in the financial statements.

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	Defined benefit pension plan Funded 2018 Rs '000	Defined benefit pension plan Funded 2017 Rs '000	Defined benefit gratuity plan Funded 2018 Rs '000	Defined benefit gratuity plan Funded 2017 Rs '000
8.3 Changes in the fair value of plan assets				
Balance at beginning of the year	109,247,687	103,845,180	1,193,098	1,122,763
Expected return on plan assets	10,646,628	11,298,820	107,379	106,662
Total payments made to members on behalf of fund	-	-	74,925	50,563
Loss on remeasurement of assets	(5,207,395)	(3,639,048)	(40,546)	(36,327)
Contributions made by the Company during the year	2,779,570	5,253,506	-	-
Benefits paid	(8,342,388)	(7,510,771)	(74,925)	(50,563)
Balance at end of the year	109,124,102	109,247,687	1,259,931	1,193,098

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

	2018 Rs '000	2018 Percentage	2017 Rs '000	2017 Percentage
Debt instruments - unquoted				
- Special Savings Accounts	71,944,191	65.94	88,656,118	81.16
- Defense Savings Certificates	2,183,794	2.00	1,944,002	1.78
- Pakistan Investment Bonds	3,048,762	2.79	3,045,689	2.79
	77,176,747	70.73	93,645,809	85.73
Cash and cash equivalents				
- Term deposits	13,531,573	12.40	4,829,676	4.42
- Equity securities	1,237,541	1.13	-	0.00
- Sukuks	1,226,970	1.12	-	0.00
- PIBs floating	680,960	0.62	-	0.00
- Term finance certificates	81,000	0.07	-	0.00
- Cash and bank balances	4,356,373	3.99	429,724	0.39
	21,114,417	19.33	5,259,400	4.81
Investment property				
- Telecom tower	7,291,027	6.68	7,291,027	6.67
- Telehouse	1,886,122	1.73	1,881,680	1.72
	9,177,149	8.41	9,172,707	8.39
Fixed assets	6,346	0.01	6,597	0.01
Other assets	3,022,750	2.77	2,341,537	2.14
	110,497,409	101.25	110,426,050	101.08
Liabilities				
- Staff retirement benefits	(53,660)	(0.05)	(43,606)	0.00
- Amount due to PTCL	(2,777)	0.00	(7,712)	(0.01)
- Accrued & other liabilities	(130,504)	(0.12)	(115,506)	(0.15)
- Provision for zakat	(1,186,366)	(1.08)	(1,011,539)	(0.92)
	(1,373,307)	(1.25)	(1,178,363)	(1.08)
	109,124,102	100.00	109,247,687	100.00

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

	2018 Rs '000	2018 Percentage	2017 Rs '000	2017 Percentage
Units of mutual funds	288,497	22.90	293,237	24.58
Term deposit receipt	967,114	76.76	890,038	74.60
Other assets	1,686	0.13	7,540	0.63
Bank balances	2,634	0.21	2,283	0.19
	1,259,931	100.00	1,193,098	100.00

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8.6 The expected contributions in the next financial year to be paid to the funded pension plan and funded gratuity plan by the Company are Rs 6,415,222 thousand and Rs 230,987 thousand respectively.

8.7 Sensitivity analysis

The calculations of the defined benefits obligation is sensitive to the significant actuarial assumptions set out in note 8.1 (d). The table below summarizes how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in the respective assumptions.

	Impact on defined benefit obligation: 1% Increase in assumption Rs '000	Impact on defined benefit obligation: 1% Decrease in assumption Rs '000
Future salary / medical cost		
Pension - funded	1,411,462	(1,299,741)
Pension - unfunded	508,907	(456,138)
Gratuity - funded	126,180	(112,553)
Accumulated compensated absences - unfunded	134,497	(120,341)
Post-retirement medical facility - unfunded	1,337,877	(1,110,967)
Discount rate		
Pension - funded	(8,725,020)	10,268,330
Pension - unfunded	(759,539)	944,442
Gratuity - funded	(110,618)	126,180
Accumulated compensated absences - unfunded	(118,270)	134,497
Post-retirement medical facility - unfunded	(1,233,645)	1,509,631
Benevolent grants - unfunded	(26,193)	28,630
Future pension increase		
Pension - funded	8,771,950	(7,534,933)
Pension - unfunded	404,873	(341,801)
Benevolent grants		
Benevolent grants - unfunded	30,671	(28,418)

Expected Mortality Rates

	Increase by 1 year Rs '000	Decrease by 1 year Rs '000
Pension - funded	(2,652,871)	2,636,892
Pension - unfunded	(70,997)	69,090
Gratuity - funded	(19,211)	18,692
Accumulated compensated absences - unfunded	(19,371)	18,848
Post-retirement medical facility - unfunded	(308,721)	309,901
Benevolent grants - unfunded	(100,047)	100,429

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

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

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	2018 Rs '000	2017 Rs '000
9. Deferred government grants		
Balance at beginning of the year	8,059,878	8,594,920
Received during the year	300,000	263,626
	8,359,878	8,858,546
Income recognized during the year	(518,241)	(798,668)
Balance at end of the year	7,841,637	8,059,878

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	2018 Rs '000	2017 Rs '000 Restated
10. Trade and other payables			
Trade creditors	10.1	12,233,377	12,225,727
Accrued and other liabilities		26,851,061	25,177,794
Technical services assistance fee	28.2	16,763,367	12,347,648
Advances from customers / contract liability		4,318,188	5,769,687
Retention money / payable to contractors and suppliers	10.1	6,000,635	5,142,146
Income tax collected from subscribers / deducted at source		658,578	276,370
Sales tax payable		345,385	610,547
Payable to GPF Trust		25,198	-
		67,195,789	61,549,919
10.1 Trade and other payables include payables to the following related parties:			
Trade creditors			
Pak Telecom Mobile Limited		259,453	77,779
U Microfinance Bank Limited		182	2,851
DVCOM Data (Private) Limited		765,000	561,000
Etisalat - UAE		415,428	182,188
Etisalat's subsidiaries and associates		97,336	65,133
Telecom Foundation		57,649	57,611
TF Pipes Limited		4,271	5,558
GoP related entities		1,208,447	1,224,020
Retention money / payable to contractors and suppliers			
TF Pipes Limited		2,751	7,832

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

11. Security deposits

These security deposits are received from customers for services to be provided and are refundable / adjustable on termination of their relationship with the Company. These are non interest bearing and include security deposits of Rs 3,623 thousand (December 31, 2017: Rs 3,623 thousand) from Pak Telecom Mobile Limited (PTML), a related party. The Company has adjusted / paid a sum of Rs 108 thousand (December 31, 2017: Rs 195 thousand) to its customers during the year against their balances.

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12. Contingencies and commitments

Contingencies

Indirect Taxes

12.1 Against the decision of Appellate Tribunal Inland Revenue (ATIR) upholding tax authorities' decision to impose FED amounting to Rs 365,098 thousand on Technical Services Assistance fee assuming that the fee is against franchise arrangement for the period from July 2008-09 & 2010-11, PTCL has filed reference in the Honorable Islamabad High Court. Accordingly, the stay order 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.

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

12.3 Against the decision of Sindh Revenue Board (SRB) imposing sales tax of Rs 4,417,000 thousand on revenues from international incoming calls from Nov, 2012 to Dec, 2013, the appeal is pending adjudication before the Commissioner Appeals. A stay order has been obtained from Honorable Sindh High Court against any coercive action by SRB.

12.4 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 and taxes amounting to Rs 1,622,593 thousand against which the Company has filed an appeal before the Customs Appellate Tribunal.

Income Tax

12.5 For the tax years 2007, 2009, 2010 and 2011, taxation officer disallowed certain expenses and tax credits. The impugned orders were challenged at the relevant appellate forums which allowed partial relief thereof. After taking into account the orders of CIR (Appeals), ATIR as well as rectification orders tax impact of the disallowances is Rs 6,988,912 thousand. On the remaining outstanding items of tax years 2007, 2009 and 2011, appeals are pending adjudication, since year 2011, 2017 and 2014, before ATIR and references of aforementioned four years are pending adjudication, since year 2011, 2012 and 2017, in the Honorable Islamabad High Court as well.

12.6 For the tax years 2012 to 2017 taxation officer disallowed certain expenses having tax impact of Rs 37,198,443 thousand. Company's appeals for tax years 2012 and 2015 having tax impact of Rs 13,148,836 thousand are remanded back by ATIR in the year 2018 for afresh assessment. For Tax Year 2013 & 2014 appeal is pending adjudication before ATIR since 2018. For Tax Year 2016 and 2017, the Company has been granted stay orders by the Honorable Islamabad High Court and ATIR respectively since 2018 against any coercive measures.

Others

12.7 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.

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The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by the Company, the Pakistan Telecommunication Employees Trust 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 June 12, 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. Under the circumstances, management of the Company, on the basis of legal advice, believes that the 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 the Company's financial statements.

12.8 The Company implemented policy directives of Ministry of Information Technology conveyed by the Pakistan Telecommunication Authority regarding termination of all international incoming calls into Pakistan. On suspension of these directives by the Honorable Lahore High Court, the Honorable Supreme Court of Pakistan dismissed the pertinent writ petitions by directing Competition Commission of Pakistan (CCP) to decide the case. The Honorable Sindh High Court suspended the adverse decision of CCP and the case is pending for adjudication.

12.9 A total of 1,677 cases (December 31, 2017: 1,821) against PTCL involving Regulatory, Telecom Operators Employees and Subscribers. Because of number of cases and their uncertain nature, it is not possible to quantify their financial impact. Management and legal advisors of the Company are of the view that the outcome of these cases is expected to be favorable and liability, if any, arising on the settlement is not likely to be material.

No provision on account of above contingencies has been made in these financial statements as the management and the tax / legal advisors of the Company are of the view, that these matters will eventually be settled in favor of the Company.

		2018 Rs '000	2017 Rs '000
12.10	**Bank guarantees and bid bonds issued in favor of:**		
	Universal Service Fund (USF) against government grants	4,530,296	5,076,470
	Others	2,649,064	1,769,436
		7,179,360	6,845,906
12.11	**Commitments**		
(a)	Contracts for capital expenditure	5,727,341	5,682,111

(b) All property rentals are under cancellable operating lease arrangements and are due as follows:

	2018 Rs '000	2017 Rs '000
Not later than one year	380,810	302,638
Later than one year and not later than five years	1,581,623	1,188,314
Later than five years	174,095	613,124

13. Property, plant and equipment

		2018	2017
Operating fixed assets	13.1	91,947,710	91,196,004
Capital work in progress	13.6	14,203,712	9,341,115
		106,151,422	100,537,119

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13.1 Operating fixed assets

	Land		Buildings on									
	Freehold - note 13.2	Leasehold	Freehold land	Leasehold land	Lines and wires	Apparatus, plant and equipment	Submarine cables	Office equipment	Computer equipment	Furniture and fittings	Vehicles	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
As at December 31, 2016												
Cost	1,637,689	90,026	12,421,504	1,016,560	126,460,968	185,116,477	12,174,690	1,913,673	1,795,466	600,435	2,203,613	345,431,101
Accumulated depreciation and impairment	-	(33,140)	(5,040,059)	(545,110)	(102,079,869)	(140,547,537)	(7,641,269)	(890,597)	(1,398,443)	(474,689)	(1,733,802)	(260,384,515)
Net book Value	1,637,689	56,886	7,381,445	471,450	24,381,099	44,568,940	4,533,421	1,023,076	397,023	125,746	469,811	85,046,586
Movement during 2017												
Additions	-	-	209,287	23,959	4,957,908	9,263,917	5,492,357	323,601	173,067	14,481	290,812	20,749,389
Disposals												
Cost	(9)	-	-	-	-	-	-	-	(45,691)	-	(10,972)	(56,672)
Accumulated depreciation	-	-	-	-	-	-	-	-	45,627	-	8,306	53,933
	(9)	-	-	-	-	-	-	-	(64)	-	(2,666)	(2,739)
Depreciation charge for the year - note 13.4	-	(1,277)	(314,115)	(25,667)	(3,360,848)	(8,302,546)	(869,386)	(158,148)	(220,304)	(22,952)	(275,596)	(13,550,839)
Impairment charge - note 13.5	-	-	-	-	-	(1,046,393)	-	-	-	-	-	(1,046,393)
Net book Value	1,637,680	55,609	7,276,617	469,742	25,978,159	44,483,918	9,156,392	1,188,529	349,722	117,275	482,361	91,196,004
As at December 31, 2017												
Cost	1,637,680	90,026	12,630,791	1,040,519	131,418,876	194,380,394	17,667,047	2,237,274	1,922,842	614,916	2,483,453	366,123,818
Accumulated depreciation and impairment	-	(34,417)	(5,354,174)	(570,777)	(105,440,717)	(149,896,476)	(8,510,655)	(1,048,745)	(1,573,120)	(497,641)	(2,001,092)	(274,927,814)
Net book Value	1,637,680	55,609	7,276,617	469,742	25,978,159	44,483,918	9,156,392	1,188,529	349,722	117,275	482,361	91,196,004
Movement during 2018												
Additions	-	-	246,010	123,977	5,334,152	7,963,381	452,682	323,435	119,271	46,156	407,658	15,016,722
Disposals - note 13.3												
Cost	-	-	-	-	-	(2,249,620)	-	-	(25,793)	-	(45,180)	(2,320,593)
Accumulated depreciation	-	-	-	-	-	2,249,107	-	-	25,766	-	45,179	2,320,052
	-	-	-	-	-	(513)	-	-	(27)	-	(1)	(541)
Depreciation charge for the year - note 13.4	-	(1,277)	(318,064)	(27,223)	(3,517,130)	(7,950,599)	(1,107,426)	(174,931)	(235,265)	(22,472)	(170,442)	(13,524,829)
Impairment charge - note 13.5	-	-	-	-	-	(739,646)	-	-	-	-	-	(739,646)
Net book Value	1,637,680	54,332	7,204,563	566,496	27,795,181	43,756,541	8,501,648	1,337,033	233,701	140,959	719,576	91,947,710
As at December 31, 2018												
Cost	1,637,680	90,026	12,876,801	1,164,496	136,753,028	200,094,155	18,119,729	2,560,709	2,016,320	661,072	2,845,931	378,819,947
Accumulated depreciation and impairment	-	(35,694)	(5,672,238)	(598,000)	(108,957,847)	(156,337,614)	(9,618,081)	(1,223,676)	(1,782,619)	(520,113)	(2,126,355)	(286,872,237)
Net book Value	1,637,680	54,332	7,204,563	566,496	27,795,181	43,756,541	8,501,648	1,337,033	233,701	140,959	719,576	91,947,710
Annual rate of depreciation (%)	-	1 to 3.3	2.5	2.5	7	10 to 20	6.67 to 8.33	10	33.33	10	20	

13.2 As explained in note 1, the property and rights vesting in the operating assets, as at January 01, 1996, were transferred to the Company from the Pakistan Telecommunication Corporation under the Pakistan Telecommunication (Re-organization) Act, 1996; however, the title to and possession and control of certain freehold land and properties were not formally transferred in the name of the Company in the land revenue records. The Company has initiated the process of transfer of titles to freehold land, in its own name, in previous years, which is still ongoing and shall be completed in due course of time. Further, 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 financial statements as required under paragrapghs VI.1(ii) and VI.12 of the 4th Schedule to the Companies Act, 2017 and the Company is in process of obtaining exemption from the Securities and Exchange Commission of Pakistan from these disclosure requirments.

13.3 Disposals of property, plant and equipment:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser
	Rs '000	Rs '000	Rs '000	Rs '000			
Apparatus, Plant & Equipment	2,249,620	2,249,107	513	38,933	38,420	Auction	Various buyers
Computer Equipment	25,793	25,766	27	2,059	2,032	Auction	Various buyers
Motor Vehicles	45,180	45,179	1	41,665	41,664	Auction	Various buyers
	2,320,593	2,320,052	541	82,657	82,116		

None of the assets disposed off during the year had book value exceeding five hundred thousand rupees.

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

	Note	2018 Rs '000	2017 Rs '000
Cost of services	27	13,240,311	13,258,895
Administrative and general expenses	28	213,388	218,958
Selling and marketing expenses	29	71,130	72,986
		13,524,829	13,550,839

13.5 The carrying amount of certain items of apparatus, plant and equipment and lines and wires have been reduced to their recoverable amount through recognition of an impairment loss of Rs 739,646 thousand (December 31, 2017: 1,046,393 thousand). This loss has been included in 'cost of services' in the statement of profit or loss. The impairment charge arose due to obsolescence of WLL assets, servers, and other assets classified in apparatus, plant and equipment.

	Note	2018 Rs '000	2017 Rs '000
13.6 Capital work in progress			
Buildings		719,882	693,864
Lines and wires		5,338,033	4,009,433
Apparatus, plant and equipment		3,095,018	2,348,524
Turnkey projects		5,048,425	2,286,440
Others		2,354	2,854
	13.7	14,203,712	9,341,115

	2018 Rs '000	2017 Rs '000
13.7 Movement during the year		
Balance at beginning of the year	9,341,115	9,732,897
Additions during the year	19,973,960	20,306,856
Transfers during the year		
- operating fixed assets	(14,888,669)	(20,610,757)
- intangible assets	(222,694)	(87,881)
	(15,111,363)	(20,698,638)
Balance at end of the year	14,203,712	9,341,115

This includes Rs 10,858,984 thousand (December 31, 2017 : Rs 9,060,796 thousand) spent on transformation of network exchanges and Rs 2,098,869 thousand (December 31, 2017: Rs 1,646,663 thousand), in respect of direct overheads relating to development of assets.

	Note	Licenses and spectrum	Computer software	Total
		Rs '000	Rs '000	Rs '000
14. Intangible assets				
As at December 31, 2016				
Cost		4,129,794	1,731,654	5,861,448
Accumulated amortization		(2,550,880)	(977,779)	(3,528,659)
Net book value		1,578,914	753,875	2,332,789
Movement during 2017				
Opening net book value		1,578,914	753,875	2,332,789
Additions		37,000	50,881	87,881
Amortization charge for the year		(206,684)	(331,118)	(537,802)
Net book value		1,409,230	473,638	1,882,868
As at December 31, 2017				
Cost		4,166,794	1,782,535	5,949,329
Accumulated amortization		(2,757,564)	(1,308,897)	(4,066,461)
Net book value		1,409,230	473,638	1,882,868
Movement during 2018				
Opening net book value		1,409,230	473,638	1,882,868
Additions		-	222,694	222,694
Amortization charge for the year	27	(206,067)	(208,770)	(414,837)
Net book value	14.1	1,203,163	487,562	1,690,725
As at December 31, 2018				
Cost		4,166,794	2,005,229	6,172,023
Accumulated amortization		(2,963,631)	(1,517,667)	(4,481,298)
Net book value		1,203,163	487,562	1,690,725
Annual rate of amortization (%)		4 - 10	6.67 - 20	

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	Note	2018 Rs '000	2017 Rs '000
14.1 Breakup of net book values as at year end is as follows :			
Licenses and spectrum			
Telecom	14.2	19,945	29,919
WLL spectrum	14.2	1,029,212	1,208,210
WLL and LDI License	14.3	125,023	138,418
IPTV	14.4	28,983	32,683
		1,203,163	1,409,230
Computer software		487,562	473,638
		1,690,725	1,882,868

14.2 The Pakistan Telecommunication Authority (PTA) has issued a license to the Company, to provide telecommunication services in Pakistan, for a period of 25 years, commencing January 01,1996, at an agreed license fee of Rs 249,344 thousand. In June 2005 PTA modified the previously issued license to provide telecommunication services to include a spectrum license at an agreed license fee of Rs 3,646,884 thousand. This license allows the Company to provide Wireless Local Loop (WLL) services in Pakistan, over a period of 20 years, commencing October 2004. The cost of the license is being amortized on a straight line basis over the period of the license.

14.3 PTA has issued a license under section 5 of the Azad Jammu and Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 1996, the Northern Areas Telecommunication (Re-organization) Act, 2005 and the Northern Areas Telecommunication (Re-organization) (Adaptation and Enforcement) Order 2006, to the Company to establish, maintain and operate a telecommunication system in Azad Jammu and Kashmir (AJ&K) and Gilgit-Baltistan (GB), 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 AJ&K and GB for Rs 98,487 thousand. The duration of the License shall be for the remaining period of the existing WLL licenses. The cost of the licenses is being amortized, on a straight line basis, over the period of the licenses.

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

	Note	2018 Rs '000	2017 Rs '000
15. Long term investments			
Investments in subsidiaries and associate	15.1	8,884,857	7,893,400
Other investments	15.2	83,900	83,900
		8,968,757	7,977,300

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	Note	2018 Rs '000	2017 Rs '000
15.1 Investments in subsidiaries and associate - at cost (unquoted)			
Wholly owned subsidiaries			
Pak Telecom Mobile Limited - Islamabad 650,000,000 (December 31, 2017: 650,000,000) ordinary shares of Rs 10 each Shares held 100% (December 31, 2017: 100%)		6,500,000	6,500,000
U Microfinance Bank Limited - Islamabad 228,571,429 (December 31, 2017: 128,571,429) ordinary shares of Rs 10 each Shares held 100% (December 31, 2017: 100%)		2,283,857	1,283,857
DVCOM Data (Private) Limited - Karachi 10,000 (December 31, 2017: 10,000) ordinary shares of Rs 100 each Shares held 100% (December 31, 2017: 100%)		1,000	1,000
Smart Sky (Private) Limited - Islamabad 10,000,000 (December 31, 2017: 10,000,000) ordinary shares of Rs 10 each Shares held 100% (December 31, 2017: 100%)		100,000	100,000
		8,884,857	7,884,857
Associate			
TF Pipes Limited - Islamabad 1,658,520 (December 31, 2017: 1,658,520) ordinary shares of Rs 10 each			
Shares held 40% (December 31, 2017: 40%)		23,539	23,539
Less: accumulated impairment loss on investment	15.1.1	(23,539)	(14,996)
		-	8,543
		8,884,857	7,893,400
15.1.1 Accumulated impairment loss - January 01, 2018		14,996	14,996
Accumulated impairment loss recorded during the year		8,543	-
Accumulated impairment loss - December 31, 2018		23,539	14,996

All subsidiaries and associated companies are incorporated in Pakistan.

Investments in subsidiaries and associated companies have been made in accordance with the requirements of the Companies Act, 2017 (repealed Companies Ordinance, 1984).

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	Note	2018 Rs '000	2017 Rs '000
15.2 Other investments			
Fair value through other comprehensive income (FVOCI) - unquoted			
Thuraya Satellite Telecommunication Company - Dubai, UAE 3,670,000 (December 31, 2017: 3,670,000) ordinary shares of AED 1 each		63,900	63,900
Alcatel - Lucent Pakistan Limited - Islamabad 2,000,000 (December 31, 2017: 2,000,000) ordinary shares of Rs 10 each		20,000	20,000
	15.2.1	83,900	83,900

15.2.1 At January 01, 2018, the Company designated the investments shown as equity securities as FVOCI because these equity securities represents investments that the Company intends to hold for the long term for strategic purposes. In 2017, these investments were classified as available for sale.

	Note	2018 Rs '000	2017 Rs '000
16. Long term loans and advances - considered good			
Loans to PTML - unsecured	16.1	6,000,000	5,000,000
Loans to Ubank - unsecured	16.2	4,000,000	-
Loans to employees - secured	16.3	985,444	599,598
Imputed interest		(203,790)	(156,290)
	16.4	781,654	443,308
		10,781,654	5,443,308
Others		74,333	57,819
		10,855,987	5,501,127
Current portion shown under current assets			
Loans to employees - secured	20	(165,848)	(99,975)
		10,690,139	5,401,152

16.1 This represents unsecured loan of Rs 6,000,000 thousand (December 31, 2017: Rs 5,000,000 thousand) to Pak Telecom Mobile Limited (PTML) a wholly owned subsidiary of the Company, under subordinated debt agreement. It is recoverable in twelve equal quarterly installments commencing after a grace period of four years in 2022, and carries mark-up at the rate of three month KIBOR plus 24 basis points. Maximum aggregate amount outstanding at any time during the year amounted to Rs 6,000,000 thousand.

16.2 This represents unsecured loan of Rs 4,000,000 thousand (December 31, 2017: nil) to U-Microfinance Bank Ltd a wholly owned subsidiary of the Company, under subordinated debt agreement. The loan is recoverable in 4 semi-annual installments commencing after a grace period of five years in 2024, and carries mark-up at the rate of three month KIBOR plus 2%. Maximum aggregate amount outstanding at any time during the year amounted to Rs 4,000,000 thousand.

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

	As at January 01, 2018 Rs '000	Disbursements Rs '000	Repayments Rs '000	Write offs Rs '000	As at December 31, 2018 Rs '000
Executives *	-	107,658	(14,235)	-	93,423
Other employees*	599,598	440,245	(147,822)	-	892,021
	599,598	547,903	(162,057)	-	985,444

	As at January 01, 2017 Rs '000	Disbursements Rs '000	Repayments Rs '000	Write offs Rs '000	As at December 31, 2017 Rs '000
Executives *	-	-	-	-	-
Other employees*	476,060	278,395	(153,981)	(876)	599,598
	476,060	278,395	(153,981)	(876)	599,598

	2018 Rs '000	2017 Rs '000
Maximum amount of loan to executives and other employees outstanding at any time during the year:		
Executives	93,423	-
Other Employees	919,954	599,598

16.4 These loans and advances are for house building and purchase of vehicles, motor cycles and bicycles. 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.

These balances include loans aggregating Rs 156,693 thousand (December 31, 2017: nil) provided to 88 employees having individual balance exceeding Rupees one million. Loans to executive employees include loans aggregating Rs 13,573 thousand (2017: nil) provided to 2 key management personnel. The maximum aggregate amount of loans to key management personnel outstanding at any time during the year was Rs 17,426 thousand (2017: nil). The Company has applied to the Securities and Exchange Commission of Pakistan for exemption from disclosure requirments under paragraphs VI.19 and VI.21 of the 4th Schedule to the Companies Act, 2017.

* Comparative figures have been restated to reflect changes in the definition of executives as per Companies Act, 2017.

17. Contract Cost

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

		2018 Rs '000	2017 Rs '000 Restated
Cost to obtain a contract		196,610	178,819
Cost to fulfill a contract		1,261,397	1,021,366
	17.1	1,458,007	1,200,185
Current maturity of contract costs		(1,093,505)	(900,139)
		364,502	300,046

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	Note	2018 Rs '000	2017 Rs '000 Restated
17.1 Movement during the year			
Balance at the beginning of the year		1,200,185	1,033,932
Capitalization during the year		2,251,475	1,864,747
		3,451,660	2,898,679
Amortization during the year		(1,993,653)	(1,698,494)
Balance at end of the year		1,458,007	1,200,185

18. Stores and spares

	Note	2018 Rs '000	2017 Rs '000 Restated
Stores and spares		7,342,604	4,899,323
Provision for obsolescence	18.1	(1,275,029)	(1,265,754)
		6,067,575	3,633,569
18.1 Provision for obsolescence			
Balance at beginning of the year		1,265,754	1,302,176
Provision during the year	27.2	9,275	51,138
		1,275,029	1,353,314
Provision reversed during the year		-	(87,560)
Balance at end of the year		1,275,029	1,265,754

19. Trade debts and contract assets

	Note	2018 Rs '000	2017 Rs '000
Trade debts		10,969,915	10,943,840
Contract asset		5,208,608	5,096,384
		16,178,523	16,040,224
Domestic			
Considered good	19.1	11,954,206	12,965,152
Considered doubtful		7,217,817	8,101,911
		19,172,023	21,067,063
International			
Considered good	19.2	4,224,318	3,075,072
Considered doubtful		57,475	65,270
		4,281,793	3,140,342
		23,453,816	24,207,405
Provision for doubtful debts	19.4	(7,275,293)	(8,167,181)
		16,178,523	16,040,224

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19.1 These include amounts due from the following related parties:

	Up to 6 months	More than 6 months	2018 Rs '000	2017 Rs '000
Pak Telecom Mobile Limited	330,122	-	330,122	925,100
U Microfinance Bank Limited	1,512	-	1,512	472
GoP related entities	64,847	1,246,150	1,310,997	1,290,212
	396,481	1,246,150	1,642,631	2,215,784

19.2 These include amounts due from the following related parties:

	Up to 6 months	More than 6 months	2018 Rs '000	2017 Rs '000
Etisalat - UAE	948,434	1,804,282	2,752,716	893,675
Etisalat - Afghanistan	63,262	-	63,262	39,237
Etihad Etisalat Company	14,316	-	14,316	-
GoP related entities	21,350	60,624	81,974	102,119
	1,047,362	1,864,906	2,912,268	1,035,031

19.3 The maximum aggregate amount of receivable due from related parties at the end of any month during the year was Rs 7,318,760 thousand.

	Note	2018 Rs '000	2017 Rs '000
19.4 Provision for doubtful debts			
Balance at beginning of the year		8,167,181	7,997,652
Provision for the year	28.5	2,116,863	1,946,019
		10,284,044	9,943,671
Write off against provision		(3,008,751)	(1,776,490)
Balance at end of the year		7,275,293	8,167,181

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

20. Loans and advances - considered good

	Note	2018 Rs '000	2017 Rs '000
Current portion of long term loans to employees	16	165,848	99,975
Advances to suppliers and contractors	20.1	1,575,574	1,411,694
Others		21,048	35,137
		1,762,470	1,546,806

20.1 These include Rs 27,095 thousand (December 31, 2017: Rs 52,533 thousand) to TF Pipes Limited, a related party.

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	Note	2018 Rs '000	2017 Rs '000 Restated
21. Income tax recoverable			
Balance at beginning of the year		15,253,394	14,261,078
Current tax charge for the year - P&L		(3,488,880)	(4,684,008)
Tax credit on re-measurement losses - OCI		1,573,712	561,745
Tax paid during the year		3,140,097	2,869,694
Consideration paid to PTML for purchase of tax losses	21.1	-	2,244,885
Balance at end of the year		16,478,323	15,253,394

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

22. Receivable from the Government of Pakistan (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 Company's employees during the year ended June 30, 2008.

	Note	2018 Rs '000	2017 Rs '000
23. Prepayments and other receivables			
Prepayments			
- Pakistan Telecommunication Authority - related party		43,130	45,616
- Prepaid rent and others		293,563	393,243
		336,693	438,859
Other Receivables			
Due from related parties	23.1	10,505,985	8,086,897
Federal Excise Duty (FED)	23.2	2,816,935	2,816,935
Others		468,811	517,962
		14,128,424	11,860,653

	Up to 6 months	More than 6 months	2018 Rs '000	2017 Rs '000
23.1 Pak Telecom Mobile Limited - Note 23.5	1,073,322	6,075,147	7,148,469	5,194,148
Etisalat, UAE	-	71,305	71,305	71,305
Pakistan Telecommunication Employees Trust	2,777	-	2,777	7,712
PTCL Employees GPF Trust	-	-	-	55,748
Smart Sky (Pvt) Limited	150	-	150	-
DVCOM Data (Pvt) Limited	75	3,226,108	3,226,183	2,734,024
Interest on subordinated loan to PTML	55,726	-	55,726	23,960
Interest on subordinated loan to Ubank	1,375	-	1,375	-
	1,133,425	9,372,560	10,505,985	8,086,897

	Note	2018 Rs '000	2017 Rs '000
23.2 Federal Excise Duty		3,283,111	3,283,111
Provision for doubtful amount		(466,176)	(466,176)
	23.3	2,816,935	2,816,935

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

23.4 The maximum aggregate amount of other receivable due from related parties at the end of any month during the year was Rs 10,601 thousand.

23.5 This amount includes TSA fee receivable from PTML of Rs 7,129,511 thousand (December 31, 2017: Rs 5,147,462 thousand).

	Note	2018 Rs '000	2017 Rs '000
24. Short term investments			
Market treasury bills - Amortized cost		980,221	-
Investment in mutual funds - FVTPL		3,950,149	-
Investment in mutual funds - Available for sale			2,527,000
Term deposits - Amortized cost maturity up to 6 months		-	3,080,778
		4,930,370	5,607,778
25. Cash and bank balances			
Cash in hand		258,774	85
Balances with banks:			
Deposit accounts - local currency	25.1	829,885	13,743,769
Current accounts			
Local currency		1,967,619	96,517
Foreign currency- USD 16,746 thousand (December 31, 2017: USD 3,653 thousand)		2,318,748	402,928
		4,286,367	499,445
	25.2	5,375,026	14,243,299

25.1 The balances in deposit accounts, carry mark-up ranging between 3.00% and 8.50% (December 31, 2017: 3% and 8.5%) per annum. These deposit accounts include Rs 110 thousand (December 31, 2017: Rs 1,130,877 thousand) with U Microfinance Bank Limited - a related party. The maximum aggregate amount outstanding at the end of any month during the year amounts to Rs 110 thousand.

25.2 Bank balances include Rs 15,343 thousand (December 31, 2017: Rs 39,076 thousand) carrying profit ranging from 2.4% to 4% (December 31, 2017: 2.4% to 4%) per annum from Shariah arrangements.

	Note	2018 Rs '000	2017 Rs '000 Restated
26. Revenue			
Broadband & IPTV		26,853,805	25,221,483
Voice services		14,279,300	15,406,854
Wireless data		3,069,397	4,483,576
Revenue from retail customers		44,202,502	45,111,913
Corporate		6,917,675	6,117,562
Carrier and wholesale		11,926,751	10,495,735
International	26.1	7,052,698	7,894,392
Total Revenue	26.2	70,099,626	69,619,602

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26.1 International revenue represents revenue from foreign network operators, for calls that originate outside Pakistan, and has been shown net of interconnect costs relating to other operators and Access Promotion Charges, aggregating to Rs 967,317 thousand (December 31, 2017: Rs 2,268,616 thousand).

26.2 Revenue is net of trade discount of Rs 99,840 thousand (December 31, 2017:Rs 173,847 thousand) and Federal Excise Duty / Sales Tax of Rs 9,269,614 thousand (December 31, 2017: Rs 7,161,128 thousand).

	Note	2018 Rs '000	2017 Rs '000 Restated
27. Cost of services			
Salaries, allowances and other benefits	27.1	11,923,645	11,483,633
Outsourced staff cost		1,122,463	998,689
Interconnect costs		1,702,758	1,902,068
Foreign operators costs and satellite charges		7,751,196	7,043,864
Fuel and power		4,253,145	4,259,471
Cost of devices sold		1,731,041	1,327,284
Subscribers acquisition cost		1,709,868	1,572,636
Rent, rates and taxes		2,037,486	2,185,768
Repairs and maintenance		4,052,458	3,775,135
Printing and stationery		478,786	457,546
Security service charges		634,551	657,652
Depreciation on property, plant and equipment	13.4	13,240,311	13,258,895
Amortization of intangible assets	14	414,837	537,802
Impairment on property, plant and equipment	13.5	739,646	1,046,393
Annual license fee to Pakistan Telecommunication Authority (PTA)		398,657	398,336
Other expenses	27.2	67,046	113,341
		52,257,894	51,018,513

27.1 This includes Rs 2,828,801 thousand (December 31, 2017: Rs 3,069,286 thousand) in respect of employees retirement benefits.

27.2 This includes provision for obsolete stores of Rs 9,275 thousand (December 31, 2017: Rs 51,138 thousand).

	Note	2018 Rs '000	2017 Rs '000
28. Administrative and general expenses			
Salaries, allowances and other benefits	28.1	1,214,900	1,170,068
Outsourced staff cost		168,370	149,803
Fuel and power		320,119	320,594
Rent, rates and taxes		140,206	119,062
Travelling and conveyance		112,939	117,760
Technical services assistance fee	28.2	2,383,565	2,361,541
Legal and professional charges	28.3	288,129	747,145
Depreciation on property, plant and equipment	13.4	213,388	218,958
Contribution to R&D and USF	28.4	1,165,647	1,256,890
Provision against doubtful debts	28.5	1,955,881	1,695,310
Postage and courier services		319,221	267,127
Other expenses	28.6	173,823	193,220
		8,456,188	8,617,478

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28.1 This includes Rs 288,226 thousand (December 31, 2017: Rs 312,730 thousand) in respect of employees retirement benefits.

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

	2018 Rs '000	2017 Rs '000
28.3 This includes auditors' remuneration as follows:		
Statutory audit, including half yearly review	7,000	7,000
Out of pocket expenses	500	500
	7,500	7,500

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

28.5 This amount is net of recoveries amounting to Rs 160,982 thousand (December 31, 2017: Rs 250,708 thousand).

28.6 Other expenses include impairment of investment in TF Pipes amounting to Rs 8,543 thousand (December 31, 2017: nil).

Other expenses also include following donations that exceed Rs 500,000:

Name of Donees	2018 Rs '000	2017 Rs '000
World Wildlife Fund	2,950	-
Roshni Homes Trust	500	-
The Kaghan Memorial Trust	-	3,812
	3,450	3,812

	Note	2018 Rs '000	2017 Rs '000 Restated
29. Selling and marketing expenses			
Salaries, allowances and other benefits	29.1	1,192,364	1,148,364
Outsourced staff cost		112,246	99,869
Sales and distribution charges		536,065	491,913
Advertisement and publicity		782,592	813,332
Fuel and power		94,515	94,655
Depreciation on property, plant and equipment	13.4	71,130	72,986
Other expenses		82,508	85,202
		2,871,420	2,806,321

29.1 This includes Rs 282,880 thousand (December 31, 2017: Rs 306,929 thousand) in respect of employees retirement benefits.

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	Note	2018 Rs '000	2017 Rs '000
30. Other income			
Income from financial assets:			
Return on bank deposits	30.1	680,623	1,591,527
Late payment surcharge from subscribers		280,251	304,568
Interest on subordinated long term loans to subsidiaries		406,361	23,960
Gain on mutual funds (FVTPL)		238,552	-
Dividend income from Ubank		114,286	-
		1,720,073	1,920,055
Income from non-financial assets:			
Write back of liabilities	30.2	1,580,167	2,538,492
Government grants recognized	30.3	488,005	798,668
Pre-deposit income		272,612	326,085
Late delivery charges from vendors		209,643	13,834
Gain on disposal of property, plant and equipment		82,116	143,857
Scrap sales		193,865	1,312
Recovery from written off receivables		68,220	80,243
Rental income		81,055	32,616
Others		101,117	146,032
		4,796,873	6,001,194

30.1 Return on bank deposits includes Rs 227 thousand (December 31, 2017: Rs 314 thousand) earned from Shariah arrangements.

30.2 Liabilities written back on successful settlement and court decision in favor of the Company.

30.3 This amount is net of operating expenditure subsidy amounting to Rs 30,236 thousand (December 31, 2017 : nil)

	2018 Rs '000	2017 Rs '000
31. Finance costs		
Bank and other charges	183,879	189,545
Imputed interest on employee loans	46,929	38,066
Exchange loss	323,020	77,000
	553,828	304,611

	Note	2018 Rs '000	2017 Rs '000 Restated
32. Taxation			
Current		3,488,880	4,684,008
Deferred	7.1	(154,158)	(178,152)
		3,334,722	4,505,856

	2018	2017
32.1 Reconciliation of effective tax rate		
Profit before tax (Rupees in thousand)	10,757,169	12,873,873
	%	%
Applicable tax rate	29.00	30.00
Super tax charge	3.52	3.17
Impact of change in tax rate	(2.20)	(1.82)
Dividend chargeable at lower tax rate	(0.40)	-
Others	1.08	3.65
	2.00	5.00
Average effective tax rate	31.00	35.00

The applicable income tax rate was reduced from 30% to 29% during the year.

32.2 The Company has filed income tax returns under self assessment scheme under section 114 (1) of ITO 2001 and all three years' assessments are under process.

As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax return for last three years is as follows:

Financial year	Tax charge in accounts Rs '000	Tax liability as per return Rs '000
2017 - restated	4,684,008	1,156,152
2016	4,455,826	3,196,045
2015	5,264,291	1,105,730

		2018	2017 Restated
33. Earnings per share - basic and diluted			
Profit for the year	Rupees in thousand	7,422,447	8,368,017
Weighted average number of ordinary shares	Numbers in thousand	5,100,000	5,100,000
Earnings per share	Rupees	1.46	1.64

34. Non-funded finance facilities

The Company has non-funded finance facilities available with banks, which include facilities to avail letters of credit and letters of guarantee. The aggregate facility of Rs 19,800,000 thousand (December 31, 2017: Rs 16,500,000 thousand) and Rs 17,800,000 thousand (December 31, 2017: Rs 17,300,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facilities availed at the year end are Rs 4,162,650 thousand (December 31, 2017: Rs 4,216,000 thousand) and Rs 9,210,000 thousand (December 31, 2017: Rs 6,845,906 thousand) respectively. The letter of guarantee facilities are secured by a hypothecation charge over certain assets of the Company, amounting to Rs 29,968,000 thousand (December 31, 2017: Rs 26,718,000 thousand).

	2018 Rs '000	2017 Rs '000 Restated
35. Cash generated from operations		
Profit before tax	10,757,169	12,873,873
Adjustments for non-cash charges and other items:		
Depreciation and amortization	13,939,666	14,088,641
Impairment on PPE	739,646	1,046,393
Amortization of contract cost	1,993,653	1,698,494
Provision for obsolete stores and spares	9,275	51,138
Provision for doubtful debts	1,955,881	1,695,310
Impairment on investment	8,543	-
Provision for employees retirement benefits	3,399,906	3,688,945
Gain on disposal of property, plant and equipment	(77,039)	(143,857)
Return on bank deposits	(680,623)	(1,591,527)
Imputed interest on long term loans	46,587	38,066
Return on subordinated long term loans to subsidiaries	(406,361)	(23,960)
Dividend income	(114,286)	-
Release of deferred government grants	(518,241)	(798,668)
	31,053,776	32,622,848
Effect of cash flows due to working capital changes		
Decrease / (increase) in current assets:		
Stores and spares	(2,443,281)	(941,913)
Trade debts	(2,094,181)	(3,507,560)
Loans and advances	(163,880)	(831,232)
Prepayments and other receivables	(2,322,992)	(547,524)
Contract cost	(2,251,475)	(1,864,747)
	(9,275,809)	(7,692,976)
Increase in current liabilities:		
Trade and other payables	5,645,871	7,706,201
Security deposits	25,593	397
	27,449,431	32,636,470

36. Reconciliation of movement of liabilities to cash flow arising from financing activities:

	Liabilities Long-term Financing Rs '000	Equity Revenue Reserves Rs '000	Total Rs '000
Balance as at January 01, 2018	210,187	34,101,786	34,311,973
Dividend declared during the year	5,100,000	-	5,100,000
Dividend paid during the year	(5,045,351)	-	(5,045,351)
Total equity related changes	-	(1,530,434)	(1,530,434)
Balance as at December 31, 2018	264,836	32,571,352	32,836,188

		2018 Rs '000	2017 Rs '000
36.1 Cash and cash equivalents			
Short term investments	24	4,930,370	2,527,000
Cash and bank balances	25	5,375,026	14,243,299
		10,305,396	16,770,299

NOTES TO AND FORMING PART OF THE
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37. Remuneration of Directors, Chief Executive Officer and Executives

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to the Chairman, Chief Executive Officer and Executives of the Company are as follows:

	Chairman		Chief Executive Officer		Executives			
					Key management personnel		Other executives	
	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000 Restated
Managerial remuneration	-	-	196,544	203,358	264,074	265,236	473,634	379,568
Honorarium	300	300	-	-	-	-	-	-
Bonus paid	-	-	61,280	79,429	52,809	32,388	59,536	49,137
Retirement benefits	-	-	21,263	18,240	23,141	16,934	43,271	32,272
Housing	-	-	11,047	11,699	89,117	86,491	164,916	135,448
Utilities	-	-	-	-	19,858	19,220	37,018	31,049
	300	300	290,134	312,726	448,999	420,269	778,375	627,474
Number of persons	1	1	1	1	38	40	196	164

Tax on salary of the Chief Executive Officer amounting to Rs 74,955 thousand (2017: Rs 91,085 thousand) is borne by the Company as per contract terms.

The Company also provides free medical and limited residential telephone facilities, to all its Executives, including the Chief Executive Officer. The Chairman is entitled to free transport and a limited residential telephone facility, whereas, the Directors of the Company are provided only with limited telephone facilities; certain executives are also provided with the Company maintained cars.

Aggregate amount charged in the financial statements for the year ended December 31, 2018 as fee to 9 directors is Rs 58,250 thousand, for attending Board of Directors and subcommittee meetings.

38. Rates of exchange

Assets in US dollars have been translated into Rupees at USD 1 = Rs 138.60 (December 31, 2017: USD 1 = Rs 110.30), while liabilities in US dollars have been translated into Rupees at USD 1 = Rs 139.10 (December 31, 2017: USD 110.50).

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39. Employees' provident fund

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

	2018 Rs '000	2017 Rs '000
Total assets	3,962,627	3,940,869
Cost of investments made	3,562,865	3,478,444
Percentage of investments made	89.91	88.27
Fair value of investments	3,803,300	3,658,399

	2018		2017	
	Rs '000	Percentage	Rs '000	Percentage
Break up of investments - at cost				
Mutual funds	1,100,000	30.9	1,100,000	31.6
Pakistan investment bonds	875,000	24.6	-	0.0
Term finance certificates	224,000	6.3	-	0.0
Term deposits	1,322,623	37.0	2,357,926	67.8
Interest bearing accounts	41,242	1.2	20,518	0.6
	3,562,865	100.0	3,478,444	100.0

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

40. Financial instruments and risk management

40.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program 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.

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

	2018 Rs '000	2017 Rs '000
USD		
Trade and other payables	(4,178,979)	(4,012,680)
Trade debts	4,281,793	3,140,342
Cash and bank balances	2,318,748	402,928
Net exposure	2,421,562	(469,410)
AED		
Trade and other payables	(73,556)	(57,893)
EUR		
Trade and other payables	(4,360)	(3,348)

The following significant exchange rates were applied during the year:

	2018	2017
Rupees per USD		
Average rate	122.42	105.54
Reporting date rate		
Assets	138.60	110.30
Liabilities	139.10	110.50
Rupees per AED		
Average rate	33.34	28.73
Reporting date rate	37.87	30.08
Rupees per EUR		
Average rate	144.06	119.46
Reporting date rate	159.10	131.97

If the functional currency, at the reporting date, had fluctuated by 5% against the USD, AED and EUR with all other variables held constant, the impact on profit after taxation for the year would have been Rs 80,787 thousand (December 31, 2017: Rs 17,246 thousand) respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

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

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

Other financial assets include investments categorized as fair value through profit or loss of Rs 3,950,149 thousand (December 31, 2017: Rs 2,527,000 thousand) which were subject to price risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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If redemption price on mutual funds, at the year end date, fluctuate by 5% higher / lower with all other variables held constant, total comprehensive income for the year would have been Rs 136,248 thousand (December 31, 2017: Rs 82,128 thousand) higher / lower, mainly as a result of higher / lower redemption price on units of mutual funds.

(iii) Interest rate risk

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

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

	2018 Rs '000	2017 Rs '000
Financial assets		
Fixed rate instruments:		
Staff loans	985,444	599,598
Short term investments - T Bills / term deposits	980,221	5,607,778
Bank balances - deposit accounts	829,885	13,743,769
	2,795,550	19,951,145
Variable rate instruments:		
Subordinated long term loan to PTML	6,000,000	5,000,000
Subordinated long term loan to Ubank	4,000,000	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long-term loans to subsidiaries (PTML and Ubank) 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 37,430 thousand (December 31, 2017: Rs 2,431 thousand) higher / lower, mainly as a result of higher / lower markup income on floating rate loans / investments.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge an obligation. The maximum exposure to credit risk at the reporting date is as follows:

	2018 Rs '000	2017 Rs '000
Long term loans and advances	10,690,139	5,401,152
Trade debts and contract assets	16,178,523	16,040,224
Loans and advances	1,575,574	1,411,694
Other receivables	10,505,985	8,604,859
Short term investments	4,930,370	5,607,778
Bank balances	5,116,252	14,243,299
	48,996,843	51,309,006

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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The credit risk on liquid funds is limited, because the counter parties are banks with reasonably high credit ratings. In case of trade debts, the Company believes that it is not exposed to major concentrations of credit risk, as its exposure is spread over a large number of counter parties and subscribers. The long term loans include a subordinated loan of Rs 6,000,000 thousand (December 31, 2017: Rs 5,000,000 thousand) to the subsidiary-PTML and a loan of Rs 4,000,000 thousand to the subsidiary Ubank (December 31, 2017: nil). Impairment loss on trade debts and contract assets arising from contract with customers amounts to Rs 1,955,881 thousand (December 31, 2017: Rs 1,695,310 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	A1+	AAA	PACRA
Bank Alfalah Limited	A1+	AA+	PACRA
MCB Bank Limited	A1+	AAA	PACRA
Soneri Bank Limited	A1+	AA-	PACRA
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
The Bank of Punjab	A1+	AA	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
Askari Bank Limited	A1+	AA+	PACRA
Allied Bank Limited	A1+	AAA	PACRA
United Bank Limited	A-1+	AAA	JCR-VIS
Bank Islami Pakistan Limited	A1	A+	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Faysal Bank Limited	A1+	AA	PACRA
Citi Bank, N.A	P-1	A1	Moody's
Albaraka Bank (Pakistan) Limited	A1	A	PACRA
Mobilink Microfinance Bank Limited	A1	A	PACRA
Summit Bank Limited	A-1	A-	JCR-VIS
Dubai Islamic Bank Pakistan Limited	A-1	AA-	JCR-VIS
JS Bank Limited	A1+	AA-	PACRA
Sindh Bank Limited	A-1+	AA	JCR-VIS
SME Bank Limited	B	B-	PACRA
SilkBank Limited	A-2	A-	JCR-VIS
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
Meezan Bank Limited	A-1+	AA+	JCR-VIS
The Bank of Khyber	A1	A	JCR-VIS
First Women Bank Limited	A2	A-	PACRA
Samba Bank Limited	A-1	AA	JCR-VIS
U Microfinance Bank Limited	A-2	A	JCR-VIS
Khushhali Microfinance Bank Limited	A-1	A+	JCR-VIS
Telenor Microfinance Bank Limited	A-1	A+	JCR-VIS
Mutual Funds:			
- ABL Cash Fund	-	AA(f)	JCR-VIS
- HBL Money Market Fund	-	AA(f)	JCR-VIS

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

The following are the contractual maturities of financial liabilities as at December 31, 2018:

	Carrying amount Rs '000	Less than one year Rs '000	One to five years Rs '000	More than five years Rs '000
Security deposits	579,039	579,039	-	-
Trade and other payables	61,873,638	61,873,638	-	-
	62,452,677	62,452,677	-	-

The following are the contractual maturities of financial liabilities as at December 31, 2017:

	Carrying amount Rs '000	Less than one year Rs '000	One to five years Rs '000	More than five years Rs '000
Security deposits	553,446	553,446	-	-
Trade and other payables	54,893,315	54,893,315	-	-
	55,446,761	55,446,761	-	-

40.2 Fair value of financial instruments

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

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

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

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (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 Company's assets' fair value hierarchy as at December 31, 2018 are as follows:

		Level 1 Rs '000	Level 2 Rs '000	Level 3 Rs '000	Total Rs '000
Long term other investments	2018	-	-	83,900	83,900
Investment in mutual funds	2018	3,950,149	-	-	3,950,149
Long term other investments	2017	-	-	83,900	83,900
Investment in mutual funds	2017	2,527,000	-	-	2,527,000

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

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	FVOCI - equity instruments Rs '000	FVTPL - equity instruments Rs '000	Assets at amortized cost Rs '000	Total Rs '000
40.3 Financial instruments by categories - 2018				
Financial assets as per statement of financial position				
Long term other investments	83,900	-	-	83,900
Debt securities- treasury bills	-	-	980,221	980,221
Long term loans and advances	-	-	10,690,139	10,690,139
Trade debts	-	-	16,178,523	16,178,523
Loans and advances	-	-	1,762,470	1,762,470
Receivable from the Government of Pakistan	-	-	2,164,072	2,164,072
Other receivables	-	-	14,128,424	14,128,424
Short term investments	-	3,950,149	-	3,950,149
Cash and bank balances	-	-	5,375,026	5,375,026

Financial liabilities as per statement of financial position	Amortized cost
Trade and other payables	61,873,638
Securities deposits	579,039
Dividend payable	264,836

	Available for sale	Loans and receivables	Total
Financial instruments by categories - 2017			
Financial assets as per statement of financial position			
Long term other investments	83,900	-	83,900
Long term loans and advances	-	5,401,152	5,401,152
Trade debts	-	16,040,224	16,040,224
Loans and advances	-	1,546,806	1,546,806
Receivable from the Government of Pakistan	-	2,164,072	2,164,072
Other receivables	-	11,860,653	11,860,653
Short term investments	2,527,000	-	2,527,000
Cash and bank balances	-	14,243,299	14,243,299

Financial liabilities as per statement of financial position	Other financial liabilities
Trade and other payables	54,893,315
Securities deposits	553,446
Dividend payable	210,187

40.4 Capital risk management

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

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The Company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

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

41. Transactions with related parties

The Government of Pakistan and Etisalat International Pakistan (EIP), UAE are the majority shareholders of the Company. Additionally, the Company's subsidiaries Pak Telecom Mobile Limited, U Microfinance Bank Limited, DVCOM Data (Private) Limited, Smart Sky (Private) Limited, associate T.F. Pipes Limited, Directors, Chief Executive Officer, key management personnel and employee funds are also related parties of the Company. The remuneration of the Directors, Chief Executive Officer and Executives is given in note 37 to the financial statements. The amounts due from and due to these related parties are shown under respective receivables and payables. The Company had transactions with the following related parties during the year:

Particulars	Aggregate % of shareholding in the Company
Shareholders	
The Government of Pakistan	62.18%
Etisalat International Pakistan	26%
Subsidiaries	
Pak Telecom Mobile Limited	Not applicable
U Microfinance Bank Limited	Not applicable
DVCOM Data (Private) Limited	Not applicable
Smart Sky (Pvt) Limited	Not applicable
Associated undertakings	
Emirates Telecommunication Corporation	Not applicable
Etisalat - Afghanistan	Not applicable
Etisalat - Egypt	Not applicable
Etihad Etisalat Company	Not applicable
TF Pipes Limited	Not applicable
Telecom Foundation	Not applicable
Employees retirement benefits plans	
Pakistan Telecommunication Employees Trust	Not applicable
Pakistan Telecommunication Company Limited Employees Gratuity Fund	Not applicable
Other related parties	
Pakistan Telecommunication Authority	Not applicable
Universal Service Fund	Not applicable
National ICT R&D Fund	Not applicable
Pakistan Electronic Media Regulatory Authority	Not applicable

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Chief Executive, directors and key management personnel

The Company also has transactions with Chief Executive Officer, Directors and other key management personnel transactions with whom are disclosed in note 16 and 37 to these financial statements.

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

Names	Registered Address	Country of Incorporation	Name of Chief Executive	Operational Status	Auditor's opinion on latest available financial statements
- Holding Company					
Etisalat International Pakistan	P.O. Box 300, Abu Dhabi	United Arab Emirates	Mr Abdulrahim Al Nooryani	Operational	Unmodified opinion
- Associated Companies					
Emirates Telecommunication Corporation	P.O. Box 3838, Abu Dhabi	United Arab Emirates	Saleh Abdulla Al Abdooli	Operational	Unmodified opinion
Etisalat - Afghanistan	Ehasan Plaza, near Hajji Yaqoub Square, Shar-e-Naw, Kabul P.O. Box # 800	Afghanistan	Mr Salah Zerguerras	Operational	Unmodified opinion
Etisalat - Egypt	P.O. Box 11, Building S4 El Teseen St, 5th Compound New Cairo,	Egypt	Mr Hazem Metwally	Operational	Unmodified opinion
Etihad Etisalat Company	P.O. Box 23088, Riyadh	Kingdom of Saudi Arabia	Mr Ahmed Abou Doma	Operational	Unmodified opinion

	2018 Rs '000	2017 Rs '000
Details of transactions with related parties		
Shareholders		
Technical services assistance fee	2,383,565	2,361,541
Subsidiaries		
Sale of goods and services	5,151,501	5,080,119
Purchase of goods and services	2,882,301	3,410,346
Return on deposit	4,532	83,961
Mark up on long term loans	406,361	23,960
Associated undertakings		
Sale of goods and services	2,186,282	1,086,843
Purchase of goods and services	939,814	797,728
Employees retirement benefits plans	2,779,570	5,253,506
Other related parties		
Sale of goods and services	1,789,345	1,676,921
Charge under license obligations	1,564,303	1,655,227

42. Offsetting of financial assets and liabilities

	Gross amount subject to setoff Rs '000	Offset Rs '000	Net amount Rs '000	Amount not in scope of offsetting Rs '000	Net as per statement of financial position Rs '000
As at December 31, 2018					
Trade debts	14,514,210	(8,203,905)	6,310,305	17,143,511	23,453,816
Trade creditors	(9,352,869)	8,203,905	(1,148,964)	(11,084,413)	(12,233,377)
As at December 31, 2017					
Trade debts	10,294,641	(7,556,453)	2,738,188	21,469,217	24,207,405
Trade creditors	(8,628,339)	7,556,453	(1,071,886)	(11,153,841)	(12,225,727)

43. Number of employees

	2018 Number	2017 Number
Total number of persons employed at end of the year	16,506	16,585
Average number of employees during the year	16,522	16,546

44. Change in accounting policy and its impact on financial statements

The following table summarizes the impacts of adopting IFRS 15 on the Company's financial statements.

	Impact of changes in accounting policy		
	As previously reported Rs '000	Adjustments Rs '000	As restated Rs '000
i) Statement of Financial Position			
January 01,2017			
ASSETS			
Contract cost	-	1,033,932	1,033,932
Others	182,636,563	-	182,636,563
Total Assets	182,636,563	1,033,932	183,670,495
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	51,000,000	-	51,000,000
Reserves	30,118,360	-	30,118,360
Retained Earnings	1,894,739	131,408	2,026,147
	83,013,099	131,408	83,144,507
LIABILITIES			
Deferred income tax	7,264,575	59,038	7,323,613
Trade and other payables	59,142,912	843,486	59,986,398
Others	33,215,977	-	33,215,977
	99,623,464	902,524	100,525,988
Total equity and liabilities	182,636,563	1,033,932	183,670,495

	Impact of changes in accounting policy		
	As previously reported Rs '000	Adjustments Rs '000	As restated Rs '000
December 31,2017			
ASSETS			
Contract cost	-	1,200,185	1,200,185
Income tax recoverable	15,263,357	(9,963)	15,253,394
Others	170,894,840	-	170,894,840
Total Assets	186,158,197	1,190,223	187,348,419
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	51,000,000	-	51,000,000
Reserves	30,304,065	-	30,304,065
Retained Earnings	3,647,809	149,911	3,797,720
	84,951,874	149,911	85,101,785
LIABILITIES			
Deferred income tax	7,086,423	59,038	7,145,461
Trade and other payables	62,002,745	981,273	62,984,018
Others	32,117,155	-	32,117,155
	101,206,323	1,040,311	102,246,634
Total equity and liabilities	186,158,197	1,190,222	187,348,419

	December 31, 2017		December 31, 2017
	Impact of changes in accounting policy		
	As previously reported Rs '000	Adjustments Rs '000	As restated Rs '000
ii) STATEMENT OF PROFIT OR LOSS			
Revenue	69,757,391	(137,789)	69,619,602
Cost of services	(51,043,742)	25,229	(51,018,513)
Gross profit	18,713,649	(112,560)	18,601,089
Administrative and general expenses	(8,617,478)	-	(8,617,478)
Selling and marketing expenses	(2,947,347)	141,026	(2,806,321)
	(11,564,825)	141,026	(11,423,799)
Operating profit	7,148,824	28,466	7,177,290
Other income	6,001,194	-	6,001,194
Finance costs	(304,611)	-	(304,611)
Profit before tax	12,845,407	28,466	12,873,873
Taxation	(4,495,894)	(9,962)	(4,505,856)
Profit after tax	8,349,513	18,504	8,368,017

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	December 31, 2017		December 31, 2017
	Impact of changes in accounting policy		
	As previously reported Rs '000	Adjustments Rs '000	As restated Rs '000
iii) STATEMENT OF CASH FLOWS			
For the year ended December 31, 2017			
Profit before tax	12,845,407	28,466	12,873,873
Adjustments for non-cash charges and other items			
Contract cost	-	1,698,494	1,698,494
Others	18,050,482	-	18,050,482
	18,050,482	1,698,494	19,748,976
Operating profit before working capital changes	30,895,888	1,726,960	32,622,848
Contract cost	-	(1,864,747)	(1,864,747)
Trade and other payables	7,568,413	137,787	7,706,200
Others	(5,827,831)	-	(5,827,831)
Cash generated from operations	32,636,470	-	32,636,470
Retirement benefits and income taxes paid etc.	(15,951,786)	-	(15,951,786)
Net cash generated from operating activities	16,684,684	-	16,684,684
Cash flow from investing activities			
Net cash flow from investing activities	(719,549)	-	(719,549)
Cash flow form financing activities			
Net cash generated from financing activities	(5,096,980)	-	(5,096,980)
Net increase in cash and cash equivalents	10,868,155	-	10,868,155
Cash and cash equivalents at the beginning of the year	5,902,144	-	5,902,144
Cash and cash equivalents at the end of the year	16,770,299	-	16,770,299

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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45. Corresponding figures

Following corresponding figures have been reclassified for better presentation.

Statement of financial position

Reclassification From	Reclassification To	Rs '000
Current liabilities	Current liabilities	
Trade & other payables	Dividend payable	210,187
Current liabilities	Non-Current liabilities	
Trade & other payables	Advances from customers	1,223,912
Non-Current liabilities	Current liabilities	
Security deposits	Security deposits	553,446
Non-Current Assets	Non-Current Assets	
Long term loans and advances	Capital work in progress	2,286,440
Investment in finance lease	Long term loans and advances	17,268
Current Assets	Current Assets	
Investment in finance lease	Loans and advances	35,137

46. Date of authorization for issue

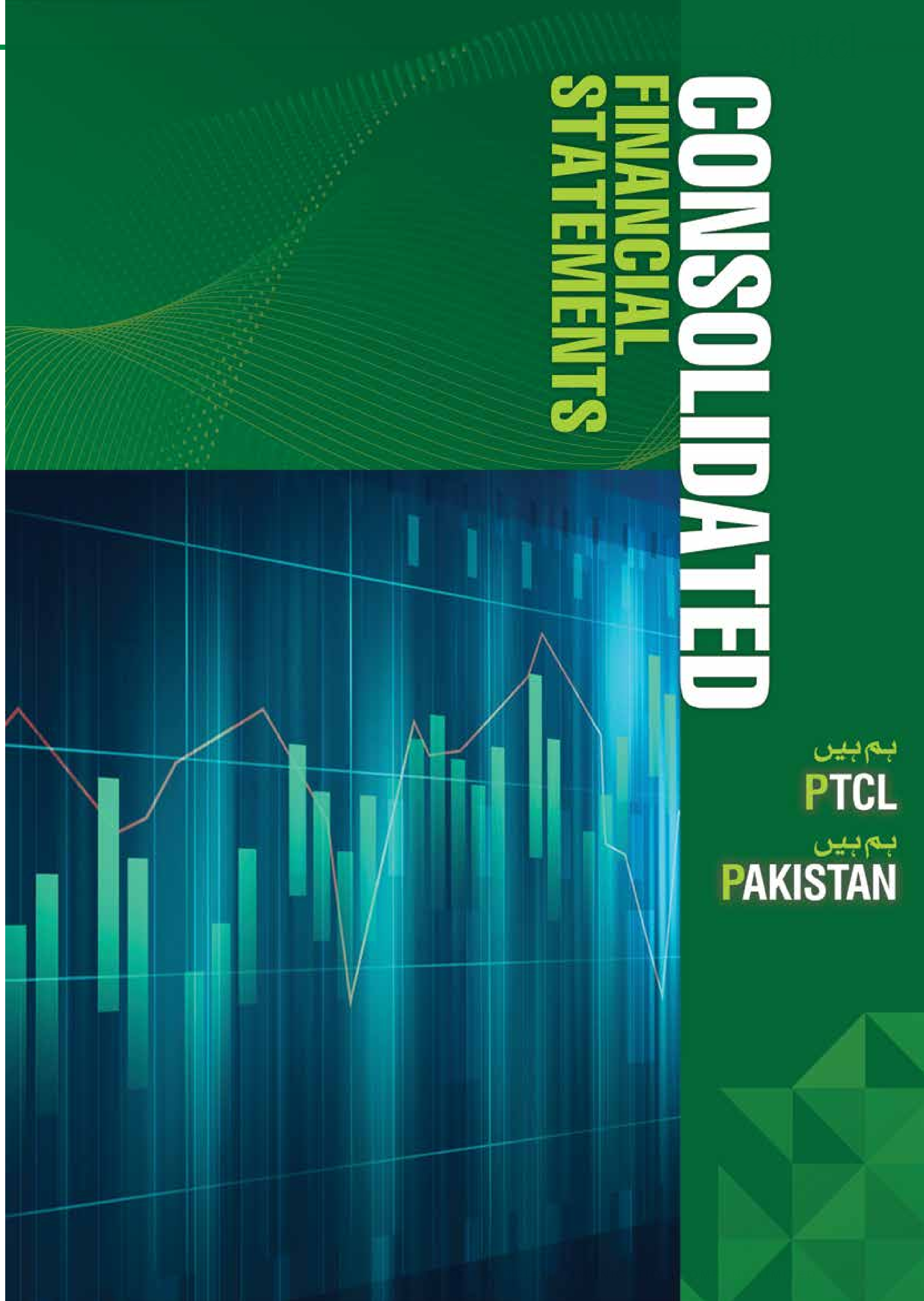
These financial statements were authorized for issue by the Board of Directors of the Company on February 12, 2019.

Chief Financial Officer

President & CEO

Chairman

NOTES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INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

Opinion

We have audited the annexed consolidated financial statements of Pakistan Telecommunication Company Limited (PTCL) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statement*s section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants'* Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 18.7 to the consolidated financial statements, which describes that the matters relating to certain employees' rights under the PTCL pension scheme are pending with various courts. No provision for any effects on the Group that may result has been made in the consolidated financial statements. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue from telecommunication services** Refer notes 5.28 and 33 to the consolidated financial statements. The Group has reported revenue amounting to Rs 126,160,386 thousand mainly from telecommunication services for the year ended 31 December 2018. The Group mainly provides telecommunication services in which there is an inherent risk around the accuracy of revenue recorded by the IT billing systems given the complexity of the systems and the significance of volumes of data processed by the systems. We identified recognition of revenue as a key audit matter because (i) revenue is one of the key performance indicator of the Group and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets and (ii) recognition and measurement of revenue and contract related assets may involve significant judgement due to adoption of IFRS 15 *'Revenue from Contracts with Customers'* by the Group during the year.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue including involving our internal specialists to test key automated application and general information technology controls; • Comparing a sample of transactions comprising of various revenue streams recorded during the year with relevant underlying supporting documents and cash receipts; • Comparing the amount of revenue recognised with relevant system generated reports and corresponding validation by the Group's revenue assurance function; • Assessing the appropriateness of accounting policies for revenue recognition and relevant contract assets and liabilities for compliance with applicable financial reporting framework including their correct application during the year; • Inspecting manual journal entries relating to revenue recognised during the year and the corresponding underlying documentation for those journal entries which were considered to be material or met certain specified risk-based criteria; and • Considering the appropriateness of disclosures in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

S. No.	Key audit matters	How the matter was addressed in our audit
2	**Income tax recoverable** Refer notes 5.32 and 28 to the consolidated financial statements. As at 31 December 2018, income tax recoverable is stated at Rs 23,791,348 thousand. The Group has a significant amount of income tax recoverable arising mainly from payments of income tax in excess of income tax liabilities and a number of tax assessments are pending at different appellate forums. Because of the likelihood and potential magnitude of misstatements to the completeness and accuracy of the tax expense and the current tax liability, this requires special audit consideration.	Our audit procedures in relation to the matter included: • Consulting our tax specialist to assess the reasonableness of the Group's conclusions on recoverability of income tax recoverable; • Reviewing the status of significant pending tax matters, including the Group's assessment of the potential liabilities; • Comparing refund applications filed for refund of tax relating to preceding years with the amounts recorded in the consolidated financial statements; • Inspecting correspondence with tax authorities to identify any pending taxation matters relating to the years to which the refund relates; • Testing computation of current income tax provisions; and • Testing, on a sample basis, whether advance tax paid is in accordance with the Income Tax Ordinance, 2001 and amounts recorded in the books of account are supported by underlying documentations.
3	**Cost capitalisation for property, plant and equipment** Refer notes 5.17 (a) and 19 to the consolidated financial statements. The Group has recorded additions to property, plant and equipment amounting to Rs 28,324,305 thousand during the current year. The Group continues to incur capital expenditure in connection with the expansion of its network coverage and improvements to network quality. The initial recognition and classification of property, plant and equipment, and certain elements of expenditure as either assets or expenses involves subjective judgments or uncertainties.	Our audit procedures in relation to the matter, amongst others, included the following: • Assessing the design, implementation and operating effectiveness of key internal controls over capitalisation of property, plant and equipment including transfers from capital work in progress to operating fixed assets; • Comparing, on sample basis, costs capitalised during the year with underlying supporting documentation; • Assessing the nature of cost incurred met the criteria for capitalisation under accounting framework; • Comparing, on sample basis, the cost of completed projects from capital work in progress to operating fixed assets with supporting documentation including completion certificates, where relevant, and comparing the date of capitalisation with supporting documentation; and • Assessing whether the depreciation has been correctly computed from the date of capitalisation.

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

S. No.	Key audit matters	How the matter was addressed in our audit
4	**Recoverability of trade debts** Refer notes 5.27.4 and 25 to the consolidated financial statements. As at 31 December 2018, the Group's gross trade debtors were Rs 26,539,414 thousand against which allowances for doubtful debts of Rs 7,635,531 thousand were recorded. We identified the recoverability of trade debtors as a key audit matter because it involves significant management judgment and estimates in determining the allowance of expected credit loss.	Our audit procedures to assess the valuation of trade debts included the following: • Obtaining an understanding of and testing the design and implementation of management's key internal controls relating to credit control, debt collection and making allowances for doubtful debts; • Agreeing, on a sample basis, the balances used in management's estimate of expected credit loss with the books of account of the Group; • Testing the assumptions and estimates made by the management for the allowances for doubtful debts; and • Evaluating that the allowance for doubtful debt is in accordance with the requirements of applicable financial reporting framework.
5	**Cash and bank balances** Refer note 32 to the consolidated financial statements. As at 31 December 2018, the Group has cash and bank balances of Rs 9,157,769 thousand. Cash and bank balances was considered a key audit matter since the collections against the Group's revenue represent voluminous transactions. Although, bank reconciliation statements as at 31 December 2018 have been prepared, historic reconciliations of collection bank accounts are in progress for PTCL.	Our procedures in relation to cash and bank, amongst other, included the following: • Obtaining bank reconciliation statements of the cash collection bank accounts for the year-end balances for PTCL and, on a sample basis, testing the accuracy of reconciliation statements and reconciling items; • Reviewing transactions in the bank statements of collection accounts and testing a sample of transactions as to whether they represents cash receipts; • For a sample of banks, tracing the transfer of funds to the main collection accounts maintained; • Obtaining the bank confirmations directly from the banks and comparing the balance confirmed by the bank with the balance of statement of respective bank account at the reporting date; and • The reconciling balance at PTCL level as at year-end was deemed not material.

INDEPENDENT AUDITORS' REPORT
To the members of Pakistan Telecommunication Company Limited

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

Auditors' Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Telecommunication Company Limited

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

Prior Year Financial Statements Audited by Predecessor Auditor

The consolidated financial statements of the Group for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 14 February 2018.

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

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
04 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	2018 Rs '000	2017 Rs '000 Restated
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital	6	51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,985,696	2,806,993
General reserve		27,497,072	27,497,072
Unappropriated profit		1,535,145	5,109,744
		32,017,913	35,413,809
Statutory and other reserves		221,601	84,837
Unrealized loss on available for sale investments		(29)	(28)
		83,239,485	86,498,618
Liabilities			
Non-current liabilities			
Long term loans from banks	7	24,408,332	25,584,999
Subordinated debt	8	599,640	600,000
Customers deposits	9	3,400,885	3,884,344
Liability against assets subject to finance lease	10	15,558	-
Deferred income tax	11	8,975,585	10,634,558
Employees retirement benefits	12	28,594,794	23,590,276
Deferred government grants	13	18,720,796	15,619,006
Advances from customer		1,112,453	1,223,912
Long term vendor liability	14	26,951,860	31,150,659
		112,779,903	112,287,754
Current liabilities			
Trade and other payables	15	81,325,176	74,742,890
Customer deposits	9	17,133,725	6,937,146
Interest accrued		966,161	503,096
Short term running finance	16	1,225,137	834,233
Current portion of:			
Long term loans from banks	7	7,176,667	4,001,154
Liability against assets subject to finance lease	10	3,287	10,146
Long term vendor liability	14	13,532,709	7,474,057
Security deposits	17	1,471,112	1,445,262
Dividend payable		264,836	210,187
		123,098,810	96,158,171
Total equity and liabilities		319,118,198	294,944,543
Contingencies and commitments	18		

The annexed notes 1 to 52 are an integral part of these consolidated financial statements.

Chief Financial Officer

President & CEO

Chairman

	Note	2018 Rs '000	2017 Rs '000 Restated
Assets			
Non-current assets			
Property, plant and equipment	19	177,479,128	169,777,238
Intangible assets	20	31,177,147	34,164,307
		208,656,275	203,941,545
Long term investments	21	83,900	93,600
Long term loans and advances	22	706,390	429,346
Contract cost	23	461,145	338,231
		209,907,710	204,802,722
Current assets			
Stock in trade, stores and spares	24	6,281,620	3,827,171
Trade debts and contract assets	25	18,903,883	16,805,595
Loans to banking customers	26	17,019,838	10,554,358
Loans and advances	27	1,864,766	1,648,699
Contract costs	23	1,842,504	1,207,882
Income tax recoverable	28	23,791,348	19,828,318
Receivable from GoP	29	2,164,072	2,164,072
Deposits, prepayments and other receivables	30	10,986,451	9,653,825
Short term investments	31	17,198,237	9,394,153
Cash and bank balances	32	9,157,769	15,057,748
		109,210,488	90,141,821
Total assets		319,118,198	294,944,543

Chief Financial Officer

President & CEO

Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rs '000	2017 Rs '000 Restated
Revenue	33	126,160,386	117,019,265
Cost of services	34	(91,788,250)	(90,538,326)
Gross profit		34,372,136	26,480,939
Administrative and general expenses	35	(18,646,757)	(17,336,472)
Selling and marketing expenses	36	(6,735,399)	(6,132,586)
		(25,382,156)	(23,469,058)
Operating profit		8,989,980	3,011,881
Other income	37	5,721,522	9,842,166
Finance costs	38	(7,762,017)	(6,457,612)
		6,949,485	6,396,435
Share of loss from associate		-	(7,624)
Profit before tax		6,949,485	6,388,811
Provision for income tax	39	(1,239,481)	(2,071,158)
Profit after tax		5,710,004	4,317,653

The annexed notes 1 to 52 are an integral part of these consolidated financial statements.

Chief Financial Officer

President & CEO

Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rs '000	2017 Rs '000 Restated
Profit for the year		5,710,004	4,317,653
Other comprehensive income for the year			
Items that will not be reclassified to consolidated statement of profit or loss:			
Remeasurement loss on employees retirement benefits		(5,449,234)	(1,887,585)
Tax effect		1,580,098	566,275
		(3,869,136)	(1,321,310)
Items that may be subsequently reclassified to consolidated statement of profit or loss:			
(Loss) / gain on equity instrument arising during the year		(40)	3,178
Loss / (gain) on disposal of investment transferred to income for the year		28	(4,736)
Tax effect		11	467
Unrealized loss on equity instrument - net of tax		(1)	(1,091)
Other comprehensive income for the year - net of tax		(3,869,137)	(1,322,401)
Total comprehensive income for the year		1,840,867	2,995,252

The annexed notes 1 to 52 are an integral part of these consolidated financial statements.

Chief Financial Officer

President & CEO

Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rs '000	2017 Rs '000 Restated
Cash flows from operating activities			
Cash generated from operations	41	38,101,454	46,059,502
Employees retirement benefits paid		(1,154,995)	(934,328)
Payment of voluntary separation scheme		(10,869)	(4,711,600)
Advances from customers		(111,459)	-
Payment made to Pakistan Telecommunication Employees Trust (PTET)		(2,779,570)	(5,253,506)
Finance costs paid		(639,251)	(1,519,312)
Income tax paid		(5,281,375)	(4,795,882)
Net cash inflows from operating activities		28,123,935	28,844,874
Cash flows from investing activities			
Capital expenditure		(36,931,047)	(29,212,116)
Acquisition of intangible assets		(459,834)	(615,098)
Proceeds from disposal of property, plant and equipment		266,029	367,389
Short term investments - net		5,080,779	19,919,222
Long term loans and advances		(319,885)	(497,412)
Return on long term loans and short term investments		883,015	1,688,481
Government grants received		4,368,167	5,307,086
Net cash outflows from investing activities		(27,112,776)	(3,042,448)
Cash flows from financing activities			
Loans from banks - net		1,998,846	2,611,153
Subordinated debt		(360)	600,000
License fee payable		-	(15,733,070)
Finance cost paid on borrowings		(2,951,987)	(4,975,089)
Customers deposits		9,713,119	3,241,500
Vendor liability		1,859,853	(42,505)
Liability against assets subject to finance lease		8,700	(26,143)
Dividend paid		(5,045,351)	(5,096,980)
Net cash inflows / (outflows) from financing activities		5,582,820	(19,421,134)
Net increase in cash and cash equivalents		6,593,979	6,381,292
Cash and cash equivalents at beginning of the year		18,536,890	12,155,598
Cash and cash equivalents at end of the year	41.2	25,130,869	18,536,890

The annexed notes 1 to 52 are an integral part of these consolidated financial statements.

Chief Financial Officer

President & CEO

Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up capital		Revenue reserves					
	Class 'A'	Class 'B'	Insurance reserve	General reserve	Unappropriated profit	Statutory and other reserves	Unrealized gain/(loss) on available for sale investments	Total
	(Rupees in '000)							
Balance as at December 31, 2016 as previously reported	37,740,000	13,260,000	2,621,288	27,497,072	7,047,199	20,096	1,063	88,186,718
Impact of change in accounting policy - Note 49	-	-	-	-	416,648	-	-	416,648
Balance as at January 01, 2017 - Restated	37,740,000	13,260,000	2,621,288	27,497,072	7,463,847	20,096	1,063	88,603,366
Total comprehensive income for the year								
Profit for the year	-	-	-	-	4,317,653	-	-	4,317,653
Other comprehensive income - net of tax	-	-	-	-	(1,321,310)	-	(1,091)	(1,322,401)
	-	-	-	-	2,996,343	-	(1,091)	2,995,252
Distribution to owners of the Holding Company								
Interim dividend for the year ended December 31, 2017 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	-	(5,100,000)
	-	-	-	-	(5,100,000)	-	-	(5,100,000)
Others								
Transfer to insurance reserve	-	-	185,705	-	(185,705)	-	-	-
Transfer to statutory and other reserves	-	-	-	-	(64,741)	64,741	-	-
Balance as at December 31, 2017 - Restated	37,740,000	13,260,000	2,806,993	27,497,072	5,109,744	84,837	(28)	86,498,618
Total comprehensive income for the year								
Profit for the year	-	-	-	-	5,710,004	-	-	5,710,004
Other comprehensive income - net of tax	-	-	-	-	(3,869,136)	-	(1)	(3,869,137)
	-	-	-	-	1,840,868	-	(1)	1,840,867
Distribution to owners of the Holding Company								
Interim dividend for the year ended December 31, 2018 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	-	(5,100,000)
	-	-	-	-	(5,100,000)	-	-	(5,100,000)
Others								
Transfer to insurance reserve	-	-	178,703	-	(178,703)	-	-	-
Transfer to statutory and other reserves	-	-	-	-	(136,764)	136,764	-	-
Balance as at December 31, 2018	37,740,000	13,260,000	2,985,696	27,497,072	1,535,145	221,601	(29)	83,239,485

The annexed notes 1 to 52 are an integral part of these consolidated financial statements.

Chief Financial Officer

President & CEO

Chairman

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Legal status and nature of business

1.1 Constitution and ownership

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

Pakistan Telecommunication Company Limited (PTCL)

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

Pak Telecom Mobile Limited (PTML)

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

U Microfinance Bank Limited (Ubank)

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

DVCOM Data (Private) Limited (DVCOM Data)

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

Smart Sky (Private) Limited (Smart Sky)

Smart Sky was incorporated in Pakistan on October 12, 2015 as a private limited company to provide Direct-to-Home (DTH) television services through out the country under the license from Pakistan Electronic Media Regulatory Authority (PEMRA). Auction for DTH license was held on 23 November 2016, in which Smart sky had actively participated. PEMRA has announced the three winning companies of DTH Licenses. Later on, the honorable Lahore High Court has declared whole process of DTH auction as null and void and advised PEMRA to restart the whole process. Smart sky is a wholly owned subsidiary of the Holding Company. 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 Ubank, incorporated under Microfinance Institutions Ordinance, 2001, is to provide nationwide microfinance and branchless banking services.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 Head Quarter	Ufone Tower, Blue Area, Islamabad
Ubank- Head Quarter	F-7 Markaz, Islamabad
DVCOM Data	Hatim Alvi Road Clifton, Karachi
Smart Sky	G-8/4, Islamabad

1.4 Summary of significant transactions and events:

PTCL

During 2018, the Holding Company continues its comprehensive network transformation project with several additional exchanges fully transformed in different parts of Pakistan to provide reliable high internet speed and improve customer experience. This has contributed 6% growth in the broadband & IPTV revenue. With the acquisition of new customers under managed services, cloud infrastructure, IT and security solutions, corporate business continues to perform strongly and has shown significant growth of 13% over same period last year. In order to arrest decline in EVO revenue, a drive to convert EVO customers to Charji / LTE was carried out which has resulted in higher subscriber acquisition cost and cost of devices sold, as compared to last year.

During the year, there was a significant devaluation of Pak Rupee against US Dollar which has resulted in increase in cable and satellite and network maintenance charges under cost of services and exchange loss of Rs 323,020 thousand. Re-measurement loss amounting to Rs 5,426,593 thousand on employees retirement benefits has been recognized during the year due to lower than expected returns on plan assets.

The financial strength of the Holding Company has been acknowledged through an independent rating exercise as a result of which JCR-VIS has assigned PTCL a long-term credit rating of AAA which will enhance stakeholders' confidence.

Interim cash dividend @ 10% (Re. 1.00 per share) was declared and paid during the year.

PTML

During the year, there was a significant devaluation of Pak Rupee against US Dollar. This has negatively affected US Dollar denominated liabilities and vendor contracts of PTML resulting in an increased exchange loss in the consolidated statement of profit or loss.

In 2018, PTML has incurred significant capital expenditure for network expansion and capacity enhancement. During the year, 1,880 sites in 32 cities were upgraded from 2G to 3G under U900 expansion program, a spectrum re-farming initiative, while 1,784 sector splits were added to the network as part of capacity enhancement. Further, 119 sites were also added to the network under Universal Service Fund (USF) lots.

Ubank

During the year advances amounting to Rs 148,000 thousand were written off against provision by Ubank. Ubank obtained borrowings amounting to Rs 4,500,000 thousand. 41 new branches were opened during the year.

DVCOM Data

DVCOM Data has incurred loss before tax amounting to Rs 1,671,964 thousand during the year. During the year as per order of Supreme Court dated May 15, 2018 against Civil Petition No. 1558 of 2018 the Holding Company has furnished the bank guarantee to PTA on behalf of DVCOM Data (Private) Limited.

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Smart Sky

During the year, Smart Sky earned markup income amounting to Rs 3,649 thousand (December 31, 2017: Rs 2,806 thousand) on its deposit.

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 subsidiaries also includes the following:

- Microfinance Institutions Ordinance, 2001 (the MFI Ordinance);
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP); and

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

These financial statements are consolidated financial statements of the Group. In addition to these consolidated financial statements, the Holding Company and subsidiary companies PTML, Ubank, 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, 2018.

IFRS 15 'Revenue from Contracts with Customers' This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretation upon its effective date: IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-barter Transaction Involving Advertising Services. Detailed disclosure of the effects of IFRS 15 is given in note 49.	Effective from accounting period beginning on or after January 01, 2018. Securities and Exchange Commission of Pakistan (SECP) has adopted for local application from accounting period beginning on or after July 01, 2018.

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

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	Effective from accounting period beginning on or after January 01, 2018.
Amendments to IFRS 4 'Insurance Contracts' - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.	Effective from accounting period beginning on or after January 01, 2018.
IFRS 9: 'Financial Instruments', This standard contains the requirements for a) the classification and measurement of financial assets and liabilities, b) impairment methodology, and c) general hedge accounting. This standards will supersede IAS 39 'Financial Instruments: Recognition and Measurement'. This standard has not been adopted by Ubank as it is not part of approved accounting and reporting standards for Banks.	Effective from accounting period beginning on or after January 01, 2018. SECP has adopted for local application from accounting period beginning on or after July 01, 2018.
'Amendments to IAS 40 'Investment Property' - Clarification on transfers of property to or from investment property.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration' - Provides guidance on transactions where consideration against non-monetary prepaid asset/ deferred income is denominated in foreign currency.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.

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

IFRS 16 'Leases'

This standard replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The Group is currently in the process of analysing the potential impact of its lease agreements that will result in recognition of right-of-use assets and lease liabilities on the adoption of the standard.

Amendments to the following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and interpretations thereto are not yet effective and are not likely to have an impact on the Group's financial statements:

Amendment to IFRS 3 'Business Combinations'	Effective from accounting period beginning on or after January 01, 2020.

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Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after January 01, 2019.
IFRS 17, 'Insurance Contracts'	Effective from accounting period beginning on or after January 01, 2021.
Amendments to IAS 1 'Presentation of Financial Statements'	Effective from accounting period beginning on or after January 01, 2020.
IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors'	Effective from accounting period beginning on or after January 01, 2020.
Amendments to IAS 19 'Employee Benefits' - Plan amendments, curtailments of Settlements.	Effective from accounting period beginning on or after January 01, 2019.
Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures	Effective from accounting period beginning on or after January 01, 2019.
IFRIC 23 'Uncertainty over Income Tax Treatments'	Effective from accounting period beginning on or after January 01, 2019.

(c) Annual Improvements to IFRS Standards 2015 - 2017 Cycle

The improvements address amendments to following approved accounting standards but are not likely to have an impact on Group's financial statements. The amendments are effective from annual period beginning on or after January 01, 2019.

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

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

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

2.2 The Companies Act, 2017 specified certain disclosures to be included in these consolidated financial statements. The Group has presented the required disclosures in these consolidated financial statements and re-presented and reclassified certain comparatives. However, there was no change in the reported amounts of consolidated profit or loss and other comprehensive income and the amounts presented in the consolidated statement of financial position due to these re-presentations / reclassifications. Additional disclosures include but are not limited to, management assessment of sufficiency of tax provision in the consolidated financial statements, change in threshold for identification of executives, additional disclosure requirements for related parties etc.

3. Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, as modified by accounting policies related to employees' retirement benefits, long term loans, liability against assets subject to finance lease and certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

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4. Critical 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:

(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) 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.

(c) Provision for income tax

The Group recognizes income tax provision 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 periods when the temporary differences reverse, based on tax rates that have been enacted or substantively enacted, by the date of the consolidated statement of financial position.

(d) Provisions and contingent liabilities

Management exercises judgment in measuring and recognizing provisions and 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.

(e) 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.

(f) 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.

(g) 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 regular basis.

(h) 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.

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(i) Provision against loans to banking customers

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

(j) 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 cost comprises incremental cost of acquiring the customers and the Group estimates the average life of the customer for amortization of capitalized contract cost.

5. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years for which financial information is presented in these consolidated financial statements except for the changes as disclosed in para 5.2

5.1 Consolidation

a) Subsidiaries

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and amount of any non controlling interest in the acquiree. For each business combination, the acquirer measures the non controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit 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.

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b) Associates

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

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

5.2 (a) IFRS 15 'Revenue from Contracts with Customers'

The Group has adopted IFRS 15 with a date of initial application of January 01, 2018 other than Ubank . As a result, the Group has changed its accounting policy for revenue recognition. The Group has applied IFRS 15 in accordance with the retrospective transitional approach and accordingly the comparative periods have been restated. As a result, the Group has changed its accounting policies as detailed below:

Impact of IFRS 15 'Revenue from Contracts with Customers'

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

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

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.

Contract liability
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 discharges its obligation under the contract.

Upfront maintenance and service fee
The upfront maintenance and service fee was previously treated as a separate revenue item. Under IFRS 15, it has to be recognized as revenue on discharge of respective performance obligations. It will therefore be allocated to the respective performance obligations i.e. voice, data, value added services and messaging.

Discount on prepaid cards and load
The discount on prepaid cards and load was previously shown as a deduction to gross revenue. Under IFRS 15, it is allocated to the respective performance obligations viz. voice, data, value added services and messaging.

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Sale of handsets
Handset revenue is recognized separately from the handset cost as a separate performance obligation. Previously, handset cost net of handset revenue was recognized in distribution and selling costs as customer acquisition cost.

The Group has not presented a third statement of financial position as at the beginning of the the preceding period (i.e. January 01, 2017) as the Group believes that the effect of restatement and reclassifications is not material. Effect of adoption of IFRS 15 has been disclosed in note 49.

5.2(b) IFRS 9 'Financial Instruments'

The Group has adopted IFRS 9 with a date of initial application of January 01, 2018 other than Ubank. It has no significant impact on the Group's financial statements.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

Classification and measurement of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table and the accompanying notes explain the original measurement categories under IAS 39 and new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 01, 2018.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9
Long term investments	21	Available for sale	FVOCI
Long term loans	22	Loans and receivables	Amortized cost
Trade debts	25	Loans and receivables	Amortized cost
Contract assets	25	Loans and receivables	Amortized cost
Receivable from Govt. of Pakistan	29	Loans and receivables	Amortized cost
Deposits	30	Loans and receivables	Amortized cost
Other receivables	30	Loans and receivables	Amortized cost
Interest accrued	30	Loans and receivables	Amortized cost
Forward exchange contracts	30	Held to maturity	FVTPL
Short term investment T Bills	31	Loans and receivables	Amortized cost
Short term investment Units of Mutual Funds	31	Available for sale	FVTPL
Cash and bank balances	32	Loans and receivables	Amortized cost
Financial liabilities			
Loans from banks	7	Other financial liabilities	Amortized cost
Subordinated debts	8	Other financial liabilities	Amortized cost
Vendor liabilities	14	Other financial liabilities	Amortized cost
Trade and other payables	15	Other financial liabilities	Amortized cost
Interest accrued		Other financial liabilities	Amortized cost
Short term running finance	16	Other financial liabilities	Amortized cost
Security deposits	17	Other financial liabilities	Amortized cost

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There is no change in the carrying amounts of financial assets and financial liabilities at the initial application date of IFRS 9, except for a change in accounting classification as disclosed in the above table.

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI. Under IFRS 9 credit losses are recognized earlier than under IAS 39, however, it has no significant impact on the Group's financial statements.

5.3 Functional and presentation currency

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

5.4 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.

5.5 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.

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5.6 Dividend distribution

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

5.7 Insurance reserve

The Group has created an insurance reserve for any losses to the Group's asset resulting from theft, fire, natural or other disasters. Appropriations out of profits to this reserve, are made at the discretion to the Board of Directors.

5.8 Statutory reserve

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

5.9 Depositors' protection fund

In compliance with the requirements of section 19 of the Microfinance Institutions Ordinance 2001, Ubank 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 Ubank.

5.10 Cash reserve

In compliance with the requirements of the Regulation R-3A, Ubank 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.

5.11 Statutory liquidity requirement

In compliance with the requirements of the Regulation R-3B, Ubank 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.

5.12 Borrowings and borrowing costs

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

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

5.13 Customer deposits

Deposits with Ubank 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.

5.14 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.

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The main features of these benefits provided by the Group in the Holding Company and its subsidiaries - PTML and Ubank are as follows:

PTCL

(a) PTCL Employees 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 (NTCs) 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.

The defined benefit obligations are calculated annually, by an independent actuary using the projected unit credit method. The most recent valuations were carried out as at December 31, 2018. The present value of a defined benefit obligation is determined, by discounting the estimated future cash outflows, using the interest rates of high quality corporate bonds that are nominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income for the year except remeasurement gains and losses arising on compensated absences which are recognized in consolidated statement of profit or loss.

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PTML

(i) Gratuity plan
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 the terms of the related liability.

The current service cost of the defined benefit 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 for 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.

Ubank

(i) Gratuity plan
Ubank 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.

Ubank's net liability in respect of this defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit liability is performed annually by a qualified actuary using the projected unit credit method (PUC).

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in other comprehensive income. Bank determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognized in profit or loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated profit or loss . Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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(ii) Provident fund
Bank operates a defined contribution provident fund scheme for permanent employees. Contributions to the fund are made on monthly basis by 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 Ubank 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 and/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 income during the period in which they are incurred.

Capital work in progress is stated at cost less impairment loss, 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 income for the year. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its estimated useful life.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal of an asset, calculated as the difference between the sale proceeds and the carrying amount of the asset, is recognized in income for the year.

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

(b) Intangible assets

(i) Goodwill

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

(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 lives, and is charged to income for the year. Costs associated with maintaining computer software, are recognized as an expense as and when incurred.

The amortization on computer software acquired during the year, is charged from the month in which the software is acquired or capitalized, while no amortization is charged for the month in which the software is disposed off.

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.

5.18 Impairment of non-financial assets

Assets that have indefinite useful lives, for example freehold land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment on the date of consolidated statement of financial position, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized, equal to the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment, are reviewed for possible reversal of the impairment at each 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 realisable 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 doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off as per Group policy.

Effect of adoption of IFRS 15 on opening balances has been disclosed in note 49.

5.23 Loans to banking customers

Loan to banking customers 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 Ubank 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 accordance with the Regulations, Ubank 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	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% (2017: 1%) of the net outstanding balance (advance net of specific provisions) in accordance with the requirement of the Regulations.

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

Non-performing advances are written off one month after the loan is classified as "Loss". However, Ubank 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. The classification made as per Regulation is not changed due to such rescheduling.

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5.24 Cash and cash equivalents

Cash and cash equivalents are carried at cost. 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 Ubank 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 amrotized 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.

(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 at 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 assets. On initial recognition, the Group irrevocably designates a financial asset 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.

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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 gains 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	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.
	Equity 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.
(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.

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 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 conslidated 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, short 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 or 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 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 consolidated profit or loss .

5.27.8 Offsetting

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 the 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.

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

The stand-alone selling prices are determined based on the observable price at which the Group sells the products and services on a stand-alone basis. For items that are not sold separately, the Group estimates stand-alone 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

Products 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).
Devices	The Holding Company 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.
Installation charges	Installation services provided for service fulfillment are not distinct POs 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. 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.
Corporate revenue	Revenue is recognized over the period when services are provided to the customers. Where hardware are provided as part of the contract, the Group recognizes these as distinct performance obligation only if the hardware is not locked and if the customer can benefit from them either by selling for more than scrap value or using with services from other service providers.
International revenue	Revenue is recognized over the period when services are provided to customers.
Wholesale revenue	Wholesale revenue mainly comprises revenue from call center services, application-to-person messaging services, etc. the Group recognizes revenue as and when these services are provided.

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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 Company 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.

5.28 (b) Ubank revenue recognition

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

Mark-up / income / return / service charges on advances is recognized on accrual / time proportion basis using effective interest method at 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.

(ii) 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 profit or loss account 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.

(iii) Fee, commission and brokerage income

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

(iv) Income on inter bank deposits

Income on interbank deposits in saving accounts are recognized in the consolidated statement of profit or loss using the effective interest method.

5.29 Income on bank deposits

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

5.30 Dividend income

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

5.31 Operating leases

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

5.32 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.

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(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.

5.33 Operating segments

Operating segments are reported in a manner consistent with the internal reporting of the Group in note 47 to the consolidated financial statements.

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6. Share capital

6.1 Authorized share capital

2018	2017		2018	2017
(Number of shares '000)			Rs '000	Rs '000
11,100,000	11,100,000	"A" class ordinary shares of Rs 10 each	111,000,000	111,000,000
3,900,000	3,900,000	"B" class ordinary shares of Rs 10 each	39,000,000	39,000,000
15,000,000	15,000,000		150,000,000	150,000,000

6.2 Issued, subscribed and paid up capital

2018	2017		2018	2017
(Number of shares '000)			Rs '000	Rs '000
3,774,000	3,774,000	"A" class ordinary shares of Rs 10 each issued as fully paid for consideration other than cash - note 6.3 and note 6.5.	37,740,000	37,740,000
1,326,000	1,326,000	"B" class ordinary shares of Rs 10 each issued as fully paid for consideration other than cash - note 6.3 and note 6.6.	13,260,000	13,260,000
5,100,000	5,100,000		51,000,000	51,000,000

6.3 These shares were initially issued to the Government of Pakistan, in consideration for the assets and liabilities transferred from Pakistan Telecommunication Corporation (PTC) to the Holding Company, under the Pakistan Telecommunication (Re-organization) Act, 1996, as referred to in note 1.1.

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

6.5 The Government of Pakistan, through an "Offer for Sale" document, dated July 30, 1994, issued to its domestic investors, a first tranche of vouchers exchangeable for "A" class ordinary shares of the Holding Company. Subsequently, through an Information Memorandum dated September 16, 1994, a second tranche of vouchers was issued to international investors, also exchangeable, at the option of the voucher holders, for "A" class ordinary shares or Global Depository Receipts (GDRs) representing "A" class ordinary shares of the Holding Company. Out of 3,774,000 thousand "A" class ordinary shares, vouchers against 601,084 thousand "A" class ordinary shares were issued to the general public. Till December 31, 2018, 599,547 thousand (December 31, 2017: 599,545 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.

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7. Long term loans from banks

These represent secured loans from following banks:

	Annual mark-up rate	Repayment commencement date		Quarterly / semi annual repayment installments		Outstanding loan balance	
	3-month KIBOR plus	Interest	Principal		Note	2018 Rs '000	2017 Rs '000
Allied Bank Limited	0.25%	July 2014	July 2017	12		500,000	833,333
United Bank Limited	0.25%	July 2014	July 2016	16		575,000	850,000
MCB Bank Limited	0.25%	July 2014	July 2017	12		500,000	833,333
MCB Bank Limited	0.25%	July 2014	July 2018	12		3,333,333	4,000,000
Faysal Bank Limited	0.25%	July 2014	July 2018	12		1,666,667	2,000,000
Bank Al-Habib Limited	0.25%	July 2014	July 2018	12		833,333	1,000,000
Bank Alfalah Limited	0.25%	July 2014	July 2018	12		833,333	1,000,000
Allied Bank Limited	0.25%	March 2015	March 2019	12		2,000,000	2,000,000
United Bank Limited	0.25%	March 2015	March 2019	12		1,000,000	1,000,000
Meezan Bank Limited	0.25%	August 2015	August 2019	12		2,000,000	2,000,000
Habib Bank Limited - Islamic banking	0.25%	September 2015	September 2019	12		2,000,000	2,000,000
Dubai Islamic Bank Limited	0.25%	October 2015	October 2019	12		1,000,000	1,000,000
Habib Bank Limited - Islamic banking	0.25%	March 2016	March 2020	12		1,000,000	1,000,000
United Bank Limited	0.25%	May 2016	May 2020	12		2,000,000	2,000,000
Allied Bank Limited	0.25%	May 2016	May 2020	12		3,000,000	3,000,000
MCB Bank Limited	0.24%	March 2018	March 2022	12		1,000,000	1,000,000
MCB Bank Limited	0.24%	March 2018	March 2022	12		1,500,000	-
United Bank Limited	0.25%	July 2014	July 2018	12		833,333	1,000,000
					7.1	25,574,999	26,516,666
	6-Month KIBOR plus						
Pak Oman Investment Co. Limited	2.00%	April 2016	April 2017	5	7.2	100,000	300,000
Bank Alfalah Limited	1.50%	September 2016	September 2017	5	7.3	120,000	240,000
United Bank Limited	1.50%	December 2016	December 2017	5	7.4	40,000	80,000
Allied Bank Limited	1.10%	September 2017	September 2018	6	7.5	1,250,000	1,500,000
Faysal Bank Limited	1.00%	August 2018	September 2019	8	7.6	1,000,000	-
Faysal Bank Limited - II	0.75%	June 2019	June 2020	6	7.7	1,000,000	-
Allied Bank Limited - II	0.95%	June 2019	June 2020	6	7.8	2,000,000	-
Commercial Paper	9-Month KIBOR + 1.00%	September 2018	September 2018		7.9	-	949,487
National Bank of Pakistan	3-Month KIBOR + 0.75%	March 2019			7.10	500,000	-
						6,010,000	3,069,487
						31,584,999	29,586,153
Current portion						(7,176,667)	(4,001,154)
						24,408,332	25,584,999

7.1 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 license) of PTML. The unavailed available facility of PTML from MCB Bank Limited as of December 31, 2018 was Rs 2,000,000 thousand. 3-month KIBOR stands at 10.55% at December 31, 2018 (December 31,2017:6.16%)

7.2 This represent outstanding balance of term finance loan of Rs 500,000 thousand carrying markup of 6-month KIBOR plus 2.0% (2017: 6-month KIBOR plus 2.0%) per annum payable semi-annually. This is

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secured against first pari passu charge on present and future advances of Ubank with 25% margin over facility amount and post dated cheques of principal repayments. This loan is repayable in 5 equal semi-annual instalments of Rs 100,000 thousand each. Repayments have started from April 2017.

7.3 This represent outstanding balance of term finance loan of Rs 300,000 thousand carrying markup of 6-month KIBOR plus 1.5% (2017: 6-month KIBOR plus 1.5%) per annum payable semi-annually. This is secured against first pari passu charge on present and future advances of Ubank for Rs 400,000 thousand registered with SECP and State Bank of Pakistan guarantee through SBP Microfinance guarantee facility covering 60% loss sharing on pricipal amount disbursed. This loan is repayable in 5 equal semi-annual instalments of Rs 60,000 thousand each. Repayments have started from September 2017.

7.4 This represents outstanding balance of term finance loan of Rs 100,000 thousand carrying markup of 6-month KIBOR plus 1.5% (2017: 6-month KIBOR plus 1.5%) per annum payable semi-annually. This is secured 100% against first pari passu charge on present and future curent assets of Ubank with 25% margin as well as assignment on revenue, charge amount of Rs 133,330 thousand. This loan is repayable in 5 equal semi-annual instalments of Rs 20,000 thousand each. Repayments have started from December 2017.

7.5 This represents outstanding balance of term finance facility under syndicate financing through Allied Bank Limited of Rs 1,500,000 thousand carrying markup of 6-month KIBOR plus 1.10% (2017: 6-month KIBOR plus 1.10%) per annum payable semi-annually. These are secured against first pari passu charge over all present and future assets of Ubank with 25% margin. This loan is repayable in 6 equal semi-annual instalments of Rs 250,000 thousand each. Repayments have started from September 2018.

7.6 This represent term finance loan of Rs 1,000,000 thousand carrying markup of 6-month KIBOR plus 1% per annum (2017: nil) payable semi-annually. These are secured against first pari passu charge on book debts, advances and receivables of Ubank with 25% margin and Microfinance Credit Guarantee Facility (MCGF) from State Bank of Pakistan at 25%. This loan is repayable in 8 equal semi-annual instalments of Rs 125,000 thousand each commencing from September 2019.

7.7 This represent term finance loan of Rs 1,000,000 thousand carrying markup of 6-month KIBOR plus 0.75% per annum (2017: nil). This is secured against first pari passu charge on book debts, advances and receivables of Ubank for Rs 1,333,000 thousand (25% margin). Initial disbursement on ranking charge will be upgraded to first pari passu within 90 days from the date of this offer letter dated December 21, 2018. This loan is repayable in 6 semi-annual instalments of Rs 166,660 thousand each after grace period of 01 year.

7.8 This represents term finance facility under syndicate financing through Allied Bank Limited of Rs 2,000,000 thousand carrying markup of 6-month KIBOR plus 0.95% per annum (2017: nil) payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets excluding land and building of Ubank but not limited to advances and investments beyond CRR and SLR requirements of Ubank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to 1st pari pasu with in 120 days of first disbursement. This loan is repayable in 06 equal semi-annual instalments with the first principal repayment falling due on eighteenth month from the first disbursement date. The loan was drawn on December 31, 2018.

7.9 This represents short term borrowings issued at discount under Commercial Paper Programe through United Bank Limited of Rs 949,480 thousand carrying markup of 9-month KIBOR plus 1.0%. These are unsecured loans facility.

7.10 This represents running finance facility through National Bank of Pakistan Limited of Rs 500,000 thousand carrying markup of 3-month KIBOR plus 0.75% per annum (2017: nil). This is secured against first pari passu charge on all current and future book debts, advances and receivables of Ubank. The initial disbursement was made against ranking charge which was upgraded to first pari passu charge within 120 days from date of disbursement. Markup is repayable on quarterly basis from March 2019.

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8. Subordinated debt

This represents term finance certificates (TFCs) of Rs 600,000 thousand distributed in 120,000 TFCs of Rs 5,000 each issued as subordinated loan in June 2017. The loan is availed as TIER-II subordinated debt for inclusion in Ubank's Supplementary Capital. The facility tenure is 7 years and is priced at 6 Month KIBOR + 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 indebtness of Ubank. The rating of these certificates issued by JCR-VIS is A- with a stable outlook.

	2018 Rs '000	2017 Rs '000
9. Customers deposits		
Fixed deposits	12,243,826	7,313,253
Saving deposits	6,208,686	2,375,025
Current deposits	2,082,098	1,133,212
	20,534,610	10,821,490
Current portion	(17,133,725)	(6,937,146)
	3,400,885	3,884,344

10. Liability against assets subject to finance lease

The minimum lease payments due under the lease agreements are payable in monthly installments up to September 2023. These have been discounted at the annual applicable implicit rate of interest. The amount of future lease payments and the period in which these will become due are as follows:

Finance lease liabilities	Present value of minimum lease payments Rs '000	Interest cost for future periods Rs '000	Future minimum lease payments Rs '000
2018			
Not later than one year	3,287	2,019	5,306
Later than one year and not later than five years	15,558	3,375	18,933
	18,845	5,394	24,239
2017			
Not later than one year	10,146	604	10,750
Later than one year and not later than five years	-	-	-
	10,146	604	10,750

Ubank has leased vehicles from commercial banks for a period of five years. These carry finance charges at six month KIBOR plus 0.9% (2017: nil). The rentals are payable in equal monthly instalments in advance upto September 2023. At the end of the lease term, Ubank has the option to acquire the assets on payment of all instalments. The facility is secured by way of ownership of leased assets.

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	Note	2018 Rs '000	2017 Rs '000 Restated
11. Deferred income tax			
Deferred tax liability / (asset) relating to:			
Accelerated tax depreciation		12,348,368	14,036,047
Accelerated tax amortization		1,416,281	825,699
Provision for stock in trade, stores and spares		(474,227)	(393,812)
Provision for receivables		(2,231,693)	(2,629,856)
Others		(2,083,144)	(1,203,520)
		8,975,585	10,634,558
Movement during the year			
Balance at the beginning of the year		10,634,558	12,271,086
Charge/(reversal) for the year in respect of			
Accelerated tax depreciation		(1,687,679)	(3,585,944)
Accelerated tax amortization		590,582	(804,246)
Provision for stock in trade, stores and spares		(80,415)	7,532
Provision for receivables		398,163	17,165
Others		(879,624)	2,728,965
		(1,658,973)	(1,636,528)
Balance at end of the year		8,975,585	10,634,558
12. Employees retirement benefits			
Liabilities for pension obligations			
Funded - PTCL	12.1	6,415,222	2,779,570
Unfunded - PTCL	12.1	5,510,435	4,611,138
		11,925,657	7,390,708
Gratuity funded - PTCL, PTML and Ubank	12.1	338,356	168,958
Accumulated compensated absences - PTCL	12.1	1,503,324	1,491,597
Post retirement medical facility - PTCL	12.1	11,108,005	10,939,243
Benevolent grants - PTCL	12.1	3,719,452	3,599,770
		28,594,794	23,590,276

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12.1 The latest actuarial valuations of the Group's defined benefit plans, were conducted at December 31, 2018 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		Funded		Unfunded		Unfunded		Unfunded			
	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
a) The amounts recognized in the consolidated statement of financial position:														
Present value of defined benefit obligations	115,539,324	112,027,257	5,510,435	4,611,138	2,144,171	1,867,642	1,503,324	1,491,597	11,108,005	10,939,243	3,719,452	3,599,770	139,524,711	134,536,647
Fair value of plan assets - note 12.3	(109,124,102)	(109,247,687)	-	-	(1,805,815)	(1,698,684)	-	-	-	-	-	-	(110,929,917)	(110,946,371)
Liability at end of the year - note 12.2	6,415,222	2,779,570	5,510,435	4,611,138	338,356	168,958	1,503,324	1,491,597	11,108,005	10,939,243	3,719,452	3,599,770	28,594,794	23,590,276
b) Changes in the present value of defined benefit obligations:														
Balance at beginning of the year	112,027,257	109,098,686	4,611,138	3,242,085	1,867,642	1,527,839	1,491,597	1,430,188	10,939,243	10,757,583	3,599,770	3,491,524	134,536,647	129,547,905
Current service cost	790,444	931,116	261,546	260,661	261,857	226,343	80,234	76,353	75,639	75,438	39,150	44,891	1,508,870	1,614,802
Interest expense	10,785,606	11,587,763	459,459	355,054	167,539	140,368	131,467	133,532	1,060,317	1,153,417	347,789	354,960	12,952,177	13,725,094
Actuarial gain	-	-	-	-	-	-	(138,274)	(99,291)	-	-	-	-	(138,274)	(99,291)
	11,576,050	12,518,879	721,005	615,715	429,396	366,711	73,427	110,594	1,135,956	1,228,855	386,939	399,851	14,322,773	15,240,605
Remeasurements:														
Gain due to change in financial assumptions	-	(3,860,439)	-	(372,815)	-	-	-	-	-	-	-	-	-	(4,233,254)
(Gain) / loss due to experience adjustments	278,405	1,780,902	211,394	1,154,799	(9,061)	73,653	-	-	(295,049)	(503,257)	(23,497)	(69,699)	162,192	2,436,398
Benefits paid	(8,342,388)	(7,510,771)	(33,102)	(28,646)	(143,806)	(100,561)	(61,700)	(49,185)	(672,145)	(543,938)	(243,760)	(221,906)	(9,496,901)	(8,455,007)
Balance at end of the year	115,539,324	112,027,257	5,510,435	4,611,138	2,144,171	1,867,642	1,503,324	1,491,597	11,108,005	10,939,243	3,719,452	3,599,770	139,524,711	134,536,647

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	Pension				Gratuity		Accumulated compensated absences		Post-retirement medical facility		Benevolent grants		Total	
	Funded		Unfunded		Funded		Unfunded		Unfunded		Unfunded			
	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
c) Charge for the year														
Profit or loss:														
Current service cost	790,444	931,116	261,546	260,661	261,857	226,343	80,234	76,353	75,639	75,438	39,150	44,891	1,508,870	1,614,802
Net interest expense	138,978	288,943	459,459	355,054	11,374	(10,721)	131,467	133,532	1,060,317	1,153,417	347,789	354,960	2,149,384	2,275,185
Actuarial gain	-	-	-	-	-	-	(138,274)	(99,291)	-	-	-	-	(138,274)	(99,291)
Contribution from deputationists/ employees	(3,341)	(2,969)	-	-	-	-	-	-	-	-	(18,955)	(19,169)	(22,296)	(22,138)
	926,081	1,217,090	721,005	615,715	273,231	215,622	73,427	110,594	1,135,956	1,228,855	367,984	380,682	3,497,684	3,768,558
Other comprehensive income														
Remeasurements:														
Loss on remeasurement of assets	5,207,395	3,639,048	-	-	79,647	45,393	-	-	-	-	-	-	5,287,042	3,684,441
Gain due to change in financial assumptions	-	(3,860,439)	-	(372,815)	-	-	-	-	-	-	-	-	-	(4,233,254)
(Gain) / loss due to experience adjustments	278,405	1,780,902	211,394	1,154,799	(9,061)	73,653	-	-	(295,049)	(503,257)	(23,497)	(69,699)	162,192	2,436,398
	5,485,800	1,559,511	211,394	781,984	70,586	119,046	-	-	(295,049)	(503,257)	(23,497)	(69,699)	5,449,234	1,887,585
	6,411,881	2,776,601	932,399	1,397,699	343,817	334,668	73,427	110,594	840,907	725,598	344,487	310,983	8,946,918	5,656,143
d) Significant actuarial assumptions at the date of consolidated statement of financial position:														
Discount rate	10.00%	10.00%	10.00%	10.00%	9% to 14%	9% to 10.75%	9.00%	9.00%	10.00%	10.00%	10.00%	10.00%		
Future salary / medical cost increase	8.00%	8.00%	8.00%	8.00%	8% to 13%	7.25% to 9.75%	8.00%	8.00%	9.00%	9.00%	8.00%	8.00%		
Future pension increase	6.25%	6.25%	6.25%	6.25%	-	-	-	-	-	-	-	-		
Rate of increase in benevolent grants	-	-	-	-	-	-	-	-	-	-	2.00%	2.0%		
Average duration of obligation	21 years	21 years	30 years	30 years	6-17.2 years	6-17.69 years	6 to 7 years	6 to 7 years	23 years	24 years	17 years	17 years		
Expected mortality rate	SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005		SLIC 2001-2005			
Expected withdrawal rate	Based on experience		Based on experience		Based on experience		Based on experience		Based on experience		Based on experience			

12.2 The Holding Company has accounted for pension increases, as approved by the Board of Trustees in accordance with the law and rules for calculating the pension liability in the financial statements.

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12.3 Changes in the fair value of plan assets

	Defined benefit pension plan - funded		Defined benefit gratuity plan - funded		Total plan assets	
	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
Balance at beginning of the year	109,247,687	103,845,180	1,698,684	1,580,758	110,946,371	105,425,938
Expected return on plan assets	10,646,628	11,298,820	156,165	151,089	10,802,793	11,449,909
Total payment made to members on behalf of fund	-	-	81,629	53,265	81,629	53,265
Loss on remeasurement of assets	(5,207,395)	(3,639,048)	(79,647)	(45,393)	(5,287,042)	(3,684,441)
Contributions made by the Group during the year	2,779,570	5,253,506	92,790	59,526	2,872,360	5,313,032
Benefits paid	(8,342,388)	(7,510,771)	(143,806)	(100,561)	(8,486,194)	(7,611,332)
Balance at end of the year	109,124,102	109,247,687	1,805,815	1,698,684	110,929,917	110,946,371

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

	2018		2017	
	Rs '000	Percentage	Rs '000	Percentage
Debt instruments - unquoted				
- Special saving accounts	71,944,191	65.94	88,656,118	81.16
- Defense saving certificates	2,183,794	2.00	1,944,002	1.78
- Pakistan Investment Bonds	3,048,762	2.79	3,045,689	2.79
	77,176,747	70.73	93,645,809	85.73
Cash and cash equivalents				
- Term deposits	13,531,573	12.40	4,829,676	4.42
- Equity Securities	1,237,541	1.13	-	0.00
- Sukuks	1,226,970	1.12	-	0.00
- PIBs floating	680,960	0.62	-	0.00
- Term finance certificates	81,000	0.07	-	0.00
- Cash and bank balances	4,356,373	3.99	429,724	0.39
	21,114,417	19.33	5,259,400	4.81
Investment property				
- Telecom tower	7,291,027	6.68	7,291,027	6.67
- Telehouse	1,886,122	1.73	1,881,680	1.72
	9,177,149	8.41	9,172,707	8.39
Fixed assets	6,346	0.01	6,597	0.01
Other assets	3,022,750	2.77	2,341,537	2.14
	110,497,409	101.25	110,426,050	101.08
Liabilities				
Staff retirement benefits	(53,660)	(0.05)	(43,606)	(0.04)
Amount due to PTCL	(2,777)	0.00	(7,712)	(0.01)
Accrued & other liabilities	(130,504)	(0.12)	(115,506)	(0.10)
Provision for Zakat	(1,186,366)	(1.08)	(1,011,539)	(0.93)
	(1,373,307)	(1.25)	(1,178,363)	(1.08)
	109,124,102	100.00	109,247,687	100.00

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

	2018		2017	
	Rs '000	Percentage	Rs '000	Percentage
Units of mutual funds	752,591	41.67	745,954	43.91
Term deposit receipts	967,114	53.56	890,038	52.40
Other assets	1,686	0.09	7,540	0.44
Bank balances	84,424	4.68	55,152	3.25
	1,805,815	100.00	1,698,684	100.00

12.6 During the next financial year, the minimum expected contribution to be paid to the funded pension plan and funded gratuity plan by the Group are Rs 6,415,222 thousand and Rs 338,356 thousand respectively.

12.7 Sensitivity analysis

The calculations of the defined benefit obligations is 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.

	Impact on defined benefit obligation	
	1% increase in assumption	1% decrease in assumption
	Rs '000	Rs '000
Future salary / medical cost		
Pension - funded	1,411,462	(1,299,741)
Pension - unfunded	508,907	(456,138)
Gratuity - funded	258,323	(136,579)
Accumulated compensated absences - unfunded	134,497	(120,341)
Post-retirement medical facility - unfunded	1,337,877	(1,110,967)
Discount rate		
Pension - funded	(8,725,020)	10,268,330
Pension - unfunded	(759,539)	944,442
Gratuity - funded	(131,627)	256,305
Accumulated compensated absences - unfunded	(118,270)	134,497
Post-retirement medical facility - unfunded	(1,233,645)	1,509,631
Benevolent grants - unfunded	(26,193)	28,630
Future pension		
Pension - funded	8,771,950	(7,534,933)
Pension - unfunded	404,873	(341,801)
Benevolent grants		
Benevolent grants - unfunded	30,671	(28,418)

Expected mortality rates

	Increase by 1 year	Decrease by 1 year
	Rs '000	Rs '000
Pension - funded	(2,652,871)	2,636,892
Pension - unfunded	(70,997)	69,090
Accumulated compensated absences - unfunded	(19,371)	18,848
Post-retirement medical facility - unfunded	(308,721)	309,901
Benevolent grants - unfunded	(100,047)	100,429

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

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.

	2018 Rs '000	2017 Rs '000
13. Deferred government grants		
Balance at beginning of the year	15,619,006	11,570,655
Received during the year	4,368,167	5,307,086
	19,987,173	16,877,741
Income recognized during the year	(1,266,377)	(1,258,735)
Balance at end of the year	18,720,796	15,619,006

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

14. Long term vendor liability

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

	Note	2018 Rs '000	2017 Rs '000
Obligation under acceptance of bills of exchange	14.1	35,259,954	33,696,431
Other accrued liabilities		5,224,615	4,928,285
		40,484,569	38,624,716
Current portion		(13,532,709)	(7,474,057)
		26,951,860	31,150,659

14.1 These include liability of Rs 16,916,356 thousand (December 31, 2017: Rs 14,432,462 thousand) carrying interest in the range of 6.43% to 9.34% per annum (December 31, 2017: 5.50% to 5.91% per annum).

	Note	2018 Rs '000	2017 Rs '000 Restated
15. Trade and other payables			
Trade creditors	15.1	9,067,968	9,143,876
Accrued and other liabilities		39,867,741	37,745,340
Technical services assistance fee		16,763,367	12,347,648
Advances from customers / contract liabilty		8,506,360	9,227,389
Retention money / payable to contractors and suppliers	15.2	6,000,635	5,142,146
Income tax collected from subscribers / deducted at source	35	736,425	276,370
Sales tax payable		345,385	841,030
Payable to GPF Trust		37,295	19,091
		81,325,176	74,742,890
15.1 Trade creditors include payables to the following related parties:			
Etisalat - UAE		776,306	403,758
Etisalat's subsidiaries and associates		108,459	82,496
Emirates data clearing house		3,478	7,008
Telecom Foundation		57,649	57,611
TF Pipes Limited		4,271	5,558
GoP related entities		1,208,447	1,224,020
15.2 Retention money / payable to contractors and suppliers			
TF Pipes Limited		2,751	7,832

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

16. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amounts to Rs 3,150,000 thousand (December 31, 2017: Rs 3,000,000 thousand), out of which the amount availed at the year end was nil (December 31, 2017: nil). The current balance of Rs 1,225,137 thousand represents bank overdrawn as at December 31, 2018 (December 31, 2017: Rs 834,233 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. Security deposits

These security deposits are received from customers for services to be provided and are refundable / adjustable on termination of their relationship with the Group.

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18. Contingencies and commitments

Contingencies

PTCL

Indirect Taxes

18.1 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.

18.2 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.

18.3 Against the decision of Sindh Revenue Board (SRB) imposing sales tax of Rs 4,417,000 thousand on revenues from international incoming calls from Nov, 2012 to Dec, 2013, the appeal is pending adjudication before the Commissioner Appeals. A stay order has been obtained from Honorable Sindh High Court against any coercive action by SRB.

18.4 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 and taxes amounting to Rs 1,622,593 thousand against which the Holding Company has filed an appeal before the Customs Appellate Tribunal.

Income Tax

18.5 For the tax years 2007, 2009, 2010 and 2011, Taxation Officer disallowed certain expenses and tax credits. The impugned orders were challenged at the relevant appellate forums which allowed partial relief thereof. After taking into account the orders of CIR (Appeals), ATIR as well as rectification orders tax impact of the disallowances is Rs 6,988,912 thousand. On the remaining outstanding items of tax years 2007, 2009 and 2011, appeals are pending adjudication, since year 2011, 2017 and 2014, before ATIR and references of aforementioned four years are pending adjudication, since year 2011, 2012 and 2017, in the Honorable Islamabad High Court as well.

18.6 For the tax years 2012 to 2017 Taxation Officer disallowed certain expenses having tax impact of Rs 37,198,443 thousand. The Holding Company's appeals for tax years 2012 and 2015 having tax impact of Rs 13,148,836 thousand are remanded back by ATIR in the year 2018 for afresh assessment. For Tax Year 2013 & 2014 appeal is pending adjudication before ATIR since 2018. For Tax Year 2016 and 2017, the Holding Company has been granted stay orders by the Honorable Islamabad High Court and ATIR respectively since 2018 against any coercive measures.

Others

18.7 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 12 June 2015 the Apex Court decided the case in the interest of pensioners. On 13 July 2015, Review Petition was filed in Supreme Court of Pakistan against the Judgment of 12 June 2015.

The Honorable 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 17 May 2017. Through the said order, the Apex

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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 facts 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 12 June 2015 have been directed by the Apex Court's to approach the appropriate forum on 10 May 2018. 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.

18.8 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.

18.9 A total of 1,677 cases (December 31, 2017: 1,821) against the Holding Company involve 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 on the settlement is not likely to be material.

PTML

Indirect Taxes

18.10 Since May 2010, the tax authorities (FBR) have raised multiple Federal Excise Duty (FED) demands by assessing PTML's payments of technical services fee to Etisalat as fee for "Franchise Services". PTML is contesting such assessments and demands for the period from July 2006 till December 2015 before Commissioner Inland Revenue (Appeals) (CIR-A), Appellate Tribunal Inland Revenue (ATIR) and the Islamabad High Court (IHC). Management is of the view that payments of technical services fee are outside the ambit of the Federal Excise Act, 2005 and lack the "franchiser-franchisee" arrangement, essential for the payments to be considered franchise services fee. Against the demands created by the tax authorities, PTML has paid Rs 501,541 thousand in prior years under protest and carried as receivable from taxation authorities as reflected in these consolidated financial statements. The total exposure in the case is Rs 1,913,000 thousand (December 31, 2017: Rs 1,628,000 thousand).

18.11 The tax authorities in April 2012 showed intent to charge FED on payment of interconnect charges by all telecom operators. PTML and other telecom operators contested this position on the basis that such charge was contrary to the substance of the related mandatory arrangement under Calling Party Pays (CPP) regime. Further, such levy of FED is in disregard to the fact that Duty on full price for the service (including the interconnect part) has already been charged, collected and paid to Government by telecom operator (calling party). PTML and three other operators had petitioned the IHC to seek the correct interpretation of the law on the matter. IHC passed its judgment in favour of the petitioners. An intra-court appeal has been filed by the taxation authorities against this judgment which is currently pending before IHC.

Income Tax

18.12 The taxation authorities (FBR) had raised demands aggregating to Rs 1,830,000 thousand for tax years 2008 to 2014, by dissallowing 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 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 SC has directed the IHC to respond to all legal questions framed by the tax department in their earlier appeals.

18.13 Since April 2011, PTML is subject to amendment of assessments under section 122(5A) and 161 of the Income Tax Ordinance, 2001 for tax years 2008 till 2018, on account of verification of expenses and tax withholding. The proceedings are pending before CIR-A, ATIR and IHC.

18.14 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.

DVCOM Data

18.15 After dismissal of the writ petition by the Honorable Islamabad High Court, wherein the vires of Act and regulation were challenged, DVCOM Data has filed CPLA against the judgment passed by Islamabad High Court before the Honorable Supreme Court of Pakistan. In compliance of interim order dated 15 May 2018 passed by the Supreme Court in CPLA N0.1558/2018, a bank guarantee in favour of Pakistan Telecommunication Authority (PTA) for an amount of Rs 675,000 thousands on behalf of DVCOM Data has been provided under protest whereas the balance amount of the imposed Late Payment Additional Fee of Rs 1,697,082 thousands has also been paid to PTA under protest.

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	2018 Rs '000	2017 Rs '000
18.16 Bank guarantees and bid bonds issued in favour of:			
Universal Service Fund (USF) against government grants		11,510,895	11,705,469
Pakistan Telecommunication Authority against 3G and 2G licenses		537,204	919,471
Others		2,740,542	1,862,422
		14,788,641	14,487,362
18.17 Commitments			
18.17.1 Standby letter of guarantee	18.17.2	7,425	6,365
Letter of credit for purchase of stock		60,922	48,780
Contracts for capital expenditure		10,129,879	7,793,694
		10,198,226	7,848,839

18.17.2 This represents letter of guarantee issued on behalf of Ubank to China Union Pay International Company Limited for interbank settlements.

18.17.3 All property rentals are under cancellable operating lease arrangements and are due as follows:

	Note	2018 Rs '000	2017 Rs '000
Not later than one year		3,663,674	3,778,342
Later than one year and not later than five years		15,248,113	14,700,359
Later than five years		12,032,817	12,309,156
		30,944,604	30,787,857

19. Property, plant and equipment

	Note	2018 Rs '000	2017 Rs '000
Operating fixed assets	19.1	156,293,468	157,193,242
Capital work in progress	19.6	21,185,660	12,583,996
		177,479,128	169,777,238

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19.1 Operating fixed assets

	Land		Buildings on							Vehicles			Leased	
	Freehold - note 19.2	Leasehold	Freehold land	Leasehold land	Lines and wires	Apparatus, plant and equipment	Office equipment	Computer and electrical equipment	Furniture and fittings	Owned	Leased	Submarine cables	network and allied systems	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
As at December 31, 2016														
Cost	1,652,943	90,026	12,421,504	2,572,001	126,460,972	346,044,353	1,902,679	9,522,875	753,926	2,634,702	-	12,174,690	153,889	516,384,560
Accumulated depreciation and impairment	-	(33,140)	(5,040,059)	(1,738,113)	(102,079,869)	(229,576,338)	(879,613)	(7,996,066)	(525,628)	(2,048,176)	-	(7,641,269)	(132,460)	(357,690,731)
Net book value	1,652,943	56,886	7,381,445	833,888	24,381,103	116,468,015	1,023,066	1,526,809	228,298	586,526	-	4,533,421	21,429	158,693,829
Movement during 2017														
Additions	-	-	209,287	213,876	4,957,910	18,297,800	323,601	1,038,704	106,603	359,377	-	5,492,357	-	30,999,515
Disposals														
Cost	(9)	-	-	(5,865)	-	(2,458,259)	-	(224,467)	(133)	(64,051)	-	-	-	(2,752,784)
Accumulated depreciation	-	-	-	5,865	-	2,378,006	-	215,282	133	54,754	-	-	-	2,654,040
	(9)	-	-	-	-	(80,253)	-	(9,185)	-	(9,297)	-	-	-	(98,744)
Depreciation charge for the year - note 19.4	-	(1,277)	(314,115)	(192,191)	(3,360,848)	(23,645,780)	(158,148)	(1,031,416)	(41,268)	(333,034)	-	(869,386)	(20,519)	(29,967,982)
Impairment charge - note 19.5	-	-	-	-	-	(2,433,376)	-	-	-	-	-	-	-	(2,433,376)
Net book value	1,652,934	55,609	7,276,617	855,573	25,978,165	108,606,406	1,188,519	1,524,912	293,633	603,572	-	9,156,392	910	157,193,242
As at December 31, 2017														
Cost	1,652,934	90,026	12,630,791	2,780,012	131,418,882	361,883,894	2,226,280	10,337,112	860,396	2,930,028	-	17,667,047	153,889	544,631,291
Accumulated depreciation and impairment	-	(34,417)	(5,354,174)	(1,924,439)	(105,440,717)	(253,277,488)	(1,037,761)	(8,812,200)	(566,763)	(2,326,456)	-	(8,510,655)	(152,979)	(387,438,049)
Net book value	1,652,934	55,609	7,276,617	855,573	25,978,165	108,606,406	1,188,519	1,524,912	293,633	603,572		9,156,392	910	157,193,242
Movement during 2018														
Additions	-	-	246,010	217,007	5,334,152	19,757,647	323,435	1,314,149	244,963	407,897	26,363	452,682	-	28,324,305
Disposals - note 19.3														
Cost	-	-	-	(202,369)	-	(4,969,148)	-	(190,496)	(2,605)	(144,012)	-	-	-	(5,508,630)
Accumulated depreciation	-	-	-	179,692	-	4,836,235	-	184,047	2,550	143,241	-	-	-	5,345,765
	-	-	-	(22,677)	-	(132,913)	-	(6,449)	(55)	(771)	-	-	-	(162,865)
Depreciation charge for the year - note 19.4	-	(1,277)	(318,064)	(214,035)	(3,517,130)	(21,677,766)	(174,931)	(1,026,969)	(69,380)	(212,653)	(1,027)	(1,107,426)	(910)	(28,321,568)
Impairment charge - note 19.5	-	-	-	-	-	(739,646)	-	-	-	-	-	-	-	(739,646)
Net book value	1,652,934	54,332	7,204,563	835,868	27,795,187	105,813,728	1,337,023	1,805,643	469,161	798,045	25,336	8,501,648	-	156,293,468
As at December 31, 2018														
Cost	1,652,934	90,026	12,876,801	2,794,650	136,753,034	376,672,393	2,549,715	11,460,765	1,102,754	3,193,913	26,363	18,119,729	153,889	567,446,966
Accumulated depreciation and impairment	-	(35,694)	(5,672,238)	(1,958,782)	(108,957,847)	(270,858,665)	(1,212,692)	(9,655,122)	(633,593)	(2,395,868)	(1,027)	(9,618,081)	(153,889)	(411,153,498)
Net book value	1,652,934	54,332	7,204,563	835,868	27,795,187	105,813,728	1,337,023	1,805,643	469,161	798,045	25,336	8,501,648	-	156,293,468
Annual rate of depreciation (%)	-	1 to 3.3	2.5	2.5	7	10 to 33	10	20 to 33.33	10	20	20	6.67 to 8.33	13.33	

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19.2 As explained in note 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 title to and possession and control of certain freehold land properties were not formally transferred in the name of the Holding Company in the land revenue records. The Holding Company has initiated the process of transfer of titles to freehold land, in its own name, in previous years, which is still ongoing and shall be completed in due course of time. Further, 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 financial statements as required under paragrapghs VI.1(ii) and VI.12 of the 4th Schedule to the Companies Act, 2017 and the Group is in process of obtaining exemption from the Securities and Exchange Commission of Pakistan from these disclosure requirments.

19.3 Disposal of property, plant and equipment:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Relationship
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000			
Apparatus, plant and equipment	44,398	23,361	21,037	3,854	(17,183)	Auction	Misc. buyers	Third Party vendor
	2,426,852	2,363,857	62,995	102,527	39,532	Auction	Misc. buyers	Third Party vendor
	2,490	939	1,551	1,605	54	Insurance	EFU General Insurance Co.	Third Party vendor
	245,788	198,971	46,817	7,971	(38,846)	Insurance	EFU General Insurance Co.	Third Party vendor
	2,719,528	2,587,128	132,400	115,957	(16,443)			
Motor Vehicles	89,728	88,958	770	53,745	52,975	Auction	Misc. buyers	Third party vendor
	89,728	88,958	770	53,745	52,975			
Computer and electrical equipment	25,793	25,766	27	2,059	2,032	Auction	Various buyers	Third Party vendor
	104,776	104,749	27	34	7	Auction	Misc. buyers	Third party vendor
	14,022	12,992	1,030	1,627	597	Employee Sale	Misc. buyers	Company's employees
	28,427	22,766	5,661	6,045	384	Insurance	EFU General Insurance Co.	Third party vendor
	13,865	13,747	118	768	650	Auction	Misc. buyers	Third party vendor
	2,959	1,579	1,380	1,459	79	Auction	Misc. buyers	Third party vendor
	2,449	2,449	-	61	61	Employee Sale	Misc. buyers	Company's employees
	192,291	184,048	8,243	12,053	3,810			
Others	23,692	7,440	16,252	-	(16,252)	Auction	Misc. buyers	Third party vendor
	179,488	174,802	4,686	1,398	(3,288)	Auction	Misc. buyers	Third party vendor
	203,180	182,242	20,938	1,398	(19,540)			
Aggregate of others having net book value not exceeding Rs 500,000	2,303,903	2,303,389	514	82,876	82,362	Auction, Insurance and Employee Sale	Various buyers	
	5,508,630	5,345,765	162,865	266,029	103,164			

	Note	2018 Rs '000	2017 Rs '000
19.4 The depreciation charge for the year has been allocated as follows:			
Cost of services	34	26,968,388	28,622,647
Administrative and general expenses	35	1,282,050	1,272,349
Selling and marketing expenses	36	71,130	72,986
		28,321,568	29,967,982

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19.5 The carrying amount of certain items of apparatus, plant and equipment and lines and wires have been reduced to their recoverable amount through recognition of an impairment loss of Rs 739,646 thousand (December 31, 2017: Rs 2,433,376 thousand). This loss has been included in 'cost of services' in the consolidated statement of profit or loss. The impairment charge arose due to obsolescence of WLL assets, servers, and other assets classified in apparatus, plant and equipment.

	Note	2018 Rs '000	2017 Rs '000
19.6 Capital work in progress			
Buildings		719,882	693,864
Lines and wires		5,338,033	4,009,433
Apparatus, plant and equipment		9,634,287	5,224,467
Others		5,493,458	2,656,232
	19.6.1	21,185,660	12,583,996
19.6.1 Movement during the year			
Balance at beginning of the year		12,583,996	12,106,215
Additions during the year		36,843,096	31,752,955
Transfers during the year			
- Operating fixed assets		(27,813,894)	(30,691,345)
- Intangible assets		(427,538)	(583,829)
Balance at end of the year		21,185,660	12,583,996

Addition in capital work in progress includes an amount of Rs 2,227,581 thousand (December 31, 2017: Rs 1,891,967 thousand), in respect of direct overheads relating to development of assets.

	Note	2018 Rs '000	2017 Rs '000
20. Intangible assets			
Goodwill on acquisition of Ubank	20.1	78,790	78,790
Goodwill on acquisition of DVCOM Data	20.1	1,191,102	1,191,102
Other intangible assets	20.2	29,907,255	32,894,415
		31,177,147	34,164,307

20.1 Goodwill

These represent excess of the amount paid over fair value of net assets of DVCOM Data and Ubank on its 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 (CGU).

The key assumption used in the estimation of the recoverable amount is discount rate which is assumed at 13%.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted growth was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was 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.

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The estimated recoverable amount 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.

	Note	Licenses and spectrum Rs '000	Computer software Rs '000	Total Rs'000
20.2 Other intangible assets				
As at December 31, 2016				
Cost		44,871,714	4,151,112	49,022,826
Accumulated amortization		(10,216,302)	(2,964,616)	(13,180,918)
Net book value		34,655,412	1,186,496	35,841,908
Movement during 2017				
Opening net book value		34,655,412	1,186,496	35,841,908
Additions		37,000	578,098	615,098
Amortization charge for the year		(2,980,032)	(582,559)	(3,562,591)
Closing net book value		31,712,380	1,182,035	32,894,415
As at December 31, 2017				
Cost		44,908,714	4,729,210	49,637,924
Accumulated amortization		(13,196,334)	(3,547,175)	(16,743,509)
Net book value		31,712,380	1,182,035	32,894,415
Movement during 2018				
Opening net book value		31,712,380	1,182,035	32,894,415
Additions		-	459,834	459,834
Amortization charge for the year	20.8	(2,978,896)	(468,098)	(3,446,994)
Closing net book value		28,733,484	1,173,771	29,907,255
As at December 31, 2018				
Cost		44,908,714	5,189,044	50,097,758
Accumulated amortization		(16,175,230)	(4,015,273)	(20,190,503)
Net book value	20.3	28,733,484	1,173,771	29,907,255
Amortization rate per annum (%)		4 - 20	6.67 - 33.33	

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	Note	2018 Rs '000	2017 Rs '000
20.3 Breakup of net book value as at year end is as follows:			
Licenses and spectrum - PTCL			
WLL spectrum	20.4	1,029,213	1,208,210
Telecom	20.4	19,945	29,919
WLL and LDI License	20.5	125,023	138,418
IPTV	20.6	28,983	32,683
2G & 3G Licenses - PTML	20.7	26,641,668	29,259,746
WLL licenses- DVCOM Data		888,252	1,040,524
Licenses - Ubank		400	2,880
		28,733,484	31,712,380
Computer software		1,173,771	1,182,035
		29,907,255	32,894,415

20.4 The Pakistan Telecommunication Authority (PTA) has issued a license to the Holding Company, to provide telecommunication services in Pakistan, for a period of 25 years, commencing January 01,1996, at an agreed license fee of Rs 249,344 thousand. In June 2005, PTA modified the previously issued license to provide telecommunication services to include a spectrum license at an agreed license fee of Rs 3,646,884 thousand. This license allows the 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.

20.5 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 & Kashmir (AJ&K) and Gilgit-Baltistan (GB), 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 AJ&K and 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.

20.6 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.

20.7 (i) The PTML acquired a license for 3G cellular operations throughout Pakistan excluding AJ&K and GB in May 2014, at a fee of USD 147,500 thousand. The term of the license is 15 years from the date of its acqusition.

(ii) The PTML's license for 2G cellular operations throughout Pakistan excluding AJ&K and GB, was renewed in April 2014 at a fee of USD 291,000 thousand. The term of the license is 15 years from the date of its acqusition.

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

	Note	2018 Rs '000	2017 Rs '000
Cost of services	34	3,185,187	3,308,152
Administrative and general expenses	35	261,807	254,439
		3,446,994	3,562,591

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	Note	2018 Rs '000	2017 Rs '000
21. Long term investments			
Investment in associate	21.1	-	9,700
Other investments	21.2	83,900	83,900
		83,900	93,600

21.1 Investment in associate - unquoted

As on December 31, 2018 the Group holds 1,658,520 (December 31, 2017: 1,658,520) ordinary shares in TF Pipes Limited with it's registered office situated in Islamabad, Pakistan, The Group's share holding in TF Pipes Limited constitutes 40% (December 31, 2017: 40%) of total ordinatry shares of TF Pipes Limited. TF Pipes Limited is treated as an associate due to the Group's significant influence over it due to 40% voting right.

	2018 Rs '000	2017 Rs '000
Reconciliation of carry amount		
Balance at the beginning of the year	9,700	17,324
Impairment of Investment	(9,700)	-
Group's share of post acquisition loss for the year	-	(7,624)
Balance at the end of the year	-	9,700

The following table summarizes the financial information of TF Pipes Limited as included in its audited financial statements for the year ended June 30, 2018. The information relating to revenue, profit and other comprehensive income also include amounts for the year ended June 30, 2018.

	2018 Rs '000	2017 Rs '000
Percentage of ownership (%)	40%	40%
Total assets	92,324	125,703
Total liabilities	85,955	101,453
Net assets	6,369	24,250
Non-controlling interests	-	-
Net assets attributable to ordinary shareholders (100%)	6,369	24,250
Group's share of net assets (40%)	2,548	9,700
Goodwill	-	-
Carrying amount of interest in associate	-	9,700
Sales for the year ended	116,958	109,534
Loss after tax (100%)	(15,796)	(20,675)
Group's share of net loss for the year (40%)	(6,318)	(8,270)
Other Comprehensive Income (OCI):		
Loss on re-measurement of defined benefit liability	2,084	999
Total OCI	2,084	999
Group's share of OCI (40%)	834	400

Investment in associate has been made in accordance with the requirements of the Companies Act, 2017 (repealed Companies Ordinance 1984).

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	Note	2018 Rs '000	2017 Rs '000
21.2 Other investments			
Fair value through other comprehensive income (FVOCI) - unquoted			
Thuraya Satellite Telecommunication Company - Dubai, UAE 3,670,000 (December 31, 2017: 3,670,000) ordinary shares of AED 1 each		63,900	63,900
Alcatel - Lucent Pakistan Limited - Islamabad, Pakistan 2,000,000 (December 31, 2017: 2,000,000) ordinary shares of Rs 10 each		20,000	20,000
	21.2.1	83,900	83,900

21.2.1 At January 01, 2018, the Holding Company designated the investments shown as equity securities as FVOCI because these equity securities represents investments that the Holding Company intends to hold for the long term for strategic purposes. In 2017 these investments were classified as available for sale.

	Note	2018 Rs '000	2017 Rs '000
22. Long-term loans and advances - considered good			
Loans to employees - secured			
PTCL	22.1	985,444	599,598
PTML	22.1	36,131	56,499
	22.2	1,021,575	656,097
Imputed interest		(206,996)	(163,584)
		814,579	492,513
Others		74,333	57,819
		888,912	550,332
Current portion shown under current assets			
Loans to employees - secured	27	(182,522)	(120,986)
		706,390	429,346

22.1 These loans and advances are for house building and purchase of vehicles, motor cycles and bicycles. 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.

These balances include loans aggregating Rs 170,527 thousand (December 31, 2017: Rs 20,235 thousand) provided to 95 employees having individual balance exceeding Rupees one million. Loans to executive employees include loans aggregating to Rs 35,868 thousand (December 31, 2017: Rs 36,263 thousand) provided to 13 key management personnel. The maximum aggregate amount of loans to key management personnel outstanding at any time during the year was Rs 53,689 thousand (December 31, 2017: Rs 46,259 thousand). The Holding Company has applied to the Securities and Exchange Commission of Pakistan for exemption from disclosure requirments under paragraphs VI.19 and VI.21 of the 4th Schedule to the Companies Act, 2017.

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

	As at January 01, 2018	Disbursements	Repayments	Write offs	As at December 31, 2018
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Executives*	56,499	107,658	(34,603)	-	129,554
Other employees*	599,598	440,245	(147,822)	-	892,021
	656,097	547,903	(182,425)	-	1,021,575

	As at January 01, 2017	Disbursements	Repayments	Write offs	As at December 31, 2017
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Executives*	84,624	-	(28,125)	-	56,499
Other employees*	476,060	278,395	(153,981)	(876)	599,598
	560,684	278,395	(182,106)	(876)	656,097

	2018 Rs '000	2017 Rs '000
Maximum amount of loan to executives and other employees outstanding at any time during the year		
Executives	129,659	46,259
Other employees	919,954	599,598

* Comparative figures have been restated to reflect changes in the definition of executives as per Companies Act, 2017.

23. Contract cost

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

	Note	2018 Rs '000	2017 Rs '000 Restated
Cost to obtain a contract		1,042,252	524,747
Cost to fulfill a contract		1,261,397	1,021,366
		2,303,649	1,546,113
Current maturity of contract costs		(1,842,504)	(1,207,882)
		461,145	338,231
Movement during the year			
Balance at the beginning of the year		1,546,113	1,441,418
Capitalization during the year		3,461,489	2,344,872
		5,007,602	3,786,290
Amortization during the year		(2,703,953)	(2,240,177)
Balance at end of the year		2,303,649	1,546,113

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	Note	2018 Rs '000	2017 Rs '000
24. Stock in trade, stores and spares			
Stores and spares	24.1	6,067,575	3,633,569
Stock in trade	24.2	214,045	193,602
		6,281,620	3,827,171
24.1 Stores and spares		7,342,604	4,899,323
Provision for obsolescence	24.1.1	(1,275,029)	(1,265,754)
		6,067,575	3,633,569
24.1.1 Provision for obsolescence			
Balance at beginning of the year		1,265,754	1,302,176
Provision during the year	34	9,275	51,138
		1,275,029	1,353,314
Provision reversed during the year		-	(87,560)
Balance at end of the year		1,275,029	1,265,754
24.2 Stock in trade			
SIM cards		110,786	115,069
Mobile phones and accessories		90,460	94,479
Scratch cards		48,955	29,161
ATM cards		7,569	1,845
		257,770	240,554
Provision for slow moving stock	24.2.1	(43,725)	(46,952)
		214,045	193,602
24.2.1 Provision for slow moving stock			
Balance at beginning of the year		46,952	43,999
(Reversal) / provision during the year		(3,227)	2,953
Balance at end of the year		43,725	46,952

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	Note	2018 Rs '000	2017 Rs '000 Restated
25. Trade debts and contract assets			
Trade debts		13,455,206	11,459,186
Contract assets		5,448,677	5,346,409
		18,903,883	16,805,595
Domestic			
Considered good - secured	25.1	615,064	483,021
- unsecured	25.2	14,064,502	13,247,502
Considered doubtful		7,578,055	8,421,324
		22,257,621	22,151,847
International			
Considered good - unsecured	25.2	4,224,318	3,075,072
Considered doubtful - unsecured		57,475	65,270
		4,281,793	3,140,342
Provision for doubtful debts	25.4	(7,635,531)	(8,486,594)
		18,903,883	16,805,595

25.1 These are secured against customer and dealer deposits aggregating to Rs 767,558 thousand (December 31, 2017: Rs 777,358 thousand). The normal credit period of debtors is not more than one month.

25.2 These include amounts due from the following related parties:

	Up to 6 months Rs '000	More than 6 months Rs '000	2018 Rs '000	2017 Rs '000
Etisalat - UAE	1,200,481	1,804,282	3,004,763	1,023,705
Etisalat - Afghanistan	63,262	-	63,262	39,237
Etihad Etisalat Company	14,316	-	14,316	-
Etisalat other subsidiaries and associates	1,003	-	1,003	3,099
GoP related entities	21,350	60,624	81,974	102,119
			3,165,318	1,168,160

25.3 The maximum aggregate amount of receivable due from related parties at the end of any month during the year was Rs 7,791,686 thousand.

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	Note	2018 Rs '000	2017 Rs '000
25.4 Provision for doubtful debts			
Balance at beginning of the year		8,486,594	8,265,302
Provision for the year	35	2,157,688	1,997,782
		10,644,282	10,263,084
Write off against provision		(3,008,751)	(1,776,490)
Balance at end of the year		7,635,531	8,486,594

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

	Note	2018 Rs '000	2017 Rs '000
26. Loans to banking customers			
Loans to banking customers		17,225,244	10,648,713
Provisions held	26.1	(205,406)	(94,355)
		17,019,838	10,554,358
26.1 Provision against non-performing loans to banking customers			
Balance at the beginning of the year		94,355	48,381
Provision during the year	35	259,714	86,252
Loans written off against provision		(148,663)	(40,278)
		205,406	94,355
27. Loans and advances			
Loans			
Current portion of long term loans to employees - secured	22	182,522	120,986
Advances - considered good			
Advances to employees	27.1	35,354	17,068
Advances to suppliers and contractors	27.2	1,625,842	1,475,508
Others		21,048	35,137
		1,682,244	1,527,713
		1,864,766	1,648,699

27.1 These include advances to executives and key management personnel amounting to Rs 1,869 thousand (December 31, 2017: Rs 5,568 thousand) and Rs 307 thousand (December 31, 2017: Rs 117 thousand) respectively.

	2018 Rs '000	2017 Rs '000 Restated
27.2 These include amounts due from the following related parties:		
TF Pipes Limited	27,095	52,533
Pakistan MNP Database (Guarantee) Limited	15,650	10,900

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	Note	2018 Rs '000	2017 Rs '000 Restated
28. Income tax recoverable			
Balance at beginning of the year		19,828,320	18,173,381
Current tax charge for the year - P&L	39	(2,892,071)	(5,947,572)
Tax credit on re-measurement losses - OCI		1,573,712	561,744
Tax paid during the year		5,281,387	4,795,880
Consideration paid against PTML losses		-	2,244,885
Balance at end of the year		23,791,348	19,828,318

29. Receivable from the Government of Pakistan - Considered good

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

	Note	2018 Rs '000	2017 Rs '000 Restated
30. Deposits, prepayments and other receivables			
Deposits		202,395	208,004
Prepayments			
- Pakistan Telecommunication Authority - a related party		43,130	45,616
- Prepaid rent and others	30.1	2,493,868	2,326,391
		2,536,998	2,372,007
Other receivables			
Due from related parties	30.2	302,417	258,193
Accrued interest receivable	30.3	1,826,626	1,256,068
Federal Excise Duty (FED)	30.4	3,844,402	3,000,639
Forward exchange contracts	30.5	345,772	155,791
Others - net of provision		1,927,841	2,403,123
		10,986,451	9,653,825

30.1 This includes prepaid rent of Rs 89,836 thousand (December 31, 2017: Rs 83,959 thousand) paid to Pakistan Telecommunication Employees Trust, a related party of the Group.

30.2	Up to 6 months Rs '000	More than 6 months Rs '000	2018 Rs '000	2017 Rs '000
- Etisalat - UAE	-	71,305	71,305	71,305
- Pakistan Telecommunication Employees Trust	2,777	-	2,777	7,712
- PTCL employees GPF Trust	-	-	-	55,748
- USF Grants	-	228,335	228,335	123,428
			302,417	258,193

The maximum aggregate amount of other receivable due from related parties at the end of any month during the year was Rs 10,601 thousand.

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30.3	Note	2018 Rs '000	2017 Rs '000
Return on bank deposits		-	146,161
Interest receivable on loans to employees - secured		-	37,979
Mark up accrued on advances and investments		1,826,626	1,071,928
		1,826,626	1,256,068
30.4 Federal Excise Duty	30.4.1	4,310,578	3,466,815
Provision for doubtful amount		(466,176)	(466,176)
		3,844,402	3,000,639

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

(ii) This includes federal excise duty on technical service fee of Rs 501,541 thousand (December 31, 2017: Rs 501,541 thousand) paid by PTML to the taxation authority under protest.

30.5 This represents fair value of forward foreign exchange contracts entered into by PTML to hedge its foreign currency exposure. As at December 31, 2018, PTML had forward exchange contracts to purchase USD 28,756 thousand (December 31, 2017: USD 48,028 thousand) at various maturity dates matching the anticipated payment dates for network liability.

30.6 (i) This includes receivable from executives and key management personnel amounting to Rs 3,206 thousand (December 31, 2017: Rs 10,004 thousand) and Rs 162 thousand (December 31, 2017: Rs 406 thousand) respectively.

(ii) This includes amount receivable from SBP in respect of insurance premium paid by Ubank for livestock and crop loans under AC&MFD circular no. 01 of 2013 dated November 01, 2013.

	Note	2018 Rs '000	2017 Rs '000
31. Short term investments			
Amortized cost			
Market treasury bills		980,221	-
Term deposits receipts			
- maturity up to 6 months		-	3,080,778
- maturity up to 12 months		9,900,000	2,000,000
	31.1	9,900,000	5,080,778
Fair value through profit or loss (FVTPL)			
Money market funds	31.2	400,043	-
Units of mutual fund		3,950,149	-
		4,350,192	-
Available for sale investments			
Units of mutual fund			2,527,000
Market treasury bills	31.3	1,967,824	1,786,375
		1,967,824	4,313,375
		17,198,237	9,394,153

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31.1 Term deposit receipts carry interest at the rate of 10.75% to 13% (December 31, 2017: 8% to 8.55%) per annum.

31.2 This represents investment in 39,146 thousand units (December 31, 2017: nil) of ABL cash fund. Net asset value of these units as at December 31, 2018 was 10.218 per unit.

31.3 This represents Market Treasury Bills having yield of 10.28% (December 31, 2017: 5.99% to 6.00%) maturing in February 2019.

	Note	2018 Rs '000	2017 Rs '000
32. Cash and bank balances			
Cash in hand		892,602	385,444
Balances with banks:			
Local currency			
Current account maintained with SBP	32.1	904,261	463,463
Current accounts	32.2	1,994,624	111,110
Saving accounts	32.3	2,548,828	13,329,903
		5,447,713	13,904,476
Foreign currency			
Current accounts (USD 16,746 thousand: December 31, 2017: USD 3,653 thousand)		2,318,748	402,929
Saving accounts (USD 3,254 thousand: December 31, 2017: USD 2,895 thousand, Euro 289 thousand: December 31, 2017: Euro 341 thousand)		498,706	364,899
		2,817,454	767,828
	32.4	9,157,769	15,057,748

32.1 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% (2017: 5%) of Ubank's time and demand deposits with tenure of less than 1 year. This also includes Rs 44,729 thousand (December 31, 2017: Rs 17,376 thousand) maintained with SBP under Depositors' Protection Fund.

32.2 This includes Rs 7,425 thousand (December 31, 2017: Rs 6,365 thousand) placed under lien with a bank in respect of standby letter of guarantee issued to Union Pay International.

32.3 These carry mark-up ranging between 3% to 12.15% (December 31, 2017: 3% to 8.5%) per annum.

32.4 Bank balances include Rs 15,343 thousand (December 31, 2017: Rs 39,076 thousand) carrying profit ranging from 2.4% to 4% (December 31, 2017: 2.4% to 4%) per annum from Shariah arrangements.

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	Note	2018 Rs '000	2017 Rs '000 Restated
33. Revenue			
Broadband & IPTV		26,774,445	25,149,277
Cellular and other wireless		55,560,763	50,486,303
Fixed line voice services		13,045,010	14,194,530
Banking		4,582,291	2,795,342
Revenue from retail customers		99,962,509	92,625,452
Corporate		9,019,720	7,653,685
Carrier and wholesale		8,830,971	7,153,061
International	33.1	8,347,186	9,587,067
Total Revenue	33.2	126,160,386	117,019,265

33.1 International revenue includes revenue from foreign network operators, for calls that originate outside Pakistan, and has been shown net of interconnect cost relating to other operators and Access Promotion Charges, aggregating to Rs 967,317 thousand (December 31, 2017: Rs 2,268,616 thousand).

33.2 Revenue is net of trade discount amounting to Rs 2,035,840 thousand (December 31, 2017: Rs 2,114,847 thousand) and Federal Exise Duty / Sales tax amounting to Rs 12,896,614 thousand (December 31, 2017: Rs 14,171,128 thousand).

	Note	2018 Rs '000	2017 Rs '000 Restated
34. Cost of services			
Salaries, allowances and other benefits	34.1	12,835,387	12,358,397
Outsourced staff cost		1,111,901	984,890
Security cost		1,239,733	1,248,148
Interconnect cost		6,958,693	6,621,793
Foreign operators cost and satellite charges		8,030,130	7,300,366
Fuel and power		9,916,235	9,330,211
Cost of devices sold		1,828,421	1,419,915
Subscriber acquisition cost		2,420,168	2,114,319
Rent, rates and taxes		3,289,550	3,146,231
Repair and maintenance		7,857,101	7,300,600
Depreciation on property, plant and equipment	19.4	26,968,388	28,622,647
Amortization of intangible assets	20.8	3,185,187	3,308,152
Impairment on property, plant and equipment	19.5	739,646	2,433,376
Annual license fee to Pakistan Telecommuncation Authority (PTA)		1,630,958	1,467,407
Markup / interest expense - Ubank		1,671,611	1,152,285
Others	34.2	2,105,141	1,729,589
		91,788,250	90,538,326

34.1 This includes Rs 2,849,948 thousand (December 31, 2017: Rs 3,082,607 thousand) in respect of employees retirement benefits.

34.2 This includes provision for obsolete store of Rs 9,275 thousand (December 31, 2017: Rs 51,138 thousand).

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	Note	2018 Rs '000	2017 Rs '000 Restated
35. Administrative and general expenses			
Salaries, allowances and other benefits	35.1	3,762,084	3,321,332
Outsourced staff cost		1,389,347	1,213,432
Fuel and power		384,642	358,788
Rent, rates and taxes		695,899	602,748
Technical services assistance fee	35.2	4,415,614	4,099,655
Legal and professional charges	35.3	541,787	919,661
Depreciation on property, plant and equipment	19.4	1,282,050	1,272,349
Amortization of intangible assets	20.8	261,807	254,439
Contribution to R&D and USF	35.4	1,166,603	1,257,843
Provision for doubtful debts	35.5	1,996,706	1,747,073
Provision for non-performing loans	26	259,714	86,252
Other expenses	35.6	2,490,504	2,202,900
		18,646,757	17,336,472

35.1 This includes Rs 337,789 thousand (December 31, 2017: Rs 359,038 thousand) in respect of employees retirement benefits.

35.2 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.

	2018 Rs '000	2017 Rs '000
35.3 This includes auditors' remuneration as follows:		
Statutory audit, including half yearly review	9,800	9,800
Out of pocket expenses	870	770
Other services	600	3,772
	11,270	14,342

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

35.5 This amount is net of recoveries amounting to Rs 160,982 thousand (December 31, 2017: Rs 250,709 thousand).

35.6 (i) Other expenses also include following donations in excess of Rs 500,000:

	2018 Rs '000	2017 Rs '000
Name of Donees		
World Wildlife Fund	2,950	-
Roshni Homes Trust	500	-
The Kaghan Memorial Trust	-	3,812
	3,450	3,812

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(ii) Other expenses include impairment of investment in TF Pipes Limited amounting to Rs 9,700 thousand (December 31, 2017:nil).

	Note	2018 Rs '000	2017 Rs '000 Restated
36. Selling and marketing expenses			
Salaries, allowances and other benefits	36.1	2,021,639	1,935,728
Outsourced staff cost		112,246	99,869
Sales and distribution charges		949,518	864,616
Advertisement and publicity		3,348,385	2,895,350
Depreciation on property, plant and equipment	19.4	71,130	72,986
Others		232,481	264,037
		6,735,399	6,132,586

36.1 This includes Rs 302,114 thousand (December 31, 2017: Rs 324,720 thousand) in respect of employees retirement benefits.

	Note	2018 Rs '000	2017 Rs '000
37. Other income			
Income from financial assets:			
Return on bank deposits	37.1	1,043,292	2,062,064
Interest on investment in Government securities		93,753	82,003
Late payment surcharge from subscribers on overdue bills		280,251	304,568
Gain on fair value remeasurement of forward exchange contracts		189,981	233,448
Gain on mutual funds (FVTPL)		238,552	-
Gain on disposal of available for sale investments		8,328	74,396
Others		18,967	12,409
		1,873,124	2,768,888
Income from non financial assets			
Gain on disposal of property, plant and equipment		103,164	247,384
Late delivery charges from vendors		209,643	13,834
Recovery from written off receivables		68,220	80,243
Write back of activation tax liability		-	2,423,068
Write back of liabilities	37.2	1,580,167	2,538,492
Government grants recognized	37.3	1,236,141	1,258,735
Scrap sales		193,865	1,312
Pre-deposit income		272,612	326,085
Rental income		81,055	32,616
Others		103,531	151,509
		3,848,398	7,073,278
		5,721,522	9,842,166

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37.1 Return on bank deposits includes Rs 227 thousand (December 31, 2017: Rs 314 thousand) earned from Shariah arrangements.

37.2 This represents liabilities written back on successful settlement and court decision in favour of the Holding Company.

37.3 This amount is net of operating expenditure subsidy amounting to Rs 30,236 thousand (December 31, 2017: nil).

	Note	2018 Rs '000	2017 Rs '000
38. Finance cost			
Interest on:			
Long term loans from banks		1,934,887	1,646,697
Long term vendor liability		998,249	606,782
License fee	38.1	475,000	-
Imputed deferred interest on license fee payable	38.2	-	2,583,426
Bank and other charges		323,147	259,593
Exchange loss		3,983,805	1,323,048
Imputed interest on employee loans		46,929	38,066
		7,762,017	6,457,612

38.1 This represents Group share of late payment fee on DVCOM Data WLL license.

38.2 In 2017, the liability against 2G license fee was paid by PTML in full as early settlement before maturity. As a consequence thereof, the remaining amount of imputed interest was recognized as an expense.

	2018 Rs '000	2017 Rs '000 Restated
39. Provision for income tax		
Charge / (credit) for the year		
Current	2,892,071	5,947,572
Deferred	(1,652,590)	(3,876,414)
	1,239,481	2,071,158

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39.1 Reconciliation of effective tax rate

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

	2018 Percentage	2017 Percentage
Applicable tax rate	29.00	30.00
Turnover tax not recognized as deferred tax asset - prior period	-	0.23
Reversal of turnover tax of prior period	(11.43)	(6.17)
Impact of change in tax rate	(5.12)	(5.81)
Tax effect of amounts that are not deductible for tax purposes	5.06	7.75
Others	(0.18)	5.53
	(11.67)	1.53
Average effective tax rate charged to the consolidated statement of profit or loss	17.33	31.53

The applicable income tax rate was reduced from 30% to 29% during the year on account of changes made to the Income Tax Ordinance, 2001.

39.2 The Group has filed income tax returns under self assessment scheme under section 114 (1) of ITO 2001 and all three years' assessments are under process.

As per the management's assessment, sufficient tax provision has been made in the consolidated financial statements. The comparison of tax provision as per the consolidated financial statements viz-a-viz tax return for last three years is as follows:

Financial year	Tax charge in accounts Rs '000	Tax liability as per return Rs '000
2017 - restated	5,947,572	2,171,297
2016	5,542,713	3,725,631
2015	6,255,056	1,603,733

40. Non-funded finance facilities

The Holding Company has non-funded financing facilities available with banks, which include facilities to avail letters of credit and letters of guarantee. The aggregate facility of Rs 19,800,000 thousand (December 31, 2017: Rs 16,500,000 thousand) and Rs 17,800,000 thousand (December 31, 2017: Rs 17,300,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facilities availed at the year end are Rs 4,162,650 thousand (December 31, 2017: Rs 4,216,000 thousand) and Rs 9,210,000 thousand (December 31, 2017: Rs 6,845,906 thousand) respectively. The letter of guarantee facility is secured by a hypothecation charge over certain assets of the Holding Company, amounting to Rs 29,968,000 thousand (December 31, 2017: Rs 26,718,000 thousand).

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41. Cash generated from operations

	2018 Rs '000	2017 Rs '000 Restated
Profit before tax	6,949,485	6,388,811
Adjustments for non-cash charges and other items:		
Depreciation and amortization	31,768,562	33,530,573
Impairment of property, plant and equipment	739,646	2,433,376
Amortization of contract cost	2,703,953	2,240,177
Provision for obsolete stores and spares	9,275	51,138
Provision for doubtful trade debts and other receivables	1,996,706	1,747,073
(Reversal) / Provision for slow moving stock	(3,227)	2,953
Impairment on investment	9,700	-
Provision for non performing advances	259,714	86,252
Employees retirement benefits	3,489,849	3,768,558
Gain on disposal of property, plant and equipment	(103,164)	(268,645)
Loss on disposal of capital work in progress	-	21,260
Return on bank deposits and government securities	(1,137,045)	(2,144,067)
Gain on disposal of investments measured at fair value through profit or loss (FVTPL)	(238,552)	-
Gain on disposal of investments measured at fair value through OCI (FVOCI)	(77,988)	(74,396)
Release of deferred government grants	(1,266,377)	(1,258,735)
Finance cost	4,054,303	6,417,355
Imputed interest on loans and advances	46,929	48,819
Imputed interest on finance lease	(4,088)	(10,753)
Share of loss from associate	-	7,624
	49,197,681	52,987,373
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stock in trade, stores and spares	(2,460,497)	(964,117)
Trade debts and contract assets	(4,094,994)	(3,544,101)
Loans to banking customers	(6,465,480)	(5,025,937)
Loans and advances	(475,781)	(945,837)
Contract cost	(3,461,489)	(2,344,872)
Deposits, prepayments and other receivables	(762,069)	1,473,463
	(17,720,310)	(11,351,401)
Increase / (decrease) in current liabilities:		
Trade and other payables	6,598,233	4,471,446
Security deposits	25,850	(47,916)
	6,624,083	4,423,530
	38,101,454	46,059,502

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

	Liabilities							Equity	
	Sub-ordinated loan	Loans from banks	Vendor liability	Liability against assets subject to finance lease	Customer deposits	Dividend payable	Interest accrued	Revenue reserve	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2018	600,000	29,586,153	38,624,716	10,146	10,821,490	210,187	503,096	35,413,809	115,769,597
Changes from financing cash flows									
Draw-downs / additions	-	6,150,513	9,692,218	-	9,713,120	5,100,000	463,065	-	31,118,916
Repayments	(360)	(4,151,667)	(7,832,365)	(18,788)	-	(5,045,351)	-	-	(17,048,531)
	(360)	1,998,846	1,859,853	(18,788)	9,713,120	54,649	463,065	-	14,070,385
Other changes									
Interest cost on lease facilities	-	-	-	640	-	-	-	-	640
Liability related changes	-	-	-	485	-	-	-	-	485
Lease facility availed	-	-	-	26,363	-	-	-	-	26,363
Total liability related other changes	-	-	-	27,488	-	-	-	-	27,488
Total equity related changes	-	-	-	-	-	-	-	(3,395,896)	(3,395,896)
Balance at December 31, 2018	599,640	31,584,999	40,484,569	18,846	20,534,610	264,836	966,161	32,017,913	126,471,574

		2018 Rs '000	2017 Rs '000
41.2 Cash and cash equivalents			
Short term investments	31	17,198,237	4,313,375
Cash and bank balances	32	9,157,769	15,057,748
Short term running finance	16	(1,225,137)	(834,233)
		25,130,869	18,536,890

42. Remuneration of Directors, Chief Executive Officer and executives

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

	Chairman		Chief Executive Officer		Executives			
					Key management personnel		Other executives	
	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000 Restated	2018 Rs '000	2017 Rs '000 Restated
Managerial remuneration	-	-	196,544	203,358	587,758	617,575	1,063,321	913,289
Honorarium	300	300	-	-	-	-	-	-
Bonus	-	-	61,280	79,429	133,627	185,370	195,120	198,701
Retirement benefits	-	-	21,263	18,240	56,062	45,998	110,821	93,348
Housing	-	-	11,047	11,699	231,999	203,561	403,110	350,426
Utilities	-	-	-	-	39,413	35,009	71,046	61,760
	300	300	290,134	312,726	1,048,859	1,087,513	1,843,418	1,617,524
Number of persons	1	1	1	1	75	76	411	363

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Tax on salary of the Chief Executive Officer amounting to Rs 74,955 thousand (December 31, 2017: Rs 91,085 thousand) is borne by the the Holding Company as per contract terms.

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 company maintained cars.

The aggregate amount charged in the consolidated financial statements for the year as fee paid to 13 non executive directors (December 31, 2017: 12 non executive directors) is Rs 95,310 thousand (December 31, 2017: Rs 128,880 thousand) for attending the Board of Directors, and its sub-committee meetings.

43. Rates of exchange

Assets in US dollars have been translated into Rupees at USD 1 = Rs 138.60 (December 31, 2017: USD 1 = Rs 110.30), while liabilities in US dollars have been translated into Rupees at USD 1 = Rs 139.10 (December 31, 2017: USD 1 = Rs 110.50).

44. Financial risk management

44.1 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 program 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.

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

	2018 Rs '000	2017 Rs '000
USD		
Trade and other payables	(4,381,787)	(4,256,664)
Long term vendor liability	(18,343,534)	(19,742,925)
Trade debts	4,332,382	3,379,142
Cash and bank balances	2,815,827	722,357
Net exposure	(15,577,112)	(19,898,090)
EUR		
Trade and other payables	(55,307)	(99,026)
Trade debts	88,777	48,477
Cash and bank balances	45,874	44,920
Net exposure	79,344	(5,629)
AED		
Trade and other payables	(73,556)	(57,893)

	2018	2017
The following significant exchange rates were applied during the year:		
Rupees per USD		
Average rate	122.42	105.54
Reporting date rate		
Assets	138.60	110.30
Liabilities	139.10	110.50
Rupees per EUR		
Average rate	144.06	119.46
Reporting date rate		
Assets	158.52	131.73
Liabilities	159.10	131.97
Rupees per AED		
Average rate	33.34	28.73
Reporting date rate	37.87	30.08

If the functional currency, at the reporting date, had fluctuated by 5% against the USD, AED and EUR with all other variables held constant, the impact on profit after taxation for the year would have been Rs 538,727 thousand (December 31, 2017: Rs 648,752 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.

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The Group is exposed to equity securities price risk because of the investments held by the Group in money market mutual funds and classified in 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 Rs 6,318,016 thousand (December 31, 2017: Rs 4,313,375 thousand) which were subject to price risk.

If redemption price on mutual funds / MTBs / PIBs, at the year end date, fluctuate by 5% higher / lower with all other variables held constant, total comprehensive income for the year would have been Rs 217,972 thousand (December 31, 2017: Rs 146,655 thousand) higher / lower, mainly as a result of higher / lower redemption price on units of mutual funds.

(iii) Interest rate risk

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

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

	2018 Rs '000	2017 Rs '000
Financial assets		
Fixed rate instruments:		
Staff loans	1,021,575	656,097
Short term investments - term deposits	17,198,237	9,394,153
Bank balances - savings accounts	3,047,534	13,247,638
Market treasury bills	980,221	-
	22,247,567	23,297,888
Floating rate instruments:		
Bank balances - savings accounts	-	447,164
Loans to banking customers	17,019,838	10,554,358
	17,019,838	11,001,522
	39,267,405	34,299,410
Financial liabilities		
Fixed rate instruments:		
Customers deposits	20,534,610	10,821,490
Floating rate instruments:		
Long term loans from banks	31,584,999	29,586,153
Liability against assets subject to finance lease	18,845	10,146
Long term vendor liability	16,916,356	14,432,462
Short term running finance	1,225,137	834,233
	49,745,337	44,862,994
	70,279,947	55,684,484

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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 225,806 thousand (December 31, 2017: Rs 220,100 thousand) lower / higher, mainly as a result of higher / lower markup income on floating rate loans/investments.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge an obligation. The maximum exposure to credit risk at the reporting date is as follows:

	2018 Rs '000	2017 Rs '000
Long term loans and advances	888,912	550,332
Trade debts and contract assets	18,903,883	16,805,595
Loans to banking customers	17,019,838	10,554,358
Loans and advances	1,682,244	1,527,713
Deposits and other receivables	4,605,051	4,281,179
Short term investments	17,198,237	6,867,153
Bank balances	8,265,167	14,672,304
	68,563,332	55,258,634

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.

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

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

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

(c) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities as at December 31, 2018:

	Carrying amount Rs '000	Less than one year Rs '000	One to five years Rs '000	More than five years Rs '000
Long term loans from banks	31,584,999	7,176,667	23,575,332	833,000
Liability against assets subject to finance lease	18,846	3,287	15,559	-
Security deposits	1,471,112	575,416	-	895,696
Long term vendor liability	40,484,569	13,532,709	26,951,860	-
Trade and other payables	72,082,391	72,082,391	-	-
Interest accrued	1,023,261	1,023,261	-	-
Short term running finance	1,225,137	1,225,137	-	-
Customers deposits	20,534,609	17,133,725	3,400,884	-
	168,424,924	112,752,593	53,943,635	1,728,696

The following are the contractual maturities of financial liabilities as at December 31, 2017:

	Carrying amount Rs '000	Less than one year Rs '000	One to five years Rs '000	More than five years Rs '000
Long term loans from banks	29,586,153	4,001,154	25,584,999	-
Liability against assets subject to finance lease	10,146	10,146	-	-
Security deposits	1,445,262	1,445,262	-	-
Long term vendor liability	38,624,716	7,474,057	31,150,659	-
Trade and other payables	65,239,131	65,239,131	-	-
Interest accrued	503,096	503,096	-	-
Short term running finance	834,233	834,233	-	-
Customers deposits	10,821,490	6,937,146	3,884,344	-
	147,064,227	86,444,225	60,620,002	-

44.2 Fair value of financial instruments

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

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

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

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

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

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

		Level 1 Rs '000	Level 2 Rs '000	Level 3 Rs '000	Total Rs '000
Long term other investments	2018	-	-	83,900	83,900
Market Treasury Bills	2018	-	1,967,824	-	1,967,824
Investment in mutual funds	2018	4,350,192	-	-	4,350,192
Forward exchange contracts	2018	-	345,772	-	345,772
Long term other investments	2017	-	-	83,900	83,900
Market Treasury Bills	2017	-	1,786,375	-	1,786,375
Investment in mutual funds	2017	2,527,000	-	-	2,527,000
Forward exchange contracts	2017	-	155,791	-	155,791

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44.3 Financial instruments by categories - 2018

	FVOCI - equity instruments Rs '000	FVTPL - equity instruments Rs '000	FVTPL - debt instruments Rs '000	Financial assets at amortized cost Rs '000	Total Rs '000
Financial assets as per consolidated statement of financial position					
Long term other investments	83,900	-	-	-	83,900
Debt securities- treasury Bills	-	-	1,967,824	980,221	2,948,045
Long term loans and advances	-	-	-	706,390	706,390
Trade debts	-	-	-	18,903,883	18,903,883
Loans to banking customers	-	-	-	17,019,838	17,019,838
Loans and advances	-	-	-	1,864,766	1,864,766
Receivable from the Government of Pakistan	-	-	-	2,164,072	2,164,072
Other receivables	-	-	-	4,605,051	4,605,051
Short term investments	-	4,350,192	-	9,900,000	14,250,192
Cash and bank balances	-	-	-	9,157,769	9,157,769

Financial liabilities as per statement of financial position	Amortized cost
Loans from Banks	31,584,999
Vendor liability	40,484,569
Trade and other payables	72,082,391
Securities deposits	1,471,112
Dividend payable	264,836
Interest accrued	966,161
Short term running finance	1,225,137

Financial instruments by categories - 2017

	Available for sale	FVTPL debt instruments	Loans and receivables	Total
Financial assets as per consolidated statement of financial position				
Long term other investments	83,900		-	83,900
Debt securities- treasury Bills	-	1,786,375	-	1,786,375
Long term loans and advances	-		429,346	429,346
Trade debts	-		16,805,595	16,805,595
Loans to banking customers			10,554,358	10,554,358
Loans and advances	-		1,648,699	1,648,699
Receivable from the Government of Pakistan	-		2,164,072	2,164,072
Other receivables	-		4,281,179	4,281,179
Short term investments	4,313,375		5,080,778	9,394,153
Cash and bank balances	-		15,057,748	15,057,748

Financial liabilities as per statement of financial position	Other financial liabilities
Loans from banks	29,586,153
Vendor liability	38,624,716
Trade and other payables	65,239,131
Securities deposits	1,445,262
Dividend payable	210,187
Interest accrued	503,096
Short term running finance	834,233

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44.4 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.

45. Employees' provident funds

Details of the Group's employees' provident funds are given below:

	2018 Rs '000	2017 Rs '000
Total assets	4,825,744	4,835,765
Cost of investments made	4,373,166	4,290,483
Percentage of investments made	90.6%	88.7%
Fair value of investments	3,910,517	4,502,437

	2018		2017	
Break up of investments - at cost	Rs '000	Percentage	Rs '000	Percentage
Mutual funds	1,100,000	25.15	1,650,000	38.45
Pakistan Investment Bonds	875,000	20.01	-	-
Term Finance Certificates	224,000	5.12	-	-
Term Deposit Receipts	2,025,707	46.33	2,557,926	59.61
Interest bearing accounts	148,459	3.39	83,157	1.94
	4,373,166	100.00	4,291,083	100.00

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.

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46. 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 employee funds are also related parties of the Group. The remuneration of the directors, chief executive and executives is given in note 42 to the financial statements. The amounts due from and due to these related parties are shown under respective receivables and payables. The Group had transactions with the following related parties during the year:

Particulars	Aggregate % of shareholding in the Company
Shareholders	
The Government of Pakistan	62.18%
Etisalat International Pakistan	26%
Associated undertakings	
Emirates Telecommunication Corporation	Not applicable
Etisalat - Afghanistan	Not applicable
Etihad Etisalat Company	Not applicable
Etisalat - Egypt	Not applicable
Emirates Data Clearing House	Not applicable
T. F. 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 - Employees Provident Fund	Not applicable
PTML - Employees Provident Fund	Not applicable
PTCL - Employees Gratuity Fund	Not applicable
PTML - Employees Gratuity Fund	Not applicable
Ubank - Employees Provident Fund	Not applicable
Ubank - 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 Regulatory Authority	Not applicable

NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Chief Executive, directors and key management personnel

The Group also has transactions with Chief Executive Officer, directors and other key management personnel which includes chief officers and general managers, transactions with whom are disclosed in note 22 and 42 to these financial statements.

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

Names	Registered Address	Country of Incorporation	Name of Chief Executive	Operational Status	Auditor's opinion on latest available financial statements
- Holding Company					
Etisalat International Pakistan	P.O.Box 300 Abu Dhabi	United Arab Emirates	Mr Abdulrahim Al Nooryani	Operational	Unmodified opinion
- Associated Companies					
Emirates Telecommunication Corporation	P.O. Box 3838 Abu Dhabi	United Arab Emirates	Saleh Abdulla Al Abdooli	Operational	Unmodified opinion
Etisalat - Afghanistan	Ehasan Plaza, near Hajji Yaqoub Square, Shar-e-Naw, Kabul P.O. Box # 800	Afghanistan	Mr Salah Zerguerras	Operational	Unmodified opinion
Etisalat - Egypt	P.O. Box 11, Building S4 El Teseen St, 5th Compound New Cairo,	Egypt	Mr Hazem Metwally	Operational	Unmodified opinion
Etihad Etisalat Company	P.O. Box 23088, Riyadh	Kingdom of Saudi Arabia	Mr Ahmed Abou Doma	Operational	Unmodified opinion

	2018 Rs '000	2017 Rs '000
Details of Transactions with related parties		
Shareholders		
Technical services assistance fee	4,415,614	4,095,674
Associates		
Sale of goods and services	2,311,703	1,196,828
Purchase of goods and services	1,143,350	984,026
Expenses reimbursed to Pakistan MNP Database (Guarantee) Limited	26,550	19,961
Rentals paid to Pakistan Telecommunication Employees Trust (PTET)	533,142	498,263
Employees retirement benefits plans		
Contribution to PTET	2,779,570	5,253,506
Contribution to Gratuity Fund	-	59,526
Other related parties		
Sales of goods and services	1,789,345	1,676,921
Charge under license obligations	1,564,303	1,655,227

NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

47. Operating segment information

47.1 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 (Wire line), wireless communications (Wireless) and banking. The reportable operating segments derive their revenue primarily from voice, data and other services.

47.2 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.

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

	Wireline Rs '000	Wireless Rs '000	Banking Rs '000	Total Rs '000
Year ended December 31, 2018				
Segment revenue	67,029,626	61,074,833	4,582,653	132,687,112
Inter - segment revenue	(5,153,395)	(1,372,969)	(362)	(6,526,726)
Revenue from external customers	61,876,231	59,701,864	4,582,291	126,160,386
Segment results	7,012,502	(1,849,557)	547,059	5,710,004
Year ended December 31, 2017				
Segment revenue	65,024,663	55,912,924	2,796,249	123,733,836
Inter - segment revenue	(5,080,120)	(1,633,544)	(907)	(6,714,571)
Revenue from external customers	59,944,543	54,279,380	2,795,342	117,019,265
Segment results	7,777,837	(3,719,150)	258,966	4,317,653

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

	Wireline Rs '000	Wireless Rs '000	Banking Rs '000	Total Rs '000
As at December 31, 2018				
Segment assets	153,781,516	130,528,440	34,808,242	319,118,198
Segments liabilities	107,867,014	100,141,609	27,870,090	235,878,713
As at December 31, 2017				
Segment assets	147,094,539	130,180,198	17,669,806	294,944,543
Segments liabilities	98,479,563	94,924,868	15,041,494	208,445,925

NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

47.4 Other segment information is as follows:

	Wireline Rs '000	Wireless Rs '000	Banking Rs '000	Total Rs '000
Year ended December 31, 2018				
Depreciation	12,983,836	15,221,250	116,482	28,321,568
Amortization	398,244	3,030,486	18,264	3,446,994
Finance cost	530,007	7,209,396	22,614	7,762,017
Interest income	638,519	89,781	408,745	1,137,045
Income tax expense	3,201,333	(2,199,081)	237,229	1,239,481
Year ended December 31, 2017				
Depreciation	12,602,279	17,306,144	59,559	29,967,982
Amortization	500,156	3,047,924	14,511	3,562,591
Finance cost	282,381	6,164,831	10,400	6,457,612
Interest income	1,394,483	452,641	296,943	2,144,067
Income tax expense	4,191,143	(2,268,624)	148,639	2,071,158
Share of loss from associates	7,624	-	-	7,624

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

47.6 The amount 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.

48. Number of employees

	2018 Number	2017 Number
Total number of persons employed at year end	19,567	18,999
Average number of employees during the year	19,313	18,359

NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

49. Change in accounting policy and its impact on consolidated financial statements

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

i) Consolidated Statement of Financial Position

	Impact of changes in accounting policy		
	As previously reported Rs '000	Adjustments Rs '000	As restated Rs '000
January 01, 2017			
Assets			
Contract costs	-	1,441,417	1,441,417
Others	302,611,576	-	302,611,576
Total assets	302,611,576	1,441,417	304,052,993
Equity and liabilities			
Equity			
Share capital	51,000,000	-	51,000,000
Reserves	30,139,519	-	30,139,519
Unappropriated profit	7,047,199	416,648	7,463,847
	88,186,718	416,648	88,603,366
Liabilities			
Deferred income tax	12,089,804	181,282	12,271,086
Trade and other payables	70,001,837	843,487	70,845,324
Others	132,333,217	-	132,333,217
	214,424,858	1,024,769	215,449,627
	302,611,576	1,441,417	304,052,993
December 31, 2017			
Assets			
Contract costs	-	1,546,113	1,546,113
Income tax recoverable	19,838,281	(9,963)	19,828,318
Deposits, prepayments and other receivables	9,660,732	(6,907)	9,653,825
Others	263,916,287	-	263,916,287
Total assets	293,415,300	1,529,243	294,944,543
Equity and liabilities			
Equity			
Share capital	51,000,000	-	51,000,000
Reserves	30,388,874	-	30,388,874
Unappropriated profit	4,717,685	392,059	5,109,744
	86,106,559	392,059	86,498,618
Liabilities			
Deferred income tax	10,471,742	162,816	10,634,558
Trade and other payables	69,384,175	97,091	69,481,266
Unearned income - contract liability	5,818,447	877,277	6,695,724
Others	121,634,377	-	121,634,377
	207,308,741	1,137,184	208,445,925
Total Equity and liabilities	293,415,300	1,529,243	294,944,543

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

ii) Consolidated Statement of Profit or Loss

	December 31, 2017	Impact of changes in accounting policy	December 31, 2017
	As previously reported Rs '000	Adjustments Rs '000	As restated Rs '000
For the year ended 31 December 2017			
Revenue	117,026,533	(7,268)	117,019,265
Cost of services	(90,113,595)	(424,731)	(90,538,326)
Gross profit	26,912,938	(431,999)	26,480,939
Administrative and general expenses	(17,362,501)	26,029	(17,336,472)
Selling and marketing expenses	(6,505,461)	372,875	(6,132,586)
	(23,867,962)	398,904	(23,469,058)
Operating profit	3,044,976	(33,095)	3,011,881
Other income	9,842,166	-	9,842,166
Finance costs	(6,457,612)	-	(6,457,612)
Profit before taxation	6,429,530	(33,095)	6,396,435
Share loss from Associate	(7,624)	-	(7,624)
	6,421,906	(33,095)	6,388,811
Provision for income tax	(2,079,664)	8,506	(2,071,158)
Profit after taxation	4,342,242	(24,589)	4,317,653

iii) Consolidated Statement of Cash Flows

For the year ended December 31, 2017			
Profit before taxation	6,421,906	(33,095)	6,388,811
Adjustments for non-cash and other items			
Contract cost	-	2,240,177	2,240,177
Others	44,358,385	-	44,358,385
	44,358,385	2,240,177	46,598,562
Operating profit before working capital changes	50,780,291	2,207,082	52,987,373
Contract costs	-	(2,344,872)	(2,344,872)
Trade and other payables	4,333,656	137,790	4,471,446
Working capital changes	(7,248,948)	(1,805,497)	(9,054,445)
Cash generated from operations	47,864,999	(1,805,497)	46,059,502
Finance cost, income tax and others	(22,237,633)	5,023,005	(17,214,628)
Net cash generated from operating activities	25,627,366	3,217,508	28,844,874
Cash flow from investing activities			
Net cash used in investing activities	(3,042,448)	-	(3,042,448)
Cash flow form financing activities			
Net cash generated from financing activities	(16,203,626)	(3,217,508)	(19,421,134)
Net increase in cash and cash equivalents	6,381,292	-	6,381,292
Cash and cash equivalents at beginning of the year	12,155,598	-	12,155,598
Cash and cash equivalents at end of the year	18,536,890	-	18,536,890

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

50. Offsetting of financial assets and liabilities

	Gross amount subject to setoff Rs '000	Offset Rs '000	Net amount Rs '000	Amount not in scope of offsetting Rs '000	Net as per statement of financial position Rs '000
As at December 31, 2018					
Trade debts	12,995,896	(6,527,197)	6,468,699	20,070,715	26,539,414
Trade creditors	(7,929,630)	6,527,197	(1,402,433)	(7,665,535)	(9,067,968)
As at December 31, 2017					
Trade debts	7,813,324	(5,348,941)	2,464,383	22,827,806	25,292,189
Trade creditors	(6,645,866)	5,348,941	(1,296,925)	(7,846,949)	(9,143,874)

51. Corresponding figures

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

Consolidated Statement of Financial Position

Reclassification From	Reclassification To	Rs '000
Current liabilities	Current liabilities	
Trade and other payables	Dividend payable	210,187
Current liabilities	Non-Current liabilities	
Trade and other payables	Advances from customers	1,223,912
Non-Current liabilities	Current liabilities	
Security deposits	Security deposits	553,446
Non-Current Assets	Non-Current Assets	
Long term loans and advances	Capital work in progress	2,286,440
Investment in finance lease	Long term loans and advances	17,268
Current Assets	Current Assets	
Investment in finance lease	Loans and advances	35,137

52. Date of authorization for issue

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on February 12, 2019.

Chief Financial Officer

President & CEO

Chairman

NOTES

ANNEXES

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PTCL
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PAKISTAN

PATTERN OF
SHAREHOLDING
AS AT DECEMBER 31, 2018

No. of shareholders	Shareholdings From	Shareholdings To	Total shares held
24,741	1	100	2,441,157
8,800	101	500	2,718,493
2,848	501	1,000	2,520,932
3,335	1,001	5,000	9,159,234
1,020	5,001	10,000	8,458,229
373	10,001	15,000	4,822,308
262	15,001	20,000	4,842,434
203	20,001	25,000	4,817,428
112	25,001	30,000	3,201,318
75	30,001	35,000	2,472,310
58	35,001	40,000	2,250,910
34	40,001	45,000	1,469,190
131	45,001	50,000	6,465,119
23	50,001	55,000	1,223,703
35	55,001	60,000	2,052,923
23	60,001	65,000	1,440,754
20	65,001	70,000	1,373,366
23	70,001	75,000	1,697,090
17	75,001	80,000	1,342,100
9	80,001	85,000	755,000
15	85,001	90,000	1,321,500
12	90,001	95,000	1,118,500
64	95,001	100,000	6,378,656
14	100,001	105,000	1,436,500
11	105,001	110,000	1,191,000
5	110,001	115,000	563,500
8	115,001	120,000	952,000
6	120,001	125,000	743,106
5	125,001	130,000	647,017
12	130,001	135,000	1,601,360
5	135,001	140,000	695,000
5	140,001	145,000	715,500
23	145,001	150,000	3,445,028
8	150,001	155,000	1,214,401
4	155,001	160,000	636,200
5	160,001	165,000	814,500
1	165,001	170,000	168,500
6	170,001	175,000	1,042,500
4	175,001	180,000	706,600
3	180,001	185,000	551,117
5	185,001	190,000	941,500
2	190,001	195,000	388,600
23	195,001	200,000	4,594,000
3	205,000	210,000	625,000
4	210,001	215,000	856,000
3	215,001	220,000	659,000
2	225,000	230,000	450,000
4	235,001	240,000	950,500
5	245,000	250,000	1,245,000
2	250,001	255,000	500,800
3	255,001	260,000	773,000
1	260,001	265,000	264,500
2	265,001	270,000	536,500
2	275,000	280,000	550,900
1	280,001	285,000	280,200
1	285,001	290,000	287,500
8	295,001	300,000	2,395,000
4	300,001	305,000	1,206,500
2	305,001	310,000	619,500
2	310,001	315,000	626,000
1	315,001	320,000	319,500
1	325,001	330,000	325,232
1	335,000	340,000	335,000
4	345,001	350,000	1,399,000

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2018

No. of shareholders	Shareholdings From	Shareholdings To	Total shares held
3	350,001	355,000	1,063,900
1	360,000	365,000	360,000
2	365,001	370,000	734,384
3	370,001	375,000	1,120,000
1	385,001	390,000	387,073
7	395,001	400,000	2,798,500
1	400,001	405,000	401,000
2	405,001	410,000	819,000
3	420,001	425,000	1,269,000
1	435,000	440,000	435,000
1	450,000	455,000	450,000
1	465,001	470,000	469,500
1	475,000	480,000	475,000
7	495,001	500,000	3,499,000
1	505,001	510,000	509,877
1	525,000	530,000	525,000
1	550,001	555,000	551,000
1	560,000	565,000	560,000
1	575,001	580,000	578,000
1	590,001	595,000	593,000
1	600,000	605,000	600,000
1	605,001	610,000	608,000
1	630,001	635,000	630,500
1	635,001	640,000	639,500
1	690,001	695,000	690,400
3	700,000	705,000	2,104,500
1	705,001	710,000	709,500
1	735,000	740,000	735,000
1	775,000	780,000	775,000
1	785,001	790,000	787,000
2	795,001	800,000	1,596,500
1	810,001	815,000	810,500
1	835,001	840,000	838,000
4	1,000,000	1,005,000	4,006,000
1	1,060,001	1,065,000	1,063,600
1	1,080,001	1,085,000	1,083,103
3	1,095,000	1,100,000	3,295,000
1	1,100,001	1,105,000	1,100,500
1	1,145,001	1,150,000	1,145,700
1	1,170,001	1,175,000	1,172,000
1	1,195,001	1,200,000	1,195,292
1	1,250,000	1,255,000	1,250,000
1	1,270,001	1,275,000	1,272,000
1	1,325,001	1,330,000	1,326,000
1	1,445,000	1,450,000	1,445,000
1	1,500,000	1,505,000	1,500,000
1	1,535,001	1,540,000	1,537,000
1	1,545,001	1,550,000	1,547,000
1	1,700,000	1,705,000	1,700,000
1	1,860,001	1,865,000	1,861,500
1	1,920,001	1,925,000	1,922,000
1	2,000,000	2,005,000	2,000,000
1	2,005,001	2,010,000	2,006,000
1	2,050,000	2,055,000	2,050,000
1	2,075,000	2,080,000	2,075,000
1	2,100,000	2,105,000	2,100,000
1	2,200,000	2,205,000	2,200,000
1	2,235,000	2,240,000	2,235,000
1	2,250,000	2,255,000	2,250,000
1	2,310,001	2,315,000	2,314,000
1	2,405,001	2,410,000	2,409,500
1	2,435,001	2,440,000	2,439,884
2	2,500,000	2,505,000	5,000,000
1	2,505,001	2,510,000	2,508,000
1	2,540,000	2,545,000	2,540,000
1	2,615,001	2,620,000	2,617,562
1	2,665,001	2,670,000	2,666,000
1	3,080,001	3,085,000	3,084,050
1	3,345,001	3,350,000	3,347,600
1	3,380,001	3,385,000	3,384,139
1	3,540,000	3,545,000	3,540,000
1	4,400,001	4,405,000	4,400,500
1	4,500,000	4,505,000	4,500,000
1	4,990,001	4,995,000	4,993,000
1	5,425,001	5,430,000	5,427,500
1	6,005,001	6,010,000	6,008,000
1	6,080,001	6,085,000	6,084,000
1	6,325,001	6,330,000	6,329,000
1	6,390,001	6,395,000	6,390,500
1	6,515,001	6,520,000	6,518,500
1	8,095,001	8,100,000	8,097,500
1	8,655,001	8,660,000	8,658,000
1	9,755,001	9,760,000	9,756,500
1	10,725,000	10,730,000	10,725,000
1	10,910,000	10,915,000	10,910,000
1	16,225,001	16,230,000	16,227,500
1	27,185,001	27,190,000	27,188,000
1	28,235,000	28,240,000	28,235,000
1	29,985,001	29,990,000	29,987,000
1	31,270,001	31,275,000	31,274,500
1	34,360,001	34,365,000	34,361,854
1	55,890,001	55,895,000	55,893,800
1	57,060,001	57,065,000	57,060,074
1	196,385,001	196,390,000	196,387,991
1	407,805,001	407,810,000	407,809,524
1	918,190,001	918,195,000	918,190,476
1	2,974,680,001	2,974,685,000	2,974,680,002
42,570			**5,100,000,000**

CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2018

S. No.	Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouses and minor children	9	9	0.00
2	President of Pakistan	2	3,171,067,993	62.18
3	Associated Companies, Undertakings and related Parties	2	1,326,000,000	26.00
4	NIT and ICP	3	3,400	0.00
5	Banks, Development Financial Institutions, Non Banking Financial Institutions	21	121,504,087	2.38
6	Insurance Companies	18	73,227,936	1.44
7	Modarabas and Mutual Funds	38	24,924,243	0.49
8	Shareholders holding 10%	4	4,497,067,993	88.18
9	General Public :			
	a. local	42,001	138,700,495	2.72
	b. Foreign	234	37,108,358	0.73
10	Others	242	207,463,479	4.07
	Total (excluding : shareholders holding 10%)	42,570	5,100,000,000	100.00

Trades in PTCL Shares

The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouses and minor children have not traded in PTCL shares during the year ended December 31, 2018.

INFORMATION OF SHAREHOLDERS

AS AT DECEMBER 31, 2018

S. No.	Shareholder's category	Number of shareholders	Number of shares held
i.	**Associated Companies, Undertaking and Related Parties (name wise details)**		
	ETISALAT INTERNATIONAL PAKISTAN (LLC) - FIRST CDC ACCOUNT	1	918,190,476
	ETISALAT INTERNATIONAL PAKISTAN (LLC) SECOND CDC ACCOUNT	1	407,809,524
	TOTAL	2	1,326,000,000
ii.	**Mutual Funds (name wise details)**		
	CDC - TRUSTEE AKD INDEX TRACKER FUND	1	127,017
	CDC - TRUSTEE AKD OPPORTUNITY FUND	1	2,500,000
	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	200,000
	CDC - TRUSTEE ALFALAH GHP INCOME MULTIPLIER FUND - MT	1	2,000
	CDC - TRUSTEE APIF - EQUITY SUB FUND	1	425,000
	CDC - TRUSTEE ATLAS INCOME FUND - MT	1	172,500
	CDC - TRUSTEE FIRST HABIB STOCK FUND	1	130,000
	CDC - TRUSTEE HBL EQUITY FUND	1	150,000
	CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	100,000
	CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	1	300,000
	CDC - TRUSTEE HBL MULTI - ASSET FUND	1	100,000
	CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	150,500
	CDC - TRUSTEE MCB DCF INCOME FUND	1	2,508,000
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	100,000
	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1	108,000
	CDC - TRUSTEE NAFA INCOME FUND - MT	1	4,000
	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	1,095,000
	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1	4,400,500
	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	1	8,000
	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1	560,000
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,439,884
	CDC - TRUSTEE NBP AITEMAAD REGULAR PAYMENT FUND	1	551,000
	CDC - TRUSTEE NIT INCOME FUND - MT	1	1,000
	CDC - TRUSTEE NIT STATE ENTERPRISE FUND	1	1,083,103
	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	3,384,139
	CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	1	100,500
	CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	1	13,500
	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	1,700,000
	MCBFSL - TRUSTEE AKD ISLAMIC STOCK FUND	1	1,100,000
	SAFE WAY FUND LIMITED	1	400,000
	TOTAL	30	23,913,643
iii.	**Directors and their spouses**		
	MR. ABDULRAHIM A. AL NOORYANI	1	1
	MR. SERKAN OKANDAN	1	1
	MR. MUDASSAR HUSSAIN	1	1
	MR. HESHAM ABDULLA QASSIM AL QASSIM	1	1
	MR. HATEM DOWIDAR	1	1
	MR. KHALIFA AL FORAH AL SHAMSI	1	1
	MR. ARIF AHMED KHAN	1	1
	MR. MAROOF AFZAL	1	1
	MR. RIZWAN MALIK	1	1
	TOTAL	9	9

INFORMATION AS REQUIRED UNDER
CODE OF CORPORATE GOVERNANCE
AS AT DECEMBER 31, 2018

S. No.	Shareholder's category	Number of shareholders	Number of shares held
iv.	**Public Sector Companies and Corporations**		
	TOTAL	4	113,627,274
v.	**Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds**		
	TOTAL	51	145,472,126
vi.	**Shareholders holding five percent or more voting Rights in the Listed Company (name wise details)**		
	ETISALAT INTERNATIONAL PAKISTAN (LLC) - FIRST CDC ACCOUNT	1	918,190,476
	ETISALAT INTERNATIONAL PAKISTAN (LLC) SECOND CDC ACCOUNT	1	407,809,524
	PRESIDENT OF PAKISTAN	1	2,974,680,002
	PRESIDENT OF PAKISTAN	1	196,387,991
	TOTAL	4	4,497,067,993

NOTICE OF THE
TWENTY FOURTH ANNUAL GENERAL MEETING

Notice is hereby given that the twenty fourth Annual General Meeting (the 'meeting') of Pakistan Telecommunication Company Limited (the 'Company') will be held on Thursday, April 25, 2019 at 10:30 a.m. at S.A. Siddiqui Auditorium, PTCL Headquarters, Sector G-8/4, Islamabad, to transact the following business:

Ordinary Business:

1. To confirm minutes of the 5th Extraordinary General Meeting held on October 31, 2018.
2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2018, together with the Auditors' and Directors' reports.
3. To approve the interim cash dividend of 10% (Re. 1 per Ordinary Share) earlier declared and has already been paid to the shareholders for the year ended December 31, 2018.
4. To appoint Auditors for the financial year ending December 31, 2019 and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

By order of the Board

Saima Akbar Khattak
Company Secretary

Islamabad
Dated: February 12, 2019

NOTICE OF THE TWENTY FOURTH ANNUAL GENERAL MEETING

Notes:

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

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

2. **Closure of Share Transfer Books**

   The Share Transfer Books of the Company will remain closed from April 17, 2019 to April 25, 2019 (both days inclusive). Transfers received by our Share Registrar, FAMCO Associates (Pvt.) Limited at 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi at the close of business on April 16, 2019 will be treated in time for the purpose of attending the meeting.

3. **Change of Address**

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

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

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

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

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

   In order to receive dividends directly into their bank account, shareholders holding shares in physical form are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Company's Share Registrar, FAMCO Associates (Pvt.) Limited at 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi.

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

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

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

NOTICE OF THE TWENTY FOURTH ANNUAL GENERAL MEETING

A. For Attending the Meeting

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

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

B. For appointing Proxies

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

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

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

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

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

7. **Consent for Video Conference Facility**

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

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

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

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

Signature of member

NOTICE OF THE TWENTY FOURTH ANNUAL GENERAL MEETING

8. Electronic transmission of Audited Financial Statements and Notice of AGM

The shareholders of the Company in their general meeting held on April 27, 2017 consented to receive audited financial statements along with notice of annual general meeting electronically through CD/DVD/USB instead of receiving the same in hard copies. Soft copies of the Annual Audited Financial Statements and Notice of the AGM are available on Company's official website www.ptcl.com.pk.

9. Deduction of withholding tax on the amount of dividend

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

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

a) For filers of income tax returns: 15%

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

All shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of future cash dividend otherwise tax on their cash dividend will be deducted as per the rates prescribed by the authority.

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

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

FORM OF PROXY

PAKISTAN TELECOMMUNICATION COMPANY LIMITED

I / We ______________________________

of ______________________________

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

Ordinary Shares as per Share Register Folio No. ______________ and / or CDC Participant I.D. No.

______________ hereby appoint Mr./Mrs./Miss ______________

of ______________ as my / our proxy to vote for me / us and on my / our behalf at the Twenty Fourth Annual General Meeting of the Company to be held on Thursday, April 25, 2019 at 10:30 a.m. and at any adjournment thereof.

Signed this ______________ day of ______________ 2019.

Five Rupees Revenue stamp

For beneficial owners as per CDC List.

1. Witness

____

Signature

Name ______________

____

Address ______________

____

____

CNIC No. [| | | | - | | | | | | | - |]

or Passport No. ______________

2. Witness

____

Signature

Name ______________

____

Address ______________

____

____

CNIC No. [| | | | - | | | | | | | - |]

or Passport No. ______________

Notes:

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

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

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

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

AFFIX
CORRECT
POSTAGE

To,
The Company Secretary,
Pakistan Telecommunication Company Limited
PTCL Headquarters, Sector G-8/4,
Islamabad-44000

FORM OF PROXY
Pakistan Telecommunication Company Limited

پراکسی فارم
پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ

میں مسمی/مسمات ________________________

ساکن ________________________

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

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

ساکن ________________ کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 24 ویں سالانہ اجلاس عام، جو بتاریخ 25 اپریل 2019ء بروز جمعرات بوقت 10:30 بجے صبح منعقد ہو رہا ہے یا اس کے ملتوی شدہ اجلاس میں شرکت کر سکیں اور ووٹ ڈال سکیں۔

مورخہ: ________________

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

گواہان:

1.

دستخط: ________________

نام گواہ: ________________

پتہ: ________________

____

____

شناختی کارڈ/پاسپورٹ نمبر: ________________

2.

دستخط: ________________

نام گواہ: ________________

پتہ: ________________

____

____

شناختی کارڈ/پاسپورٹ نمبر: ________________

ٹکٹ
یہاں چسپاں کریں

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

Pakistan Telecommunication
Company Limited
PTCL Headquarters, G-8/4, Islamabad, Pakistan