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BOARD OF DIRECTORS

Chairman PTCL Board

Maroof Afzal

Members PTCL Board

Abdulrahim A. Al Nooryani

Arif Ahmed Khan

Hatem Dowidar

Serkan Okandan

Rizwan Malik

Khalifa Al Shamsi

Hesham Al Qassim

Mudassar Hussain



CORPORATE INFORMATION

Management

Dr. Daniel Ritz

President & Chief Executive Officer

Mohammad Nadeem Khan

Chief Financial Officer

Syed Mazhar Hussain

Chief Human Resource Officer

Saad Muzaffar Waraich

Chief Technology and Information Officer

Sikandar Naqi

Chief Business Development Officer

Adil Rashid

Chief Business Services Officer

Jahanzeb Taj

Chief Business Operations Officer

Muhammad Shehzad Yousuf

Chief Internal Auditor

Moqeen ul Haque

Chief Strategy Officer & Chief Commercial Officer

Company Secretary

Saima Akbar Khattak

Legal Advisor

Zahida Awan

Executive Vice President (Legal)

Bankers

Conventional

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al Habib Limited

The Bank of Punjab

Citibank N.A. - Pakistan

Faysal Bank Limited

Habib Metropolitan Bank Limited

Habib Bank Limited

Industrial & Commercial Bank of China Limited

JS Bank Limited

Khushhali Bank Limited

MCB Bank Limited

National Bank of Pakistan

Soneri Bank Limited

Standard Chartered Bank (Pakistan) Limited

Telenor Microfinance Bank Limited

The Bank of Khyber

U Microfinance Bank Limited

United Bank Limited

Islamic

Meezan Bank

Registered Office

PTCL Headquarters,

Sector G-8/4,

Islamabad-44000, Pakistan.

Fax: +92-51-2263733

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

Web: www.ptcl.com.pk

Auditors

KPMG Taseer Hadi & Co.,

Chartered Accountants

Share Registrar

FAMCO Associates (Pvt.) Limited

8-F, Next to Hotel Faran, Nursery,

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

Tel: +92-21-34380101-2

Fax: +92-21-34380106

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

DIRECTORS' REVIEW

The Directors of Pakistan Telecommunication Company Limited (PTCL) are pleased to present to the shareholders the un-audited financial information of the Company for the nine months period ended 30th September 2018.

During the period under review, PTCL's revenue was Rs. 52.6 billion – almost at par with the revenue of same period last year (SPLY). PTCL's leading fixed Broadband DSL service posted revenue growth of 7% over SPLY. Investments made in Charji/LTE during previous years also yielded positive results with year-on-year (YoY) revenue growth in double digits. Similarly, revenue from Corporate services also grew considerably by 14% over SPLY. However, due to increase in illegal / grey traffic termination as well as continued conversion of subscribers to OTT and cellular services resulting in reduced voice traffic volumes, revenue from Voice services, both domestic and international, declined during the period.

PTCL's operating profit of Rs. 5.2 billion and net profit after tax of Rs. 4.8 billion during the period decreased by 17% and 26% respectively over SPLY. Main reasons for the said reduction were higher marketing and customer acquisition costs incurred at the beginning of the current financial year, increased expenses of international connectivity and network maintenance owing to currency devaluation and lower non-operating income mainly due to reduced availability of funds. Excluding the one-off items, PTCL's net profitability, however, decreased by 13% in a like-to-like manner. Based upon cost optimization measures undertaken, the overall operating expenses during the period, however, increased by 2% only over SPLY.

PTCL Group's revenue of Rs. 93.2 billion during the period grew by 6% over SPLY. Besides the stability in PTCL's revenue as aforesaid, Ufone's revenue increased by 10% YoY despite tough competition in cellular market. Similarly, revenue of Ubank grew by 65% over SPLY as well.

PTCL Group's operating profit of Rs. 6.8 billion for the period increased by 65% over SPLY mainly on account of growth in Group's revenue. However, the Group's net profit after tax at Rs. 3.9 billion declined by 26% over SPLY mainly due to enhanced financial costs on account of devaluation of Pakistani currency as well as reduced non-operating income during the period. Excluding the one-off items including the said devaluation, the operating and net profitability of the Group increased by 34% and 27% respectively in a like-to-like manner.

The financial strength of your Company was acknowledged during the period through an independent rating exercise as a result of which JCR-VIS assigned PTCL a long-term rating of AAA.

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

Your attention is drawn to note 13 and note 10 of PTCL's and PTCL's consolidated interim financial statements for the period respectively, which, inter-alia, describe that the matter relating to certain employees' rights under the PTCL pension scheme is pending before the Supreme Court of Pakistan.

During the period, PTCL continued with its comprehensive Network Transformation project and accordingly several additional exchanges were fully transformed in various regions. In this regard, 670 new MSAGs were commissioned, adding over 197K additional VDSL2 broadband ports. Moreover, 33K new GPON lines were also added in the network to provide high speed FTTH (Fiber to the Home) broadband services. Commensurate with the said transformation of Access and Switching network elements, the IP and Transport network layers were also revamped to ensure smooth service provisioning to our esteemed customer base. The ongoing transformation program delivers positive results in terms of reduced



customer complaints, higher customer numbers, better ARPU and increased revenue in upgraded exchanges. Besides, various commercial promotions with attractive terms were continued to encourage new subscriptions of DSL broadband services as well as conversion of existing customers to higher speed and volume packages. Resultantly, customer base availing 5Mbps and above DSL broadband packages grew over four times during the period.

In view of the increasing demand of Charji LTE services, the wireless broadband access network is being continuously transformed in different regions / cities to provide Charji LTE services with higher speeds and volumes thus considerably improving customer experience. In this regard, additional 10 new Charji LTE BTS sites were deployed in various regions through reuse of swapped equipment. At the same time, through various promotions having attractive commercial terms e.g. free device swapping, double volume and re-connect offers etc., existing EVO 3.1 Mbps and 9.3Mbps subscribers were persuaded to shift to the Charji LTE services which can provide speeds up to 75Mbps. Consequently, the Charji customer base increased by 66% during the period.

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

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

As part of its CSR (Corporate Social Responsibility) initiatives, your Company took part in the 'Rung Do' program of WWF Pakistan by committing to support plantation of 200,000 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. Further, PTCL also inducted 100 young engineers and business graduates under Summit Programme 2018 from top institutions and universities across Pakistan which would help to develop future leadership of your Company.

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

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

On behalf of the Board

Dr. Daniel Ritz
President & Chief Executive Officer

Islamabad: October 11, 2018

Maroof Afzal
Chairman

مالیاتی جائزہ برائے نومبر 30 ستمبر 2018

پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) کے ڈائریکٹر 30 ستمبر 2018 کو ختم ہونے والی نومبر کی غیر آڈٹ شدہ مالیاتی معلومات حصص یافتگان کے سامنے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

زیر جائزہ دورانیہ میں پی ٹی سی ایل کی آمدن 52.6 ارب روپے رہی جو کہ گزشتہ سال کے اسی دورانیہ کی آمدن کے قریب ہے۔ پی ٹی سی ایل کی فکسڈ براڈ بینڈ ڈی ایس ایل سروس کی آمدن میں گزشتہ سال کی نسبت 7 فیصد اضافہ ہوا۔ گزشتہ برسوں کے دوران CharJi LTE کی مد میں کی گئی سرمایہ کاری میں بھی مثبت رجحان دیکھنے میں آیا اور سال بہ سال کی نسبت سے آمدن میں اضافہ ہوا۔

اسی طرح کارپوریٹ سروسز کی مد میں گزشتہ برس کے مقابلے میں ہونے والی آمدن میں 14 فیصد کا معتد بہ اضافہ ہوا۔ تاہم گرے / غیر قانونی ٹریفک میں اضافے اور صارفین کی OTT اور سیلولر سروسز پر مسلسل منتقلی کی وجہ سے اس دورانیہ میں اندرون اور بیرون ملک وائس سروسز کی مد میں ہونے والی آمدن میں کمی دیکھنے میں آئی۔

پی ٹی سی ایل کا آپریٹنگ منافع 5.2 ارب روپے اور اس کا بعد از ٹیکس منافع 4.8 ارب روپے رہا جو کہ گزشتہ برس کی نسبت بالترتیب 17 فیصد اور 26 فیصد کم ہے۔ مذکورہ کمی کی نمایاں وجہ حالیہ مالی سال کے شروع میں کئے گئے اضافی مارکیٹنگ اور کسٹمر ایکوزیشن اخراجات، بین الاقوامی کنیکٹیوٹیٹی اور میٹ ورک مینٹی نینس کے بڑھتے اخراجات، پاکستانی کرنسی کی قدر میں کمی اور ساتھ ہی دیگر آمدن میں تنزلی ہے جو کہ فنڈز کی کمی کے باعث ہوئی۔ تاہم غیر معمولی انفرادی نوعیت کے اخراجات کی شمولیت کے بغیر پی ٹی سی ایل کے خالص منافع پذیری میں 13 فیصد کمی ہوئی ہے۔ اخراجات میں کئے گئے موثر کفایتی اقدامات کی بدولت مذکورہ دورانیہ میں آپریٹنگ اخراجات میں صرف 2 فیصد اضافہ ہوا۔

گزشتہ برس کے اس دورانیہ کے مقابلے میں پی ٹی سی ایل گروپ کی آمدن 6 فیصد اضافے کے ساتھ 93.2 ارب روپے رہی۔ پی ٹی سی ایل کی آمدن میں استحکام کے ساتھ یوفون کی آمدن میں باوجود سخت سیلولر مارکیٹ مقابلے کے سال بہ سال کی نسبت 10 فیصد اضافہ ہوا۔ اسی طرح یوبینک کی آمدن میں گزشتہ برس کی مدت کے مقابلے میں 65 فیصد اضافہ ہوا۔

پی ٹی سی ایل گروپ کی آمدن میں اضافے کی بدولت پی ٹی سی ایل گروپ کا آپریٹنگ منافع 65 فیصد اضافے کے ساتھ 6.8 ارب روپے رہا۔ تاہم رواں نو ماہی میں پاکستانی روپے کی قدر میں ہونے والی کمی کی وجہ سے، اضافی فنانشل اخراجات اور ساتھ ہی نان آپریٹنگ آمدن میں کمی کی وجوہات کی بنا پر گروپ کی خالص منافع پذیری بعد از ٹیکس، گزشتہ برس کے مقابلے میں 26 فیصد کمی کے ساتھ 3.9 ارب روپے رہی۔ مذکورہ بیان کردہ غیر معمولی انفرادی نوعیت کے اخراجات بشمول روپے کی قدر میں مذکورہ کمی کی عدم شمولیت سے گروپ کے آپریٹنگ اور خالص منافع پذیری میں بالترتیب 34 فیصد اور 27 فیصد اضافہ ہوا۔

آزادانہ طور پر کرائی گئی ریٹنگ کے مطابق اس دورانیہ میں آپ کی کمپنی کی مالی حیثیت مستحکم رہی اور پی ٹی سی ایل کو AAA ریٹنگ دی گئی ہے۔

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

آپ کی توجہ زیر جائزہ دورانیہ کے پی ٹی سی ایل کے عبوری فنانشل اسٹیٹمنٹس کی شق 13 اور 10 کی جانب مبذول کروا رہے ہیں جس میں پی ٹی سی ایل پینشن سکیم کے تحت کچھ ملازمین کے حقوق جو کہ سپریم کورٹ آف پاکستان کے سامنے زیر التواء ہیں کو بیان کیا گیا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز



ڈاکٹر ڈینیل رٹز

صدر چیف ایگزیکٹو آفیسر

اسلام آباد 11 اکتوبر 2018



معروف افضل

چیئر مین پی ٹی سی ایل بورڈ



**CONDENSED INTERIM
FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED
SEPTEMBER 30, 2018 (UN-AUDITED)**



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2018 (UN-AUDITED)

	Note	September 30, 2018 Rs '000	December 31, 2017 (Restated) Rs '000
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital		51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,985,696	2,806,993
General reserve		27,497,072	27,497,072
Unappropriated profit		3,298,758	3,797,720
		33,781,526	34,101,785
		84,781,526	85,101,785
Liabilities			
Non-current liabilities			
Security deposits		583,869	553,446
Deferred income tax		5,788,916	7,145,461
Employees retirement benefits		22,637,969	23,503,831
Deferred government grants		7,981,681	8,059,878
		36,992,435	39,262,616
Current liabilities			
Trade and other payables	6	66,563,317	62,984,018
Total equity and liabilities		188,337,278	187,348,419
Contingencies and commitments	13		

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

Chief Financial Officer

President & CEO

Chairman



	Note	September 30, 2018 Rs '000	December 31, 2017 (Restated) Rs '000
Assets			
Non-current assets			
Property, plant and equipment	7	95,436,070	98,250,679
Intangible assets		1,792,073	1,882,868
		97,228,143	100,133,547
Long term investments		8,977,300	7,977,300
Long term loans and advances	8	10,970,611	7,670,324
Contract cost	9	327,252	300,046
Investment in finance lease		11,816	17,268
		117,515,122	116,098,485
Current assets			
Stores, spares and loose tools		6,139,510	3,633,569
Trade debts and contract asset	10	18,193,736	16,040,224
Loans and advances		2,211,351	1,511,669
Contract cost	9	981,758	900,139
Investment in finance lease		25,571	35,137
Income tax recoverable		14,194,118	15,253,394
Receivable from the Government of Pakistan		2,164,072	2,164,072
Prepayments and other receivables		13,894,547	11,860,653
Short term investments	11	9,345,274	5,607,778
Cash and bank balances	12	3,672,219	14,243,299
		70,822,156	71,249,934
Total assets		188,337,278	187,348,419

Chief Financial Officer

President & CEO

Chairman



CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Note	Three months ended		Nine months ended	
		September 30, 2018 Rs '000	September 30, 2017 Rs '000 (Restated)	September 30, 2018 Rs '000	September 30, 2017 Rs '000 (Restated)
Revenue	14	17,264,625	17,312,880	52,623,025	52,713,387
Cost of services		(13,379,978)	(12,522,668)	(38,901,982)	(37,721,591)
Gross profit		3,884,647	4,790,212	13,721,043	14,991,796
Administrative and general expenses	15	(2,159,184)	(2,044,005)	(6,297,793)	(6,662,632)
Selling and marketing expenses		(673,182)	(745,509)	(2,180,917)	(2,034,900)
		(2,832,366)	(2,789,514)	(8,478,710)	(8,697,532)
Operating profit		1,052,281	2,000,698	5,242,333	6,294,264
Other income	16	764,672	688,509	2,180,078	3,365,883
Finance costs		(237,365)	(22,352)	(495,250)	(145,613)
Profit before tax		1,579,588	2,666,855	6,927,161	9,514,534
Provision for income tax					
- Current		(946,289)	(699,076)	(3,503,965)	(2,988,270)
- Deferred		456,616	(154,318)	1,356,545	(56,381)
		(489,673)	(853,394)	(2,147,420)	(3,044,651)
Profit for the period		1,089,915	1,813,461	4,779,741	6,469,883
Earnings per share - basic and diluted (Rupees)		0.21	0.36	0.94	1.27

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

Chief Financial Officer

President & CEO

Chairman

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Three months ended		Nine months ended	
	September 30, 2018 Rs '000	September 30, 2017 Rs '000 (Restated)	September 30, 2018 Rs '000	September 30, 2017 Rs '000 (Restated)
Profit for the period	1,089,915	1,813,461	4,779,741	6,469,883
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	1,089,915	1,813,461	4,779,741	6,469,883

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



Chief Financial Officer



President & CEO



Chairman



CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

		Nine months ended	
	Note	September 30, 2018 Rs '000	September 30, 2017 Rs '000 (Restated)
Cash flows from operating activities			
Cash generated from operations	17	15,310,651	22,942,205
Employees retirement benefits paid		(754,697)	(636,384)
Payment to Pakistan Telecommunication Employees Trust (PTET)		(2,779,570)	(5,253,506)
Payment of voluntary separation scheme		(10,311)	(4,704,441)
Long term security deposits		30,423	434
Consideration paid against purchase of tax loss from Pakistan Telecom Mobile Limited (PTML)		-	(2,244,885)
Income tax paid		(2,444,688)	(1,630,831)
Net cash from operating activities		9,351,808	8,472,592
Cash flows from investing activities			
Capital expenditure		(7,850,990)	(9,618,465)
Acquisition of intangible assets		(222,694)	(87,880)
Proceeds from disposal of property, plant and equipment		11,362	8,627
Short term investments		3,080,778	5,500,000
Finance lease		19,212	33,309
Long term loans and advances		(2,357,706)	(778,489)
Return on long term loan to PTML		250,907	-
Return on short term investments		695,941	1,054,665
Long term investment in U Microfinance Bank Limited (Ubank)		(1,000,000)	-
Subordinated loan to PTML		(1,000,000)	-
Government grants received		300,000	263,626
Net cash used in investing activities		(8,073,190)	(3,624,607)
Cash flows from financing activities			
Dividend paid		(5,031,424)	(5,079,494)
Net decrease in cash and cash equivalents		(3,752,806)	(231,509)
Cash and cash equivalents at the beginning of the period		16,770,299	5,902,144
Cash and cash equivalents at the end of the period	18	13,017,493	5,670,635

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

Chief Financial Officer

President & CEO

Chairman

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Issued, subscribed and paid-up capital				Revenue reserves		
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit	Total	
	(Rupees in '000)						
Balance as at December 31, 2016 as previously reported	37,740,000	13,260,000	2,621,288	27,497,072	1,894,739	83,013,099	
Impact of change in accounting policy - note 19	-	-	-	-	131,408	131,408	
Balance as at January 01, 2017 - restated	37,740,000	13,260,000	2,621,288	27,497,072	2,026,147	83,144,507	
Total comprehensive income for the period							
Profit for the nine months period ended September 30, 2017- restated	-	-	-	-	6,469,883	6,469,883	
Other comprehensive income for the period							
Total comprehensive income	-	-	-	-	6,469,883	6,469,883	
Transfer to insurance reserve	-	-	185,705	-	(185,705)	-	
Distribution to owners of the Company							
Interim dividend for the year ended December 31, 2017 - Re 1.00 per share	-	-	-	-	(5,100,000)	(5,100,000)	
Balance as at September 30, 2017 - restated	37,740,000	13,260,000	2,806,993	27,497,072	3,210,325	84,514,390	
Total comprehensive income for the period							
Profit for the three months period ended December 31, 2017- restated	-	-	-	-	1,898,134	1,898,134	
Other comprehensive income	-	-	-	-	(1,310,739)	(1,310,739)	
Total comprehensive income	-	-	-	-	587,395	587,395	
Balance as at December 31, 2017 - restated	37,740,000	13,260,000	2,806,993	27,497,072	3,797,720	85,101,785	
Total comprehensive income for the period							
Profit for the nine months period ended September 30, 2018	-	-	-	-	4,779,741	4,779,741	
Other comprehensive income	-	-	-	-	-	-	
Total comprehensive income	-	-	-	-	4,779,741	4,779,741	
Transfer to insurance reserve	-	-	178,703	-	(178,703)	-	
Distribution to owners of the Company							
Interim dividend for the year ending December 31, 2018 - Re 1.00 per share	-	-	-	-	(5,100,000)	(5,100,000)	
Balance as at September 30, 2018	37,740,000	13,260,000	2,985,696	27,497,072	3,298,758	84,781,526	

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


Chief Financial Officer


President & CEO


Chairman

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

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

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

2. STATEMENT OF COMPLIANCE

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

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

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

3. BASIS OF PREPARATION

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and judgments made by the management in the preparation of this condensed interim financial statements are the same as those used in the preparation of audited financial statements of the Company for the year ended December 31, 2017 except for the judgements and estimates made regarding application of IFRS 9 and 15 as described in note 5.

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.1 IFRS 9 Financial Instruments

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

5.2 IFRS 15 Revenue from Contracts with Customer

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

i) Installation Charges

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

ii) Contract cost

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

iii) Contract assets

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

Effect of adoption of IFRS 15 on opening balances has been disclosed in note 19.

	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
6. TRADE AND OTHER PAYABLES		
Trade creditors	10,398,070	12,225,727
Accrued liabilities	26,355,785	24,654,398
Voluntary Separation Scheme payable	241,172	251,483
Receipts against third party works	1,416,045	1,187,376
Income tax collected from subscribers / deducted at source	753,059	276,370
Sales tax payable	474,055	610,547
Technical services assistance fee	15,609,913	12,347,648
Retention money / payable to contractors and suppliers for fixed assets	5,249,260	5,142,146
Unclaimed dividend	278,763	210,187
Advances from customers - contract liabilities	4,690,065	4,928,947
Deferred installation revenue - contract liability	809,332	877,276
Total contract liability	5,499,397	5,806,223
Other liabilities	287,798	271,913
	66,563,317	62,984,018

		September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
7. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	87,427,505	91,196,004
Capital work-in-progress		8,008,565	7,054,675
		95,436,070	98,250,679

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Note	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
7.1 Operating fixed assets			
Opening net book value		91,196,004	85,046,586
Additions during the nine months period (Jan-Sep)	7.2	6,892,022	14,208,095
Additions during the three months (Oct-Dec 2017)		-	6,541,294
		98,088,026	105,795,975
Disposals during the period / year - at net book value		(2)	(2,739)
Depreciation charge for the period / year	7.3	(10,035,453)	(13,550,839)
Impairment charge for the period / year	7.3	(625,066)	(1,046,393)
		(10,660,521)	(14,599,971)
Closing net book value		87,427,505	91,196,004

	September 30, 2018 (Un-Audited) Rs '000	September 30, 2017 (Un-Audited) Rs '000
7.2 Detail of additions during the period :		
Buildings on freehold land	117,997	191,149
Buildings on leasehold land	53,099	21,350
Lines and wires	3,004,249	2,883,512
Apparatus, plant and equipment	3,327,173	5,788,949
Office equipment	122,709	245,413
Computer equipment	89,111	130,126
Furniture and fittings	35,852	11,386
Vehicles	2,728	290,794
Submarine cables	139,104	4,645,416
	6,892,022	14,208,095

7.3 Depreciation and impairment charge for the nine month period ended September 30, 2017 amounts to Rs 10,154,095 thousand and Rs 37,816 thousand respectively.

7.4 Additions to CWIP during the nine months period ended September 30, 2018 were Rs 7,173,274 thousand (September 30, 2017: Rs 9,614,570 thousand).

	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
8. LONG TERM LOANS AND ADVANCES		
Loans to PTML - unsecured	6,000,000	5,000,000
Loans to employees -secured	718,055	443,308
Advances to suppliers against turnkey contracts	4,307,539	2,286,440
Others	54,872	40,551
	11,080,466	7,770,299
Current portion shown under current assets		
Loans to employees -secured	(109,855)	(99,975)
	10,970,611	7,670,324

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

9. CONTRACT COST

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

	Note	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
Cost to obtain a contract		185,965	178,819
Cost to fulfill a contract		1,123,045	1,021,366
	9.1	1,309,010	1,200,185
Current maturity of contract costs		(981,758)	(900,139)
		327,252	300,046

	September 30, 2018 (Un-Audited) Rs '000	September 30, 2017 (Restated) Rs '000
9.1 Movement during the period		
Balance at the beginning of the period	1,200,185	1,033,932
Capitalization during the period	1,575,099	1,314,848
	2,775,284	2,348,780
Amortization during the period	(1,466,274)	(1,253,175)
Balance at end of the period	1,309,010	1,095,605

	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
10. TRADE DEBTS AND CONTRACT ASSETS		
Trade debts	13,164,736	10,944,140
Contract asset	5,029,000	5,096,084
	18,193,736	16,040,224

11. SHORT TERM INVESTMENTS

At amortized cost:

Term deposit- maturity up to 6 months

Market Treasury Bills - maturity up to 3 months

	-	3,080,778
	9,345,274	-
	9,345,274	3,080,778
At fair value through profit or loss:		
Mutual funds	-	2,527,000
	9,345,274	5,607,778

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Note	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
12. CASH AND BANK BALANCES			
Cash in hand		473	85
Balances with banks:	12.1		
Deposit accounts local currency		803,360	13,743,769
Current accounts			
Local currency		1,223,989	96,517
Foreign currency		1,644,397	402,928
		2,868,386	499,445
		3,672,219	14,243,299

12.1 Bank balances includes Rs 51,832 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.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

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

- For the tax years 2012, 2013, 2015 and 2016, Taxation Officer disallowed certain expenses having tax impact of Rs 22,536,409 thousand. The Company has filed appeals before ATIR against the disallowed expenses which are pending adjudication. For tax years 2012, 2015 and 2016, the Company has obtained stay orders from the Honorable Islamabad High Court and ATIR against any coercive measures.
- Against the decision of Sindh Revenue Board (SRB) imposing sales tax of Rs 4,417,000 thousand on revenues from international incoming calls from November 2012 to December 2013, the appeal is pending adjudication before the Commissioner Appeals and stay has been granted by Commissioner Appeals against any coercive measures.
- The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by the Company, the Pakistan Telecommunication Employees Trust (PTET) and the Federal Government (collectively, the Review Petitioners) vide the order dated 17th May 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2), CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts, however the Islamabad High Court has dismissed the application on technicality which has been challenged before the Supreme Court. Under the circumstances, management of the Company is of the view that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the referred decision of the Apex Court which could be disclosed in these financial statements.

	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
(d) Bank guarantee and bid bonds issued in favour of Universal Service Fund (USF) against government grants and others.	7,909,380	6,845,906

13.2 Commitments

Commitments, in respect of contracts for capital expenditure amount to Rs 7,292,024 thousand (December 31, 2017: Rs 5,682,111 thousand).

14. REVENUE

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

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

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

	Nine months ended	
	September 30, 2018 (Un-Audited) Rs '000	September 30, 2017 (Restated) Rs '000
Revenue Segments		
Broadband & IPTV	20,095,521	18,817,945
Voice services	10,929,013	11,586,068
Wireless Data	2,468,976	3,501,544
Revenue from retail customers	33,493,510	33,905,557
Corporate	5,221,309	4,565,947
Carrier and wholesale	8,668,601	8,027,704
International	5,239,605	6,214,179
Total Revenue	52,623,025	52,713,387

Revenue is stated net of trade discount amounting to Rs 79,794 thousand (September 30, 2017: Rs 134,396 thousand) and sales and other taxes directly attributable to sales amounting to Rs 7,018,033 thousand (September 30,2017: Rs 4,899,927 thousand).

15. This includes loss allowance on trade debts and contract assets amounting to Rs 1,479,457 thousand (September 30, 2017: Rs 1,402,000 thousand).

	Note	Nine months ended	
		September 30, 2018 (Un-Audited) Rs '000	September 30, 2017 (Un-Audited) Rs '000
16. OTHER INCOME			
Income from financial assets			
Return on bank deposits	16.1	580,900	1,286,579
Mark-up on subordinated long term loan to PTML		270,297	-
Gain on disposal of investment measured at fair value through profit and loss		131,251	-
Late payment surcharge from subscribers on overdue bills		207,113	226,052
		1,189,561	1,512,631
Income from non-financial assets			
Late delivery charges from vendors		157,645	13,705
Release of deferred government grants		378,197	399,027
Income from rechargeable projects		174,859	228,094
Auctions of obsolete Items		66,341	620
Income from Buildings Rentals		56,088	-
Gain on disposal of property, plant and equipment		6,282	5,901
Recovery from written off receivables		19,892	43,669
Write back of liabilities		69,404	1,065,509
Others		61,809	96,727
		990,517	1,853,252
		2,180,078	3,365,883

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

16.1 Return on bank deposit include Rs 105 thousand (September 30, 2017: Rs 157 thousand) earned from Shariah arrangements.

		Nine months ended	
		September 30, 2018 (Un-Audited) Rs '000	September 30, 2017 (Restated) Rs '000
Note			
17. CASH GENERATED FROM OPERATIONS			
	Profit before tax	6,927,161	9,514,534
	Adjustments for non-cash charges and other items:		
	Depreciation and amortization charge	10,348,944	10,575,907
	Impairment of property, plant and equipment	625,066	37,816
	Amortization of contract cost	1,466,274	1,253,175
	Impairment loss on trade debts and contract assets	1,479,457	1,402,000
	Provision for employees retirement benefits	2,668,407	3,095,461
	Gain on disposal of property, plant and equipment	(11,360)	(5,901)
	Loss on CWIP Write Off	5,078	-
	Return on bank deposits	(580,900)	(1,286,579)
	Imputed interest on long term loans	47,540	19,620
	Imputed Interest on finance lease	(4,194)	(5,506)
	Return on subordinated long term loan to PTML	(270,297)	
	Realized gain on investment measured at fair value through profit or loss	(131,251)	
	Release of deferred government grants	(378,197)	(399,027)
		22,191,728	24,201,500
	Effect on cash flows due to working capital changes:		
	(Increase) / decrease in current assets:		
	Stores, spares and loose tools	(2,505,941)	(1,122,230)
	Trade debts and contract assets	(3,632,969)	(3,869,840)
	Loans and advances	(689,802)	(781,059)
	Contract costs	(1,575,099)	(1,314,848)
	Prepayments and other receivables	(1,998,295)	(107,398)
		(10,402,106)	(7,195,375)
	Increase in current liabilities:		
	Trade and other payables	3,521,029	5,936,080
		15,310,651	22,942,205
		Nine months ended	
		September 30, 2018 (Un-Audited) Rs '000	September 30, 2017 (Un-Audited) Rs '000
18. CASH AND CASH EQUIVALENTS			
	Short term investments	9,345,274	500,000
	Cash and bank balances	3,672,219	5,170,635
		13,017,493	5,670,635

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

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

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

	Impact of changes in accounting policies		
	As previously reported Rs '000	Adjustments Rs '000	As restated Rs '000
i) Statement of financial position			
January 01, 2017			
ASSETS			
Contract cost	-	1,033,932	1,033,932
Others	182,636,563	-	182,636,563
Total Assets	182,636,563	1,033,932	183,670,495
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	51,000,000	-	51,000,000
Reserves	30,118,360	-	30,118,360
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	59,037	7,323,612
Trade and other payables	59,142,912	843,487	59,986,399
Others	33,215,977	-	33,215,977
	99,623,464	902,524	100,525,988
Total equity and liabilities	182,636,563	1,033,932	183,670,495
December 31, 2017			
ASSETS			
Contract cost	-	1,200,185	1,200,185
Income tax recoverable	15,263,357	(9,963)	15,253,394
Others	170,894,840	-	170,894,840
Total Assets	186,158,197	1,190,222	187,348,419
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	51,000,000	-	51,000,000
Reserves	30,304,065	-	30,304,065
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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	September 30, 2017 Rs '000		September 30, 2017 Rs '000
	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
ii) Statement of profit or loss			
Revenue			
Revenue	52,799,180	(85,793)	52,713,387
Cost of services	(37,710,964)	(10,627)	(37,721,591)
Gross profit	15,088,216	(96,420)	14,991,796
Administrative and general expenses	(6,662,632)	-	(6,662,632)
Selling and marketing expenses	(2,107,159)	72,259	(2,034,900)
	(8,769,791)	72,259	(8,697,532)
Operating profit	6,318,425	(24,161)	6,294,264
Other income	3,365,883	-	3,365,883
Finance costs	(145,613)	-	(145,613)
Profit before tax	9,538,695	(24,161)	9,514,534
Provision for income tax	(3,052,382)	7,731	(3,044,651)
Profit for the period	6,486,313	(16,430)	6,469,883
iii) Statement of cash flows			
For the nine months period ended 30 September 2017			
Profit before tax	9,538,695	(24,161)	9,514,534
Adjustments for non-cash and other items			
Contract cost	-	1,253,175	1,253,175
Others	13,433,791	-	13,433,791
	13,433,791	1,253,175	14,686,966
Operating profit before working capital changes	22,972,486	1,229,014	24,201,500
Contract cost	-	(1,314,848)	(1,314,848)
Trade and other payables	5,850,291	85,834	5,936,125
Working capital changes	(5,880,572)	-	(5,880,572)
Cash generated from operations	22,942,205	-	22,942,205
Retirement benefits and income taxes paid etc	(14,469,613)	-	(14,469,613)
Net cash generated from operating activities	8,472,592	-	8,472,592
Cash flow from investing activities			
Net cash flow from investing activities	(3,624,607)	-	(3,624,607)
Cash flow from financing activities			
Net cash generated from financing activities	(5,079,494)	-	(5,079,494)
Net increase in cash and cash equivalents	(231,509)	-	(231,509)
Cash and cash equivalents at the beginning of the period	5,902,144	-	5,902,144
Cash and cash equivalents at the end of period	5,670,635	-	5,670,635

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

		Nine months ended	
		September 30, 2018 (Un-Audited) Rs '000	September 30, 2017 (Restated) Rs '000
20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES			
Relationship with the Company	Nature of transaction		
i. Shareholders	Technical services assistance fee - note 20.1	1,770,067	1,781,794
ii. Subsidiaries	Sale of goods and services	3,823,314	3,830,769
	Purchase of goods and services	2,181,483	2,565,961
	Mark up on long term loans	270,297	-
	Purchase of tax loss from PTML	-	2,244,885
	Return on bank deposit	4,531	11,103
iii. Associated undertakings	Sale of goods and services	1,684,944	816,963
	Purchase of goods and services	712,052	644,556
iv. Employees contribution plan	PTCL Employees GPF Trust - net	47,592	188,050
v. Employees retirement benefit plan	Contribution to the plan- PTET	2,779,570	5,253,506
	Contribution to the plan- Gratuity	62,098	39,038
v. Other related parties	Sale of goods and services	1,325,165	1,239,038
	Charge under license obligations	1,178,929	1,232,748
vi. Directors, Chief Executive and Key management personnel	Fee and remuneration including benefits and perquisites	605,156	678,525
		September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
Period-end balances			
Receivables from related parties			
Long-term Loans to subsidiary		6,000,000	5,000,000
Trade debts			
- Subsidiaries		1,059,146	92,572
- Associated undertakings		2,279,742	932,912
- The Government of Pakistan and its related entities		1,483,002	1,392,331
Other receivables			
- Subsidiaries		9,883,382	7,928,172
- Associated undertakings		71,305	71,305
- PTCL Employees GPF Trust		8,157	55,748
- Pakistan Telecommunication Employees Trust (PTET)		28,757	7,712
- Pakistan Telecommunication Company Limited Employees Gratuity Fund		150,218	82,513
- Long term loans to executives and key management personnel		222,532	-
Bank deposit with subsidiary		2	1,130,877

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
Payables to related parties		
Trade creditors		
- Subsidiaries	28,726	641,630
- Associated undertakings	531,598	311,296
- The Government of Pakistan and its related entities	1,210,659	1,380,182
Security deposits from subsidiary	3,623	3,623
Retention money payable to associated undertakings	3,193	7,832
Technical services assistance fee payable to Etisalat	15,609,913	12,347,648
Pakistan Telecommunication Employees Trust (PTET)	725,038	2,779,570

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

21. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

	Gross amounts subject to setoff Rs '000	Offset Rs '000	Net amount Rs '000	Amount not in scope of offsetting Rs '000	Net as per statement of financial position Rs '000
As at September 30, 2018					
Trade debts and contract assets	9,490,076	(5,069,229)	4,420,847	23,555,283	27,976,130
Trade creditors	(6,315,293)	5,069,229	(1,246,064)	(9,152,006)	(10,398,070)
As at December 31, 2017					
Trade debts and contract assets	10,294,641	(7,556,453)	2,738,188	21,469,217	24,207,405
Trade creditors	(8,628,339)	7,556,453	(1,071,886)	(11,153,841)	(12,225,727)

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

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

This condensed interim financial statements for the nine months ended September 30, 2018 was authorized for issue by the Board of Directors of the Company on October 11, 2018.



Chief Financial Officer



President & CEO



Chairman





CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE NINE MONTHS PERIOD ENDED
SEPTEMBER 30, 2018 (UN-AUDITED)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2018 (UN-AUDITED)

	Note	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital		51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,985,696	2,806,993
General reserve		27,497,072	27,497,072
Unappropriated profit		3,777,214	5,109,744
		34,259,982	35,413,809
Statutory and other reserves		84,837	84,837
Unrealized loss on investments measured at fair value through OCI		(478)	(28)
		85,344,341	86,498,618
Liabilities			
Non-current liabilities			
Long term loans from banks		23,380,000	25,584,999
Subordinated debt		599,760	600,000
Customers deposits		3,803,847	3,884,344
Liability against assets subject to finance lease		1,575	-
Long term security deposits		1,471,181	1,445,262
Deferred Income tax		8,160,115	10,634,558
Employees retirement benefits		22,703,813	23,590,275
Deferred government grants		17,309,056	15,619,006
Long term vendor liability		24,911,048	31,150,659
		102,340,395	112,509,103
Current liabilities			
Trade and other payables	6	74,391,278	69,481,266
Customer deposits		13,016,750	6,937,146
Interest accrued		618,592	503,096
Short term running finance		1,138,273	834,233
Current portion of:			
Long term loans from banks		6,139,167	4,001,154
Liability against assets subject to finance lease		2,298	10,146
Long term vendor liability		13,641,993	7,474,057
Unearned income - contract liability		5,808,107	6,695,724
		114,756,458	95,936,822
Total equity and liabilities		302,441,194	294,944,543

Contingencies and commitments

10

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



Chief Financial Officer



President & CEO



Chairman



	Note	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
Assets			
Non-current assets			
Property, plant and equipment	7	164,079,947	167,490,798
Intangible assets		31,895,506	34,164,307
		195,975,453	201,655,105
Long term investments		93,600	93,600
Long term loans and advances		5,163,992	2,698,518
Contract costs	8	412,907	338,231
Investment in finance lease		11,816	17,268
		201,657,768	204,802,722
Current assets			
Stock in trade, stores and spares		6,355,790	3,827,171
Trade debts and Contract Assets	9	20,080,011	16,805,595
Loans to banking customers		14,321,172	10,554,358
Loans and advances		2,301,028	1,613,562
Contract costs	8	1,617,690	1,207,882
Investment in finance lease		25,571	35,137
Income tax recoverable		20,702,052	19,828,318
Receivable from the Government of Pakistan		2,164,072	2,164,072
Deposits, prepayments and other receivables		13,182,050	9,653,825
Short term investments		12,852,701	9,394,153
Cash and bank balances		7,181,289	15,057,748
		100,783,426	90,141,821
Total assets		302,441,194	294,944,543

Chief Financial Officer

President & CEO

Chairman

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Note	Three months ended		Nine months ended	
		September 30, 2018 Rs '000	September 30, 2017 Rs '000 (Restated)	September 30, 2018 Rs '000	September 30, 2017 Rs '000 (Restated)
Revenue	11	32,545,434	29,374,314	93,207,559	87,881,338
Cost of services		(23,368,540)	(22,090,046)	(67,536,744)	(65,993,953)
Gross profit		9,176,894	7,284,268	25,670,815	21,887,385
Administrative and general expenses	12	(4,823,438)	(4,326,809)	(13,793,319)	(13,220,286)
Selling and marketing expenses		(1,762,102)	(1,524,873)	(5,086,809)	(4,551,619)
		(6,585,540)	(5,851,682)	(18,880,128)	(17,771,905)
Operating profit		2,591,354	1,432,586	6,790,687	4,115,480
Other income		1,043,569	1,796,511	2,960,934	6,795,907
Finance costs		(1,441,352)	(979,038)	(5,041,481)	(2,712,798)
Profit before tax		2,193,571	2,250,059	4,710,140	8,198,589
Provision for income tax					
- Current		(1,015,417)	(1,009,406)	(3,238,219)	(3,875,217)
- Deferred		629,929	245,780	2,474,252	1,018,266
		(385,488)	(763,626)	(763,967)	(2,856,951)
Profit for the period		1,808,083	1,486,433	3,946,173	5,341,638

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



Chief Financial Officer



President & CEO



Chairman

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Three months ended		Nine months ended	
	September 30, 2018 Rs '000	September 30, 2017 Rs '000 (Restated)	September 30, 2018 Rs '000	September 30, 2017 Rs '000 (Restated)
Profit for the period	1,808,083	1,486,433	3,946,173	5,341,638
Other comprehensive income for the period				
Items that may be subsequently reclassified to profit or loss:				
(Loss) / gain on investments measured at fair value arising during the period	(1,194)	60	(1,358)	3,229
Tax effect of revaluation of investments measured at fair value	170	(18)	192	452
Unrealized (loss) / gain on investments measured at fair value - net of tax	(1,024)	42	(1,166)	3,681
Loss / (gain) on disposal transferred to income for the period	479	-	716	(4,736)
	(545)	42	(450)	(1,055)
Total comprehensive income for the period	1,807,538	1,486,475	3,945,723	5,340,583

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

Chief Financial Officer

President & CEO

Chairman

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

		Nine months ended	
	Note	September 30, 2018 Rs '000	September 30, 2017 Rs '000 (Restated)
Cash flows from operating activities			
Cash generated from operations	13	30,667,831	33,927,459
Payment made to Pakistan Telecommunication Employees Trust (PTET)		(2,779,570)	(5,253,506)
Employees retirement benefits paid		(840,399)	(693,569)
Payment of voluntary separation scheme cost		(10,311)	(4,704,441)
Finance cost paid		(4,925,985)	(2,796,689)
Long term security deposits		25,919	(23,554)
Income tax paid		(4,111,952)	(2,959,687)
Net cash from operating activities		18,025,533	17,496,013
Cash flows from investing activities			
Capital expenditure		(18,665,030)	(17,382,334)
Acquisition of Intangible assets		(316,495)	(307,596)
Proceeds from disposal of property, plant and equipment		152,028	166,512
Short term investment-net		3,060,778	5,500,000
Long term loans and advances		(2,294,935)	(759,983)
Finance lease		19,212	33,309
Government grants received		2,624,147	4,944,033
Return on short term investments		990,684	983,344
Net cash used in investing activities		(14,429,611)	(6,822,715)
Cash flows from financing activities			
Loan from banks		(66,986)	998,334
Subordinated debt		(240)	600,000
Vendor liability		(71,675)	(1,270,719)
License fee payable		-	(5,613,084)
Customers deposits		(80,497)	777,905
Liability against assets subject to finance lease		(6,273)	(23,643)
Dividend paid		(5,031,424)	(5,079,494)
Net cash used in financing activities		(5,257,095)	(9,610,701)
Net (decrease) / increase in cash and cash equivalents		(1,661,173)	1,062,597
Cash and cash equivalents at the beginning of the period		18,536,890	12,155,598
Cash and cash equivalents at the end of the period	14	16,875,717	13,218,195

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



Chief Financial Officer



President & CEO



Chairman

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Issued, subscribed and paid-up capital			Revenue reserves		Unrealized gain/(loss) on investments measured at fair value through OCI	
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit	Statutory and other reserves	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	88,186,718
Impact of Change in accounting policy - Note 15	-	-	-	-	416,648	-	416,648
Balance as at January 01, 2017 - restated	37,740,000	13,260,000	2,621,288	27,497,072	7,463,847	20,096	88,603,366
Total comprehensive income for the period	-	-	-	-	5,341,638	-	5,341,638
Profit for the nine months period ended September 30, 2017 - restated	-	-	-	-	-	-	1,669
Other comprehensive income	-	-	-	-	5,341,638	-	5,343,307
Transfer to insurance reserve	-	-	-	-	(185,705)	-	-
Distributions to the owners of holding company	-	-	-	-	-	-	-
Interim dividend for the year ended December 31, 2017 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
Balance as at September 30, 2017 - restated	37,740,000	13,260,000	2,806,993	27,497,072	7,519,780	20,096	88,846,673
Profit for the three months period ended December 31, 2017 - restated	-	-	-	-	(1,023,985)	-	(1,023,985)
Other comprehensive income	-	-	-	-	(1,321,310)	-	(1,324,070)
Transfer to statutory and other reserves	-	-	-	-	(2,345,295)	-	(2,348,055)
	-	-	-	-	(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	86,498,618
Total comprehensive income for the period	-	-	-	-	3,946,173	-	3,946,173
Profit for the nine months period ended September 30, 2018	-	-	-	-	-	-	(450)
Other comprehensive income	-	-	-	-	3,946,173	-	3,945,723
Transfer to insurance reserve	-	-	178,703	-	(178,703)	-	-
Distributions to the owners of holding company	-	-	-	-	-	-	-
Interim dividend for the year ending December 31, 2018 - Re 1.00 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
Balance as at September 30, 2018	37,740,000	13,260,000	2,985,696	27,497,072	3,777,214	84,837	85,344,341

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

Chief Financial Officer

President & CEO

Chairman

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

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Constitution and ownership

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

Pakistan Telecommunication Company Limited (PTCL)

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

Pak Telecom Mobile Limited (PTML)

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

U Microfinance Bank Limited (U Bank)

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

DVCOM Data (Private) Limited (DVCOM Data)

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

Smart Sky (Private) Limited (Smart Sky)

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

1.2 Activities of the Group

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



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

2. STATEMENT OF COMPLIANCE

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

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

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

3. BASIS OF PREPARATION

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.1 IFRS 9 Financial Instruments

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

5.2 IFRS 15 Revenue from contracts with customers

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

i) Installation charges

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

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

ii) Upfront maintenance and service fee

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

iii) Discount on Prepaid cards and load

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

iv) Sale of Handsets

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

v) Transaction price allocated to the remaining performance obligations

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

vi) Contract Cost

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

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

	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
6. TRADE AND OTHER PAYABLES		
Trade creditors	8,254,311	9,143,875
Accrued liabilities	37,350,467	36,612,030
VSS Payable	241,172	251,483
Receipts against third party works	1,416,045	1,187,376
Income tax collected from subscribers / deducted at source	890,056	496,826
Sales tax payable	474,055	620,574
Advances from customers	3,592,646	2,568,205
Employees Provident Fund	23,155	19,091
Technical services assistance fee	15,609,913	12,347,648
Retention money / payable to contractors and suppliers for fixed assets	5,249,260	5,142,146
Unclaimed dividend	278,763	210,187
Other liabilities	1,011,435	881,825
	74,391,278	69,481,266

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

	Note	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
7. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	144,871,298	157,193,242
Capital work-in-progress		19,208,649	10,297,556
		164,079,947	167,490,798
7.1 Operating fixed assets			
Opening net book value		157,193,242	158,693,834
Additions during nine months period (Jan - Sep)		9,748,859	21,903,991
Additions during the three months (Oct - Dec, 2017)		-	9,095,521
		166,942,101	189,693,346
Disposals during the period / year - at net book value		[154,241]	[98,744]
Depreciation for the period / year	7.2	[21,291,496]	[29,967,982]
Impairment for the period / year	7.2	[625,066]	[2,433,378]
		[22,070,803]	[32,500,104]
Closing net book value		144,871,298	157,193,242
7.2 Depreciation and impairment charge for nine months period ended September 30, 2017 amounts to Rs 22,543,515 thousand and 37,816 thousand respectively.			
7.3 Additions to CWIP during the nine months period ended September 30, 2018 were Rs 17,899,778 thousand (nine months period ended September 30, 2017: Rs. 17,538,115 thousand).			
8. CONTRACT COSTS			
Contract costs are amortized over the expected average customer life. There was no impairment loss in relation to the costs capitalized.			
	Note	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
Capitalized cost to obtain a contract	8.1	778,286	422,186
Capitalized cost to fulfill a contract		1,252,311	1,123,927
		2,030,597	1,546,113
Current maturity of contract costs		[1,617,690]	[1,207,882]
		412,907	338,231
		September 30, 2018 (Un-audited) Rs '000	September 30, 2017 (Restated) Rs '000
8.1 Movement during the period			
Balance at the beginning of the period		1,546,113	2,067,864
Capitalization during the period		2,430,479	1,728,792
		3,976,592	3,796,656
Amortization during the period		[1,945,995]	[1,683,228]
Balance at end of the period		2,030,597	2,113,428

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

	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Restated) Rs '000
9. TRADE DEBTS AND CONTRACT ASSETS		
Trade Debts	14,828,789	11,459,486
Contract asset	5,251,222	5,346,109
	20,080,011	16,805,595

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

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

PTCL

- (a) For the tax years 2012, 2013, 2015 and 2016, Taxation Officer disallowed certain expenses having tax impact of Rs. 22,536,409 thousand. PTCL has filed appeals before ATIR against the disallowed expenses which are pending adjudication. For tax years 2012, 2015 and 2016, PTCL has obtained stay orders from Honorable Islamabad High Court and ATIR against any coercive measures.
- (b) Against the decision of Sindh Revenue Board (SRB) imposing sales tax of Rs 4,417,000 thousand on revenues from international incoming calls from November 2012 to December 2013, the appeal is pending adjudication before the Commissioner Appeals and stay has been granted by Commissioner Appeals against any coercive measures.
- (c) The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by PTCL, the Pakistan Telecommunication Employees Trust (PTET) and the Federal Government (collectively, the Review Petitioners) vide the order dated 17th May 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2), CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts, however the Islamabad High Court has dismissed the application on technicality which has been challenged before the Supreme Court. Under the circumstances, management of the Company is of the view that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the referred decision of the Apex Court which could be disclosed in these financial statements.

DVCOM

- (d) After dismissal of the writ petition by the Honorable Islamabad High Court, wherein the vires of Act and regulation were challenged, DVCOM has filed CPLA against the judgement passed by Islamabad High Court before the Honorable Supreme Court of Pakistan. In compliance of interim order dated 15.05.2018 passed by the Supreme Court in CPLA NO.1558/2018, a bank guarantee in favour of Pakistan Telecommunication Authority (PTA) for an amount of Rs. 675,000 thousand on behalf of DVCOM has been provided under protest whereas the balance amount of the imposed Late Payment Additional Fee of Rs. 1,697,081 thousand has also been paid to PTA under protest.

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

	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017" (Restated) Rs '000
(e) Letter of guarantee issued in favor of PTA for USD 7,798 thousand (December 31, 2017: USD 8,321 thousand) in relation to the performance of PTML's obligation stipulated under the license agreements for 2G and 3G services	969,358	919,471
(f) Bank guarantee and bid bonds of the group issued in favor of Universal Service Fund (USF) against government grants and others.	14,586,379	14,394,376
10.2 Commitments - Group		
Commitments for capital expenditure	12,238,960	7,793,694
Letters of credit for purchase of stock	123,237	48,780
Standby Letter of Guarantee	7,425	6,365
	12,369,622	7,848,839

	Nine months ended	
	September 30, 2018 (Un-Audited) Rs '000	September 30, 2017 (Restated) Rs '000
11. REVENUE		
Broadband & IPTV	20,039,642	18,764,579
Voice services	10,015,148	10,672,610
Cellular and other wireless	40,671,907	37,708,094
Banking	3,202,209	1,939,990
Revenue from retail customers	73,928,906	69,085,273
Corporate	6,780,492	5,867,626
Carrier and wholesale	6,279,795	5,396,464
International	6,218,366	7,531,975
Total Revenue	93,207,559	87,881,338

Revenue is stated net of trade discount amounting to Rs 1,550,787 thousand (September 30, 2017: Rs 1,595,040 thousand) and sales and other taxes directly attributable to sales amounting to Rs 10,654,972 thousand (September 30, 2017: Rs 9,629,053 thousand).

12. This includes loss allowance on trade debts and contract assets amounting to Rs 1,509,756 thousand (2017: Rs 1,447,871 thousand).

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

	Nine months ended	
	September 30, 2018 (Un-Audited) Rs '000	September 30, 2017 (Restated) Rs '000
13. CASH GENERATED FROM OPERATIONS		
Profit before tax	4,710,140	8,198,589
Adjustments for non-cash charges and other items:		
Depreciation and amortization charge	23,876,792	25,209,577
Impairment of property, plant and equipment	625,066	37,816
Amortization of contract costs	1,945,995	1,682,078
Loss allowance on trade and other receivables, including contract assets	1,509,756	1,447,871
Provision for non performing advances	166,946	59,592
(Reversal) / Provision for slow moving stock and warranty against mobile phones	[2,359]	3,624
Provision for employees retirement benefits	2,733,507	3,152,915
Imputed interest on long term loans	[170,539]	19,620
Imputed interest on finance lease	[4,194]	[5,506]
Loss / (gain) on disposal of property, plant and equipment	7,291	[104,461]
Gain on disposal of investments measured at fair value through profit or loss	[131,967]	[4,736]
Return on bank deposits and Government Securities	[867,083]	[1,691,702]
Release of deferred government grants	[934,097]	[703,820]
Finance costs	5,041,481	2,712,798
	38,506,735	40,014,255
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	[2,526,260]	[1,107,113]
Trade debts and contract assets	[4,784,172]	[2,689,145]
Loans to banking customers	[3,933,760]	[3,491,336]
Contract costs	[2,430,479]	[1,653,650]
Loans and advances	[687,466]	[801,777]
Prepayments and other receivables	[3,520,501]	1,119,349
	[17,882,638]	[8,623,672]
Increase / (decrease) in current liabilities:		
Trade and other payables	4,851,747	712,230
Customers deposits	6,079,604	2,281,414
Unearned income - contract liability	[887,617]	[456,768]
	10,043,734	2,536,876
	30,667,831	33,927,459
14. CASH AND CASH EQUIVALENTS		
Short term investments	10,832,701	5,686,329
Cash and bank balances	7,181,289	7,531,866
Short term running finance	[1,138,273]	-
	16,875,717	13,218,195

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

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

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

	Impact of changes in accounting policies		
	As previously reported Rs '000	Adjustments Rs '000	As restated Rs '000
i) Statement of Financial Position			
January 01, 2017			
Assets			
Contract 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	416,646	7,463,845
	88,186,718	416,646	88,603,364
Liabilities			
Deferred Tax	12,089,802	181,284	12,271,086
Trade and Other payables	70,001,837	843,487	70,845,324
Others	132,333,219	-	132,333,219
	214,424,858	1,024,771	215,449,629
	302,611,576	1,441,417	304,052,993
December 31, 2017			
Assets			
Contract 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 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

ii) Statement of profit or loss

	September 30, 2017 Rs '000		September 30, 2017 Rs '000
	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
For the period ended 30 September 2017			
Revenue	87,867,523	13,815	87,881,338
Cost of Services	(65,854,877)	(139,076)	(65,993,953)
Gross Profit	22,012,646	(125,261)	21,887,385
Administrative and general expenses	(13,241,840)	21,554	(13,220,286)
Selling and marketing expenses	(4,541,065)	(10,554)	(4,551,619)
	(17,782,905)	11,000	(17,771,905)
Operating profit	4,229,741	(114,261)	4,115,480
Other income	6,795,907	-	6,795,907
Finance costs	(2,712,798)	-	(2,712,798)
Profit before taxation	8,312,850	(114,261)	8,198,589
Provision for income tax	(2,891,712)	34,761	(2,856,951)
Profit after taxation	5,421,138	(79,500)	5,341,638

ii) Statement of Cash flows

For the nine months period ended September 30, 2017			
Profit before taxation	8,312,850	(114,261)	8,198,589
Adjustments for non-cash and other items			
Contract cost	-	1,682,078	1,682,078
Others	30,133,588	-	30,133,588
	30,133,588	1,682,078	31,815,666
Operating profit before working capital changes	38,446,438	1,567,817	40,014,255
Contract costs	-	(1,653,650)	(1,653,650)
Trade and other payables	369,360	342,870	712,230
Unearned income - contract liability	(199,731)	(257,037)	(456,768)
Working capital changes	(4,688,608)	-	(4,688,608)
Cash generated from operations	33,927,459	-	33,927,459
Finance cost, income tax and others	(16,431,446)	-	(16,431,446)
Net cash generated from operating activities	17,496,013	-	17,496,013
Cash flow from Investing Activities			
Net cash used in investing activities	(6,822,715)	-	(6,822,715)
Cash flow from Financing Activities			
Net cash generated from financing activities	(9,610,701)	-	(9,610,701)
Net increase in cash and cash equivalents	1,062,597	-	1,062,597
Cash and Cash Equivalents at beginning of the period	12,155,598	-	12,155,598
Cash and Cash Equivalents at end of the period	13,218,195	-	13,218,195

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

16. SEGMENT INFORMATION

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

16.1 Segment information for the reportable segments is as follows:

	Note	Wire line Rs '000	Wireless Rs '000	Total Rs '000
Nine months ended September 30, 2018				
Segment revenue		50,154,025	47,911,822	98,065,847
Inter segment revenue	16.1.1	(3,823,314)	(1,034,974)	(4,858,288)
Revenue from external customers		46,330,711	46,876,848	93,207,559
Segment results		4,540,754	(594,581)	3,946,173
Nine months ended September 30, 2017 - (Restated)				
Segment revenue		49,211,387	43,725,862	92,937,249
Inter segment revenue	16.1.1	(3,830,769)	(1,225,142)	(5,055,911)
Revenue from external customers		45,380,618	42,500,720	87,881,338
Segment results		6,016,991	(675,353)	5,341,638

16.1.1 Inter segment revenues are eliminated on consolidation.

	Wire line Rs '000	Wireless Rs '000	Total Rs '000
As at September 30, 2018			
Segment assets	147,722,224	154,718,970	302,441,194
Segment liabilities	101,169,268	115,927,585	217,096,853
As at December 31, 2017 (Restated)			
Segment assets	146,920,724	148,023,819	294,944,543
Segment liabilities	98,475,431	109,970,494	208,445,925

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

			Nine months ended	
			September 30, 2018 (Un-Audited) Rs '000	September 30, 2017 (Restated) Rs '000
17. TRANSACTIONS WITH RELATED PARTIES				
	Relationship with the Group	Nature of transaction		
i.	Shareholders	Technical services assistance fee	3,212,265	3,075,363
ii.	Associated undertakings	Sale of goods and services	1,775,903	899,235
		Purchase of goods and services	857,277	785,202
		Prepaid rent	398,387	372,324
		Interest expense on deposits	31,134	-
iii.	Employees benefits plans	PTCL Pakistan Telecommunication Employees Trust (PTET)	2,751,570	5,253,506
		PTCL Gratuity Fund	62,098	39,038
		PTML Gratuity Fund	63,436	52,231
		U Bank Gratuity Fund	10,945	6,750
iv.	Employees contribution plans	PTCL PTCL Employees GPF Trust - net	47,592	188,050
		PTML Provident Fund	79,573	75,500
		U Bank Provident Fund	12,686	8,330
v.	Other related parties	PTCL Sale of goods and services	1,325,165	1,239,038
		PTCL Charges under license obligation	1,178,929	1,232,748
		PTML Expenses reimbursed to Pakistan MNP Database (Guarantee) Limited	18,725	14,511
vi.	Directors, Chief Executive and Key Management Personnel	Fee and remuneration including benefits and perquisites	1,115,932	1,241,407
			September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
Trade debts				
- Associated undertakings			2,498,374	1,066,041
- The Government of Pakistan and its related entities			1,483,002	1,392,331
Deposits, Prepayments and other receivables				
- Associated undertakings			71,305	71,305
- PTCL Employees GPF Trust			8,157	55,748
- Pakistan Telecommunication Employees Trust (PTET)			28,757	7,712
- Prepaid rent			224,591	83,959
- Pakistan Telecommunication Authority			-	45,616
- Pakistan Telecommunication Company Limited Employees Gratuity Fund			150,218	93,293
Long term loans to executives PTCL			222,532	-
and key management personnel PTML			23,162	56,499

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

	September 30, 2018 (Un-Audited) Rs '000	December 31, 2017 (Audited) Rs '000
Trade and Other Payables		
Trade creditors		
- Associated Undertakings	863,930	583,741
- The Government of Pakistan and its related entities	1,210,659	1,380,182
Retention money payable to associated undertaking	3,193	7,832
Technical services fee payable to Etisalat	15,609,913	12,347,648
Pakistan Telecommunication Employees Trust (PTET)	1,227,298	2,759,357
PTML		
- Gratuity Fund	60,626	82,980
- Provident Fund	18,346	19,091
- Remuneration payable to chief executive and key management personnels	716	489
Ubank		
- Gratuity Fund - Contribution and deposits	788,693	580
- Provident Fund - Contribution and deposits	434,182	3,464

18. FAIR VALUE ESTIMATION

The financial asset of Forward exchange contracts at fair value through profit or loss is Rs. 334,153 thousand (December 31, 2017: Rs. 155,791 thousand).

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

19. FINANCIAL RISK MANAGEMENT

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

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

These condensed consolidated interim financial statements for the nine months period ended September 30, 2018 was authorized for issue by the Board of Directors of the Holding Company on October 11, 2018.

Chief Financial Officer

President & CEO

Chairman



NOTES

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