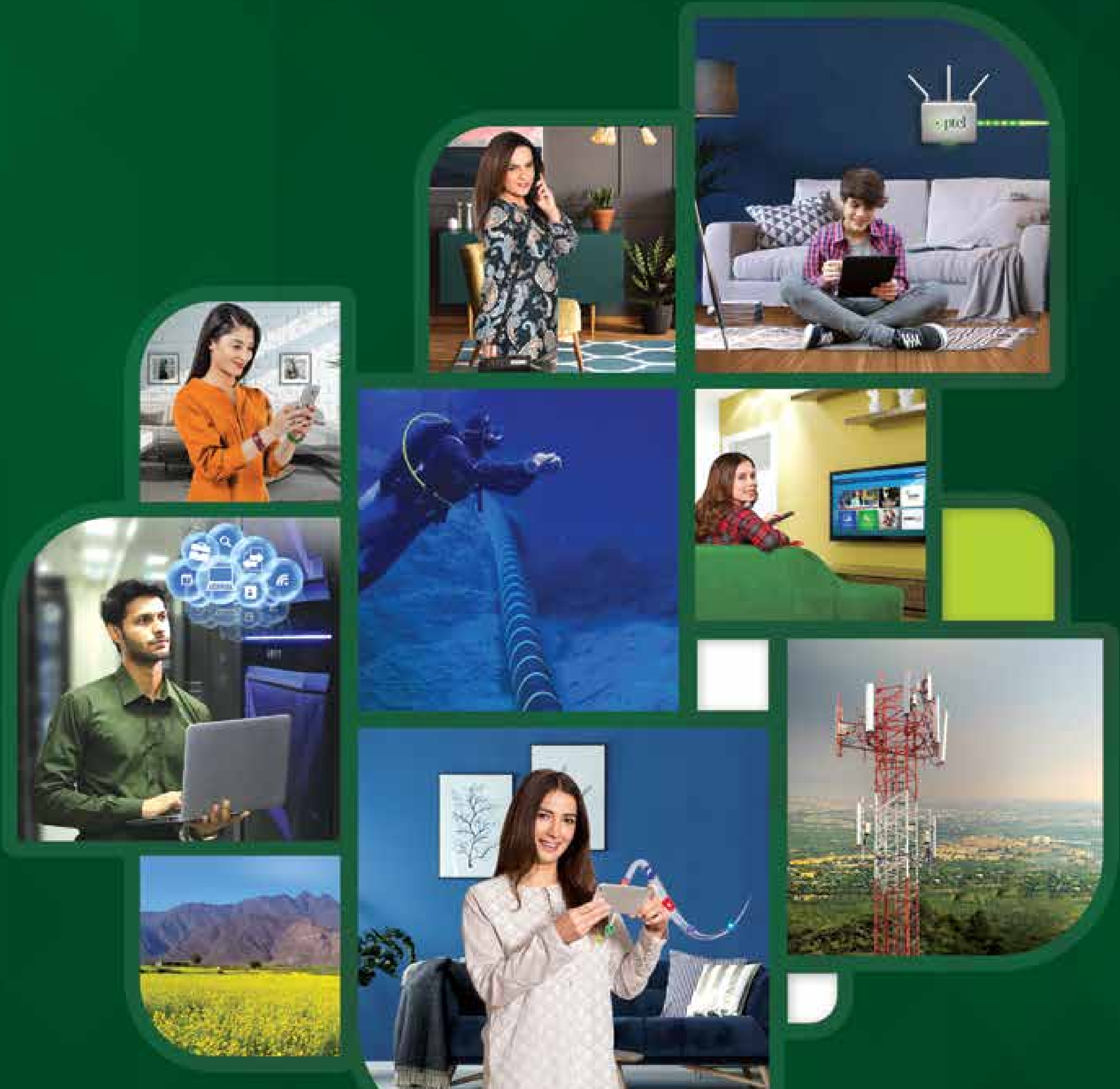
# CONNECTING PAKISTAN



**ANNUAL REPORT** 2019

Leading the **NATION**
towards the era of
**DIGITALIZATION**

# Contents

## VISION

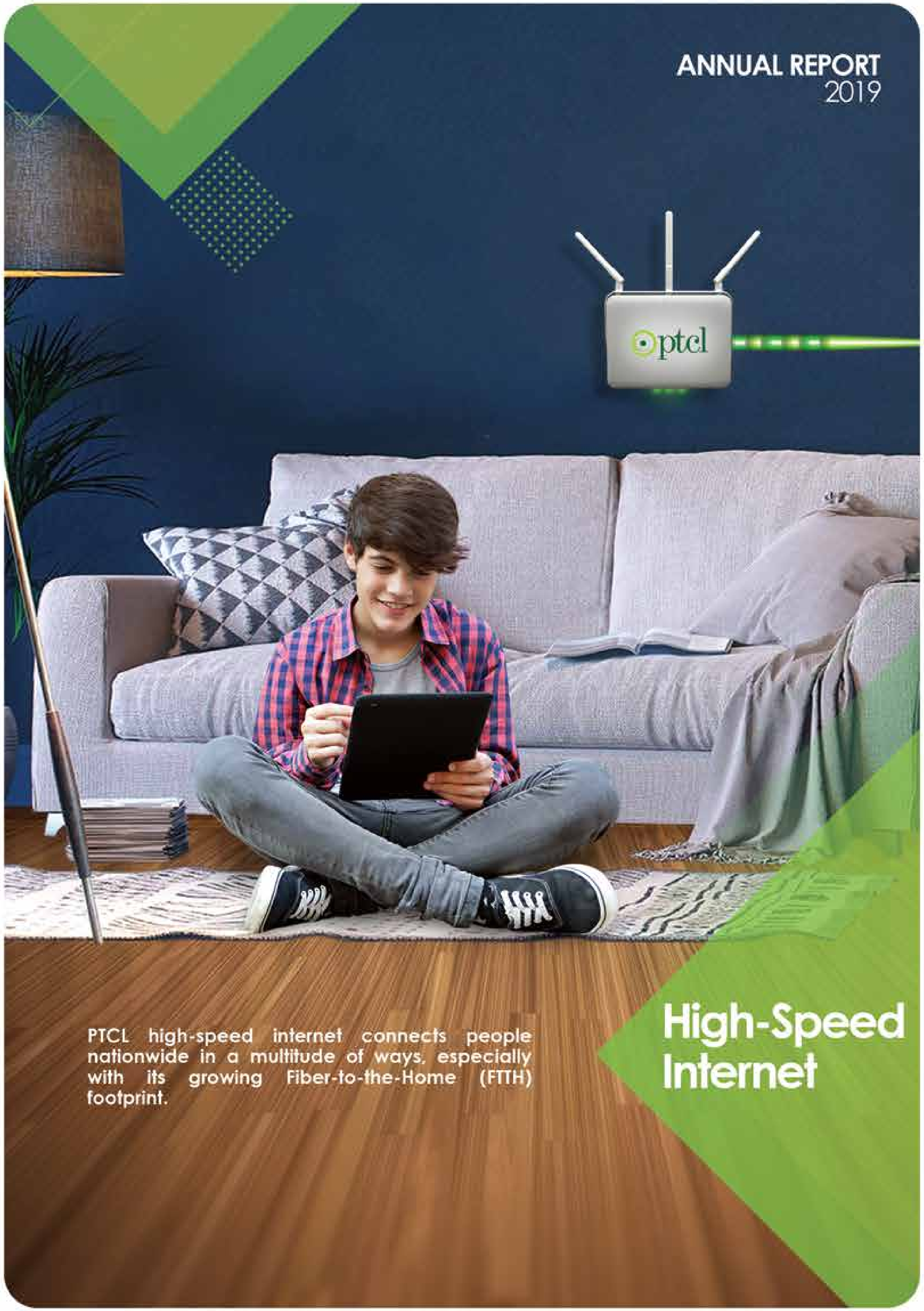
To be the leading and most admired Telecom and ICT provider in and for Pakistan.

## MISSION

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

## CORE VALUES

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



# Board of Directors

**STANDING** (FROM LEFT TO RIGHT):
Mr. Serkan Okandan (Non-Executive Director)
Syed Shabahat Ali Shah (Non-Executive Director)
Mr. Khalifa Al Shamsi (Non-Executive Director)

**SITTING** (FROM LEFT TO RIGHT):
Mr. Rizwan Malik (Non-Executive Director)
Mr. Hatem Dowidar (Non-Executive Director)

**STANDING** (FROM LEFT TO RIGHT):
Mr. Naveed Kamran Baloch (Non-Executive Director)
Mr. Hesham Al Qassim (Non-Executive Director)
Mr. Rashid Naseer Khan (President and Chief Executive Officer)

**SITTING** (FROM LEFT TO RIGHT):
Mr. Shoaib Ahmad Siddiqui (Chairman)
Mr. Abdulrahim A. Al Nooryani (Non-Executive Director)

# Corporate Information

## Management

Rashid Naseer Khan
President and Chief Executive Officer

Mohammad Nadeem Khan
Group Chief Financial Officer

Syed Mazhar Hussain
Chief Human Resource Officer

Sikandar Naqi
Chief Business Development Officer

Moqeem Ul Haque
Chief Commercial and Group Strategy Officer

Saad Muzaffar Waraich
Chief Technology and Information Officer

Adnan Anjum
Group Chief Marketing Officer

Zarrar Hasham Khan
Chief Business Services Officer

Jahanzeb Taj
Group Chief Sales Officer

Muhammad Shehzad Yousuf
Chief Business Operations Officer

Shahid Abbas
Group Chief Internal Audit

## Company Secretary

Saima Akbar Khattak

## Legal Advisor

Zahida Awan
Executive Vice President (Legal Affairs)

## Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

## Bankers

### Conventional

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Citibank N.A.
Deutsche Bank A.G.
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
S.M.E. Bank Limited
Samba Bank Limited
Silk Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Khyber
The Bank of Punjab
The Bank of Tokyo-Mitsubishi Limited
The Punjab Provincial Cooperative Bank Limited
United Bank Limited
Zarai Taraqiati Bank Limited
Mobilink Microfinance Bank Limited
Telenor Microfinance Bank Limited
U Microfinance Bank Limited

### Islamic

Al Baraka Bank (Pakistan) Limited
Bank Islami Pakistan Limited
Burj Bank Limited
Dubai Islamic Bank Pakistan Limited
Meezan Bank Limited
MCB Islamic Bank Limited

## 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

**STANDING** (FROM LEFT TO RIGHT):
Mr. Shahid Abbas (Group Chief Internal Audit)
Mr. Saad Muzaffar Waraich (Chief Technology and Information Officer)
Mr. Zarrar Hasham Khan (Chief Business Services Officer)

**SITTING** (FROM LEFT TO RIGHT):
Mr. Moqeem Ul Haque (Chief Commercial and Group Strategy Officer)
Syed Mazhar Hussain (Chief Human Resource Officer)
Mr. Mohammad Nadeem Khan (Group Chief Financial Officer)

**STANDING** (FROM LEFT TO RIGHT):
Mr. Adnan Anjum (Group Chief Marketing Officer)
Mr. M. Shehzad Yousuf (Chief Business Operations Officer)
Mr. Jahanzeb Taj (Group Chief Sales Officer)

**SITTING** (FROM LEFT TO RIGHT):
Mr. Rashid Naseer Khan (President and Chief Executive Officer)
Mr. Sikandar Naqi (Chief Business Development Officer)

# Operating & Financial Highlights

| Year ended Dec 31 | | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|
| **Key Indicators** | | | | | | | |
| **Operating** | | | | | | | |
| Operating profit margin | % | 6.90 | 9.14 | 10.31 | 12.83 | 11.45 | 15.56 |
| Net profit margin | % | 8.87 | 10.41 | 12.02 | 9.57 | 11.56 | 6.39 |
| **Performance** | | | | | | | |
| Fixed assets turnover | Times | 0.73 | 0.78 | 0.79 | 0.82 | 0.87 | 0.99 |
| Debtors' turnover | Times | 3.88 | 4.36 | 4.60 | 5.01 | 5.04 | 4.75 |
| Return on equity | % | 7.41 | 8.80 | 9.96 | 8.08 | 9.82 | 5.40 |
| Return on capital employed | % | 4.02 | 5.45 | 6.13 | 7.51 | 6.66 | 9.32 |
| Earnings retention | % | 19.65 | 31.29 | 39.05 | 25.38 | (16.44) | (144.84) |
| **Leverage** | | | | | | | |
| Debt:Equity | Ratio | 30:70 | 31:69 | 28:72 | 28:72 | 32:68 | 30:70 |
| Debt ratio | % | 55.39 | 53.92 | 50.76 | 50.57 | 49.01 | 47.20 |
| **Liquidity** | | | | | | | |
| Current | Times | 0.87 | 1.00 | 1.14 | 1.27 | 1.55 | 1.57 |
| Quick | Times | 0.80 | 0.91 | 1.09 | 1.23 | 1.49 | 1.51 |
| **Valuation** | | | | | | | |
| Earnings per share | Rs | 1.24 | 1.46 | 1.64 | 1.34 | 1.72 | 1.02 |
| Breakup value per share | Rs | 17.21 | 16.39 | 16.69 | 16.28 | 16.91 | 18.07 |
| Dividend payout ratio | % | 80.35 | 68.71 | 60.95 | 74.62 | 116.44 | 244.84 |
| Price earnings ratio | Times | 7.52 | 6.60 | 7.95 | 12.82 | 9.60 | 22.55 |
| Market price to breakup value | Times | 0.54 | 0.59 | 0.78 | 1.06 | 0.98 | 1.27 |
| Dividend per share | Rs | 1.00 | 1.00 | 1.00 | 1.00 | 2.00 | 2.50 |
| Dividend yield | % | 10.68 | 10.41 | 7.66 | 5.82 | 12.13 | 10.86 |
| Dividend cover ratio | Times | 1.24 | 1.46 | 1.64 | 1.34 | 0.86 | 0.41 |
| Market value per share (as on Dec 31) | Rs | 9.36 | 9.61 | 13.05 | 17.18 | 16.49 | 23.03 |
| **Historical Trends** | | | | | | | |
| **Operating Results** | | | | | | | |
| Revenue | Rs (m) | 71,548 | 71,273 | 69,620 | 71,420 | 75,752 | 81,513 |
| Profit before tax | Rs (m) | 9,331 | 10,757 | 12,874 | 10,201 | 13,272 | 8,012 |
| Profit after tax | Rs (m) | 6,347 | 7,422 | 8,368 | 6,835 | 8,760 | 5,207 |
| Dividend | Rs (m) | 5,100 | 5,100 | 5,100 | 5,100 | 10,200 | 12,750 |
| **Financial Position** | | | | | | | |
| Share capital | Rs (m) | 51,000 | 51,000 | 51,000 | 51,000 | 51,000 | 51,000 |
| Reserves | Rs (m) | 36,751 | 32,571 | 34,102 | 32,013 | 35,218 | 40,815 |
| Shareholders' equity | Rs (m) | 87,751 | 83,571 | 85,102 | 83,013 | 86,218 | 92,144 |
| EBITDA | Rs (m) | 19,986 | 21,193 | 22,693 | 23,673 | 23,234 | 26,000 |
| Working capital | Rs (m) | (10,400) | 139 | 8,936 | 16,213 | 25,778 | 25,280 |
| Current assets | Rs (m) | 68,835 | 68,658 | 71,250 | 75,356 | 72,592 | 69,625 |
| Total assets | Rs (m) | 209,994 | 196,523 | 187,348 | 182,637 | 180,378 | 179,574 |
| Non-current liabilities | Rs (m) | 43,008 | 44,433 | 39,933 | 40,481 | 47,345 | 43,085 |
| **Operational*** | | | | | | | |
| ALIS as on Dec 31 | No. (000) | 2,467 | 2,664 | 2,959 | 3,336 | 4,119 | 4,323 |
| Averages ALIS per employee | No. | 156 | 170 | 190 | 204 | 229 | 196 |

* Exclusive of Primary and Basic Rate interface

# Operating & Financial Highlights
## Graphical Presentation

### DIVIDEND PAYOUT PER SHARE (RUPEES)

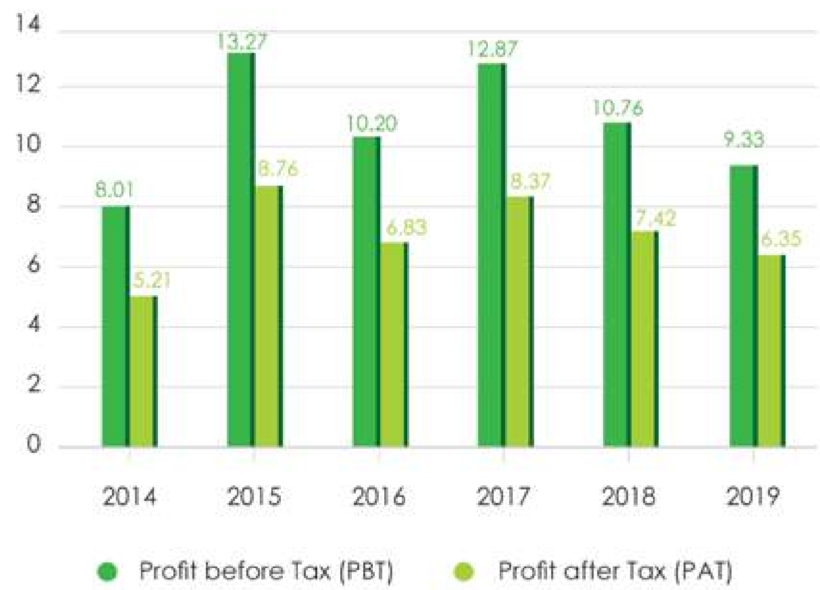

### BREAKUP VALUE VS MARKET VALUE (RUPEES)




# Operating & Financial Highlights
## Graphical Presentation

### RETURN ON OPERATING ASSETS & EQUITY (PERCENTAGE)


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

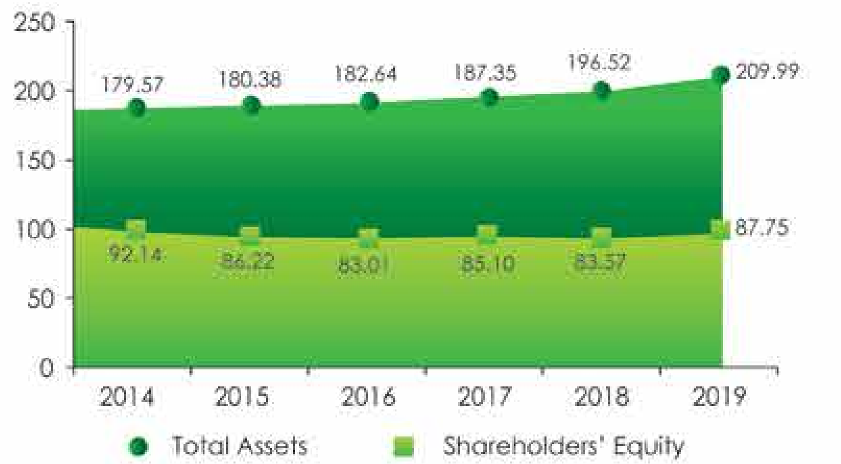


# Operating & Financial Highlights
## Graphical Presentation

**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

I extend my gratitude to the outgoing Chairman of the Board, Mr. Maroof Afzal – former Secretary of the Ministry of Information Technology and Telecommunication, Government of Pakistan, for his services. I also welcome the new Directors on the Board and place on record, the Board's appreciation for the invaluable contributions made by the outgoing Directors.

In 2019, we witnessed the continuation of the Government's economic reform programme that was started in 2018. The macroeconomic interventions undertaken by the Government have yielded some positive results as the current account deficit has decreased significantly at the end of 2019. Pressure on the profitability of the telecom operators remained, as a substantial portion of their capital as well as operating expenditures are foreign currency denominated. Macroeconomic adjustments have, in the short term, resulted in reduced telecom spend by the consumers.

In 2019, the cellular subscribers crossed the 165 million mark resulting in an increased teledensity of 78% whereas the teledensity for the fixed-line consumers remained relatively static. When compared with the fixed-line penetration of other developing countries, Pakistan's telecom sector has a huge potential for high-speed data products. These products will not only bring in revenues for the fixed-line operators but will also contribute towards the desire of the Government of Pakistan to achieve the digitalization of businesses across the country. Recognizing this potential for the high-speed data products, PTCL completed its ambitious network upgrade project which was started in 2017. This network upgrade has helped increase customer satisfaction and improve retention by reducing network fault occurrence and related customer complaints. It has also resulted in increased migrations towards higher data rate packages thereby improving the broadband ARPUs and revenue.

The PTCL Group's revenue for the year grew by 2.1% as compared to last year. However, the profitability was affected by external economic pressures during the year. With Earnings per Share of Rs. 1.24, PTCL's Board declared a final cash dividend of 5% for the year 2019. This was in addition to the 5% interim cash dividend. The total dividend for the year thus stands at 10%.

It is my pleasure to inform you that the performance of the Board and its sub-committees during 2019 was satisfactory. The Board and its committees remained vigilant about the performance of PTCL as well as the risks and challenges faced by it. Constant analysis and review 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 an agenda and supporting written material including follow-up material prior to the Board and its committees' meetings. As Chairman of the Board, I have shown my desire to concentrate more on revenue growth and urged the management to bring up a robust business plan and find avenues for increased revenue generation focusing on customer satisfaction. The Board feels that PTCL is invested with inherent advantages in the fixed-line business and with dedication and tact, the management will come up to our expectation. A salient feature has been the closeness of the company with the customer and the nation through CSR activities.

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's management to make best possible use of such opportunities as per the regulatory frameworks, towards value maximization for the shareholders.

Pakistan Zindabad.

Shoaib Ahmad Siddiqui
Chairman PTCL Board

Islamabad: February 11, 2020



# چیئرمین کا جائزہ

میں سبکدوش ہونے والے چیئرمین بورڈ، سابقہ سیکرٹری برائے وزارت انفارمیشن ٹیکنالوجی و ٹیلی کمیونیکیشن حکومت پاکستان جناب معروف افضل کو ان کی خدمات پر خراج تحسین پیش کرتا ہوں۔ میں نئے ڈائریکٹرز کو بھی خوش آمدید کہتا ہوں اور بورڈ کی جانب سے سابقہ ڈائریکٹرز کے مثالی کردار کو سراہتا ہوں۔

سال 2018 میں حکومت کی جانب سے معاشی اصلاحاتی پروگرام کا آغاز ہوا جس کا تسلسل سال 2019 میں بھی دیکھنے میں آیا۔ حکومت کی جانب سے میکرو اکنامک کی سطح پر کیے جانے والے اقدامات کی بدولت سال 2019 کے اختتام پر کرنٹ اکاؤنٹ خسارے میں خاطر خواہ کمی واقع ہوئی۔ ٹیلی کام آپریٹرز کا منافع دباؤ کا شکار رہا کیونکہ ان کے سرمائے اور آپریٹنگ اخراجات کا ایک بڑا حصہ غیر ملکی کرنسی پر مشتمل ہے۔ میکرو اکنامک کی سطح پر کیے گئے ردوبدل کی وجہ سے صارفین کی جانب سے ٹیلی کام پر کیے گئے اخراجات میں قلیل مدتی طور پر کمی دیکھنے میں آئی۔

سال 2019 میں سیلولر صارفین کی تعداد 165 ملین سے تجاوز کر گئی جس سے ٹیلی ڈینسٹی میں 78 فیصد اضافہ ہوا جبکہ فکسڈ لائن کسٹمرز کی ٹیلی ڈینسٹی پر نسبتاً جمود رہا۔ دیگر ترقی پذیر ممالک میں فکسڈ لائن رجحانات کی نسبت پاکستان کے ٹیلی کام سیکٹر میں ہائی سپیڈ ڈیٹا پراڈکٹس کی ترقی کے بے پناہ مواقع موجود ہیں۔ ان پراڈکٹس سے نہ صرف فکسڈ لائن آپریٹرز کیلئے ریونیوز میں اضافے کی راہیں ہموار ہوں گی بلکہ حکومت پاکستان کے ملک بھر میں کاروبار کی ڈیجیٹلائزیشن کے حصول کا مقصد پورا کرنے میں بھی مدد ملے گی۔ ہائی اسپیڈ ڈیٹا پراڈکٹس کیلئے بے پناہ مواقع کو مدنظر رکھتے ہوئے، پی ٹی سی ایل کی جانب سے 2017 میں شروع کیے گئے نیٹ ورک اپ گریڈ پراجیکٹ کو مکمل کیا گیا۔ جس کی بدولت نیٹ ورک سے متعلق صارفین کی شکایات میں کمی اور ان کے اطمینان میں اضافہ ہوا۔ اس کے نتیجے میں ہائر ڈیٹا ریٹ پیکیجز کی طرف صارفین کی منتقلی میں اضافہ ہوا اور براڈبینڈ اے آر پی یوز اور آمدن میں بہتری آئی۔

گزشتہ سال کی نسبت پی ٹی سی ایل کی گروپ آمدن میں 2.1 فیصد اضافہ ہوا۔ تاہم رواں سال کے دوران بیرونی معاشی دباؤ کی وجہ سے منافع پذیری متاثر ہوئی۔ فی شیئر 1.24 روپے منافع کے ساتھ پی ٹی سی ایل کے بورڈ نے سال 2019 کیلئے 5 فیصد حتمی کیش ڈیویڈنڈ کا اعلان کیا۔ یہ 5 فیصد عبوری کیش ڈیویڈنڈ کے علاوہ تھا۔ چنانچہ مجموعی طور پر رواں سال کیلئے ڈیویڈنڈ 10 فیصد رہا۔

مجھے یہ بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ سال 2019 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 کیے رکھا، ذیلی کمیٹیوں اور بورڈ کی میٹنگز کے دوران کمپنی کی کارکردگی پر مسلسل نظر رکھتے ہوئے پی ٹی سی ایل کی متعلقہ قانونی، ریگولیٹری اور کارپوریٹ گورننس فریم ورک میں رہتے ہوئے کارکردگی کو مزید بہتر بنانے کیلئے ٹھوس اقدامات کے ساتھ مینجمنٹ کی رہنمائی کی گئی۔

بورڈ اور اس کی کمیٹیوں کو میٹنگز کا ایجنڈا اور دیگر تحریری مواد مناسب وقت میں بورڈ اور کمیٹیوں کی میٹنگز سے پہلے موصول ہوا۔ بحیثیت بورڈ چیئرمین، میں نے آمدن میں اضافے پر مزید توجہ دینے کی خواہش کا اظہار کیا ہے اور مینجمنٹ سے آمدن میں اضافے کیلئے بزنس پلان تشکیل دینے اور صارفین کے اطمینان میں اضافہ کرتے ہوئے نئے مواقع تلاش کرنے پر بھی زور دیا ہے۔ بورڈ یہ سمجھتا ہے کہ پی ٹی سی ایل فکسڈ لائن بزنس میں منفرد اور نمایاں مقام رکھتا ہے اور مینجمنٹ مسلسل محنت اور بہترین حکمت عملی کی بدولت ہماری توقعات پر پورا اترے گی۔ سی ایس آر کے اقدامات کے ذریعے اپنے صارفین اور قوم کے ساتھ قربت، کمپنی کی نمایاں خصوصیت ہے۔

بورڈ کی جانب سے میں تمام اسٹیک ہولڈرز کو یقین دلاتا ہوں کہ بحیثیت بورڈ ممبران ہم قانونی دائرہ کار میں رہتے ہوئے پاکستان کے ٹیلی کام سیکٹر میں آنے والے نئے مواقع سے فائدہ اٹھانے کیلئے پی ٹی سی ایل مینجمنٹ کی ہر ممکن رہنمائی فراہم کرتے رہیں گے تاکہ ہمارے شیئر ہولڈرز کی ویلیو میں اضافہ ممکن ہو۔

پاکستان زندہ باد

شعیب احمد صدیقی
چیئرمین پی ٹی سی ایل بورڈ

اسلام آباد: 11 فروری، 2020

# Group CEO's Message

We are honoured to be part of a sector that continuously contributes profoundly towards the transformation of the society from one technological state to another, albeit uncertain but exciting, promising and beneficial one. Being the national carrier of Pakistan, PTCL is privileged to have witnessed the long history of technological developments in the telecom sector, one after the other, ever since the birth of the country. The telecom sector is at the forefront of all the innovative disruptions that affect the world and change it for the better. We are, right now - with the advent of technologies like 5G and Internet of Things, at such a disruptive stage that would change the landscape of the telecom sector enormously. For developing countries like Pakistan, this change brings with itself a promising and robust future for the empowerment of the society through digitalization. PTCL offers one of the most diverse set of services and products that are unmatched in the entire telecom sector of Pakistan. Being the backbone of communication in Pakistan, PTCL is the most suitable enabler to lead the digital transformation of Pakistan.

In addition to the monetary and fiscal adjustments during 2018, which had – and still has - a significant effect on the profitability of companies, the current year also witnessed further macroeconomic adjustments. Rupee devaluation continued during the first half of the year 2019, which took its toll, especially on the telecom sector, as a large proportion of the capital and operating expenditures are foreign currency denominated. The further increase in interest rates in 2019 has increased the cost of financing for companies and a substantial hike in power tariffs during the year has reduced profitability. Overall the economic environment remained challenging for telecom operators as the ensuing inflation has weakened the purchasing power of the consumers.

PTCL Group's revenue has shown a year-on-year (YoY) growth of 2.1% to reach Rs. 129.5 billion. All group companies have contributed positively towards this growth. Ufone continued its acquisition drive in 2019, to cross 23 million subscribers resulting in an improved market share. U Bank, a microfinance banking subsidiary of PTCL, has shown a significant growth of 48% in its revenue over last year as a result of a rapid expansion in its branch network. PTCL Group posted an operating profit and net profit for the year of Rs. 6.7 billion and Rs. 2.4 billion respectively. The decrease in profits is attributable to higher inflation, significant Rupee devaluation, increase in interest rates and hike in power tariffs.

PTCL's revenue of Rs. 71.5 billion for the year is slightly higher than last year. Due to the aforementioned inflationary pressures, PTCL's operating profit and net profits of Rs. 4.9 billion and Rs. 6.3 billion have decreased from last year by 24% and 14.5% respectively. The increase in income on investments as a result of an increase in interest rates, disposal of obsolete assets and translation gain on forex denominated assets, has helped reduce the 24% decrease at operating profit level to 14.5% at the net profit level. PTCL declared a final cash dividend of 5% in addition to the 5% interim cash dividend. The total dividend for the year thus stands at 10%.

Cognizant of the emerging trends and the continuous global shift from voice to data services, PTCL has, in line with the high-speed data needs of its valued customers, completed the transformation of its top 94 exchanges to provide the best in class data services. These exchanges, spread across 12 major cities, had a 50% contribution towards revenue. This network upgrade, which was started in 2017, has further enhanced PTCL's readiness to successfully embrace any change in the technology landscape and made its product portfolio even more attractive - not just for the retail customers but for the corporate and wholesale businesses as well. It has enhanced customer satisfaction through a reduction in network fault occurrences and therefore substantially decreased customer complaints. This, in addition to certain other customer-centric initiatives like experience management, implementation of customer-care systems and adoption of related best practices, has resulted in a marked year-on-year (YoY) improvement in PTCL's TRI*M score - a renowned customer satisfaction index. The upgrade has also enabled PTCL to offer higher rate data packages to the customers resulting in some encouraging increase in wireline broadband ARPUs. Accordingly, there is 11% growth in broadband revenue for the transformed exchanges.

Fiber-to-the-Home (FTTH) remains the product of choice for consumers of this day and age, where both the cellular and fixed-line operators are competing neck and neck to provide their customers with the most reliable and high-speed data products. PTCL, with its extensive fiber footprint that has been immensely improved as part of the network transformation project, is more than ever ready to make the most of the current opportunity. More than 3,380 KM of optical fiber cable has been deployed as part of different projects which will enhance PTCL's capability as an FTTH service provider. FTTH, deployed in 11 major cities of Pakistan, has enhanced the value proposition of the PTCL brand and has shown a promising YoY growth in revenue and the number of subscribers resulting in an increased market share.

Corporate and Wholesale businesses continued their growth momentum from 2018 and have achieved a 13% overall revenue growth by securing new and strategic ICT and cloud projects. PTCL has successfully maintained and expanded its market leadership in the IP bandwidth business. This expansion, coupled with growth in VSAT, has enabled PTCL to become the major bandwidth provider for different cellular, LDI and local loop operators.

Wireless revenue for the year has declined on YoY basis due to strong competition from the cellular companies providing wireless data services. There is continued decline in voice revenues due to conversion of subscribers to OTT and cellular services and illegal/grey traffic termination resulting in declining voice traffic volumes.

PTCL has maintained an entity rating of "AAA" (Triple A) and short-term rating of "A-1+" (A-One Plus) for the second consecutive year. This reflects stakeholders' confidence in PTCL's strong financial position.

During the year, PTCL not only invested in its committed workforce through a range of trainings and capacity building programmes, but it also played its due role as a responsible corporate citizen through a range of CSR initiatives taken by the Company for education, climate change, environmental protection, social welfare, etc.

Going forward, PTCL – through its fiber footprint that extends the length and breadth of the country and its market leadership in international connectivity - aims to deploy FTTH on a fast track basis in the year 2020 and beyond. PTCL is also focusing on uplifting customer experience through various customer-centric programmes as it initiates its customer experience transformation projects for 2020.

Lastly, I would like to extend my deepest gratitude to all of those who have played a valuable role in the success of the PTCL Group in 2019 – our customers for their confidence in our abilities, our employees for all their dedication and hard work, our management team for their commitment and our shareholders for all their support. I am confident that with their continuing support, PTCL stands ready to meet every challenge and capitalise on every opportunity that will enhance the shareholders' value.

Rashid Naseer Khan
President and Chief Executive Officer

Islamabad: February 11, 2020

# گروپ چیف ایگزیکٹیو آفیسر کا پیغام

ہمیں ایسے شعبے کا حصہ ہونے پر فخر ہے کہ جو معاشرے کو ایک تکنیکی حالت سے دوسری میں تبدیل کرنے میں مسلسل اہم کردار ادا کر رہا ہے۔ اگرچہ یہ تبدیلی ایک غیر یقینی لیکن دلچسپ، پُر امید اور فائدہ مند ہے۔ پاکستان کا قومی ادارہ ہونے کے ناطے پی ٹی سی ایل کو یہ اعزاز حاصل ہے کہ اس نے پاکستان بننے سے لے کر اب تک ٹیلی کام سیکٹر میں تکنیکی ترقی کی ایک سے بڑھ کر ایک طویل تاریخ دیکھی ہے۔ ٹیلی کام سیکٹر ان تمام جدید رکاوٹوں میں سب سے آگے ہے جو دنیا کو متاثر کرنے کے ساتھ اس میں بہتر تبدیلی لاتی ہیں۔ ہم ایسے مرحلے سے گزر رہے ہیں جہاں 5G اور انٹرنیٹ آف تھنگز جیسی ٹیکنالوجیز کی آمد ٹیلی مواصلات کے شعبے کے منظر کو یکسر تبدیل کر دیں گے۔ پاکستان جیسے ترقی پذیر ممالک میں اس تبدیلی سے ڈیجیٹلائزیشن کے ذریعے معاشرہ خود مختاری کی جانب گامزن ہو سکے گا۔ پی ٹی سی ایل ایسی منفرد پراڈکٹس اور سروسز فراہم کرتا ہے جن کا پاکستان کے ٹیلی کام سیکٹر میں کوئی ثانی نہیں۔ پاکستان کے کمیونیکیشن سیکٹر کی ریڑھ کی ہڈی ہونے کے ناطے پی ٹی سی ایل پاکستان کو ڈیجیٹلائز کرنے میں سب سے نمایاں کردار ادا کر رہا ہے۔

سال 2018 کے دوران ہونے والی مالیاتی اور مالی تبدیلیوں کے علاوہ جن کا کمپنیوں کے منافع پر ایک اہم اثر تھا اور اب بھی ہے، موجودہ سال بھی مزید معاشی تبدیلیاں دیکھنے میں آئیں۔ سال 2019 کی پہلی ششماہی کے دوران روپے کی قدر میں کمی کا سلسلہ جاری رہا۔ جس نے خاص طور پر ٹیلی کام سیکٹر کو متاثر کیا کیونکہ ٹیلی کام سیکٹر کے سرمائے کا ایک بڑا حصہ اور آپریٹنگ اخراجات غیر ملکی کرنسی کے زیر اثر ہیں۔ 2019 میں شرح سود میں مزید اضافے نے کمپنیوں کی فنانسنگ کاسٹ میں اضافہ کیا اور دوران سال بجلی کے نرخوں میں خاطر خواہ اضافے سے منافع کی شرح میں کمی آئی۔ مجموعی طور پر اقتصادی ماحول ٹیلی کام آپریٹرز کیلئے ناسازگار رہا کیونکہ آنے والی افراطِ زر نے صارفین کی قوت خرید کو کافی کمزور کیا۔

پی ٹی سی ایل گروپ کی آمدن سال بہ سال 2.1 فیصد اضافے کے ساتھ 129.5 ارب روپے رہی۔ اس ترقی میں گروپ کی تمام کمپنیوں نے اپنا اپنا کردار ادا کیا۔ یوفون نے اپنی ترقی کا سفر جاری رکھتے ہوئے سال 2019 میں 23 ملین سبسکرائبرز کی حد عبور کی جس سے اس کے مارکیٹ شیئر میں اضافہ ہوا۔ یوبینک، جو پی ٹی سی ایل کے ماتحت ایک ذیلی مائیکروفنانس بینک ہے، نے اپنے تیزی سے پھیلتے ہوئے برانچ نیٹ ورک کی بدولت ریونیو میں گزشتہ سال کے مقابلے میں 48 فیصد اضافہ کیا۔ پی ٹی سی ایل گروپ نے رواں سال کیلئے آپریٹنگ منافع اور نیٹ منافع بالترتیب 6.7 ارب روپے اور 2.4 ارب روپے ظاہر کیا۔ روپے کی قدر میں خاطر خواہ کمی، بجلی کے نرخ اور شرح سود میں اضافے کے ساتھ ساتھ بڑھتی مہنگائی منافع میں کمی کی وجہ بنی۔

اس سال کیلئے پی ٹی سی ایل کا 71.5 ارب روپے کا ریونیو گزشتہ سال کی نسبت قدرے زیادہ ہے۔ مذکورہ بالا معاشی وجوہات کی بنا پر پی ٹی سی ایل کا آپریٹنگ اور نیٹ منافع بالترتیب 4.9 ارب روپے اور 6.3 ارب روپے، گزشتہ سال کی نسبت 24 فیصد اور 14.5 فیصد کم ہوا۔ شرح سود میں اضافے کی بدولت سرمایہ کاری پر ہونے والی آمدن میں اضافے، ناکارہ اثاثہ جات کی فروخت اور غیر ملکی اثاثہ جات پر ہونے والی آمدن نے آپریٹنگ منافع کی سطح پر 24 فیصد کمی کو خالص منافع کی سطح پر 14.5 فیصد تک کم کرنے میں مدد فراہم کی۔ پی ٹی سی ایل نے 5 فیصد عبوری کیش ڈیویڈنڈ کے علاوہ 5 فیصد حتمی کیش ڈیویڈنڈ کا اعلان کیا۔ سال کے لئے مجموعی کیش ڈیویڈنڈ 10 فیصد رہا۔

عالمی سطح پر وائس سے ڈیٹا سروسز کی منتقلی اور بدلتے رجحانات کو دیکھتے ہوئے اپنے صارفین کی ہائی سپیڈ ڈیٹا کی ضروریات کو پورا کرنے کیلئے پی ٹی سی ایل نے اپنی 94 اہم ایکس چینجز کو تبدیل کیا تاکہ بہترین ڈیٹا سروسز کی فراہمی کو یقینی بنایا جا سکے۔ ملک کے 12 بڑے شہروں میں پھیلی یہ ایکس چینجز ریونیو کا 50 فیصد دے رہی تھیں۔ 2017 میں شروع ہونے والے اس نیٹ ورک اپ گریڈیشن کے منصوبے نے پی ٹی سی ایل کو ٹیکنالوجی کے بدلتے رجحانات کا مقابلہ کرنے کیلئے بہتر طور پر تیار کیا اور اس کے پراڈکٹ پورٹ فولیو کو نہ صرف عام صارف کیلئے بلکہ کارپوریٹ اور ہول سیل کاروبار کیلئے بھی پُرکشش بنا دیا۔



نیٹ ورک مسائل میں کمی کی وجہ سے صارفین کے اعتماد میں اضافہ ہوا جس کی بدولت صارفین کی شکایات میں نمایاں کمی واقع ہوئی۔ مزید برآں صارفین کیلئے کئے گئے اضافی اقدامات بشمول تجربہ کار مینجمنٹ، کسٹمر کیئر سسٹم کے نفاذ اور متعلقہ بہترین طریقوں کو اپنانے سے پی ٹی سی ایل کے TRI*M (جو کہ صارفین کے اطمینان کا اعشاریہ ہے) سکور میں سال بہ سال نمایاں بہتری آئی ہے۔ اس اپ گریڈیشن کی بدولت پی ٹی سی ایل اپنے صارفین کو بہتر ڈیٹا پیکیجز پیش کرتا ہے جس کے نتیجے میں وائر لائن براڈ بینڈ آمدن میں نمایاں اضافہ ہوا۔ اس کے مطابق تبدیل شدہ ایکس چینجز کیلئے براڈ بینڈ آمدن میں 11 فیصد اضافہ ہوا۔ جہاں سیلولر اور فکسڈ لائن آپریٹرز اپنے صارفین کو انتہائی قابل اعتماد اور تیز رفتار ڈیٹا سروسز مہیا کرنے کیلئے سخت مقابلہ کر رہے ہیں وہاں آج بھی فائبر ٹو دی ہوم (FTTH) صارفین کا بہترین انتخاب ہے۔ پی ٹی سی ایل اپنے وسیع فائبر فٹ پرنٹ کے ساتھ جو نیٹ ورک ٹرانسفارمیشن پراجیکٹ کے حصے کے طور پر بے حد بہتر ہوا ہے، موجودہ موقع سے زیادہ سے زیادہ فائدہ اٹھانے کیلئے پہلے سے کہیں زیادہ تیار ہے۔ مختلف منصوبوں کے حصے کے طور پر پی ٹی سی ایل کی جانب سے 3,380 کلومیٹر آپٹیکل فائبر کیبل کی تنصیب کی جا چکی ہے جس سے ایف ٹی ٹی ایچ سروس فراہم کرنے والے اداروں کی حیثیت سے پی ٹی سی ایل کی صلاحیت میں اضافہ ہوگا۔

پاکستان کے 11 شہروں میں ایف ٹی ٹی ایچ کی تنصیب نے پی ٹی سی ایل برانڈ کی اہمیت میں اضافہ کیا ہے۔ اس نے صارفین کی تعداد اور سال بہ سال آمدن میں خاطر خواہ اضافہ کیا جس کے نتیجے میں مارکیٹ شیئر میں اضافہ ہوا۔ کارپوریٹ اور ہول سیل بزنس نے 2018 سے ترقی کی رفتار کو جاری رکھتے ہوئے نئے اور اسٹریٹیجک آئی سی ٹی اور کلاؤڈ پراجیکٹس کے حصول سے مجموعی آمدنی میں 13 فیصد اضافہ حاصل کیا۔ پی ٹی سی ایل نے آئی پی بینڈ وڈتھ کے کاروبار میں اپنی کاروباری قیادت کو کامیابی کے ساتھ برقرار رکھا اور بڑھایا ہے۔

وی ایس اے ٹی میں بہتری کے ساتھ اس پھیلاؤ نے پی ٹی سی ایل کو مختلف سیلولر، ایل ڈی آئی اور لوکل لوپ آپریٹرز کیلئے بینڈ وڈتھ کا اہم فراہم کنندہ بنا دیا ہے۔ وائرلیس ڈیٹا سروسز فراہم کرنے والی سیلولر کمپنیوں کی جانب سے سخت مقابلے کی وجہ سے اس سال وائرلیس آمدن میں سال بہ سال کی بنیاد پر کمی واقع ہوئی ہے۔ غیر قانونی / گرے ٹریفکنگ کی وجہ سے وائس ٹریفک کے حجم میں کمی اور صارفین کی او ٹی ٹی اور سیلولر سروسز پر منتقلی کی وجوہات کی بنا پر وائس آمدن میں کمی کا تسلسل رہا۔

پی ٹی سی ایل نے مسلسل دوسرے سال بھی شارٹ ٹرم ریٹنگ (A-One Plus) "A-1+" اور entity ریٹنگ میں (Triple A) "AAA" ریٹنگ کو برقرار رکھا اور یہ پی ٹی سی ایل کی مضبوط مالی حیثیت پر شراکت داروں کے اعتماد کو ظاہر کرتا ہے۔ دوران سال پی ٹی سی ایل نے مختلف تربیتی اور صلاحیتوں میں اضافے کے پروگرامز کے ذریعے نہ صرف اپنی افرادی قوت کو بہتر بنانے کیلئے سرمایہ کاری کی بلکہ ذمہ دار کارپوریٹ ادارہ ہوتے ہوئے تعلیم، ماحولیاتی تبدیلی، ماحول کے تحفظ اور سماجی بہبود وغیرہ کیلئے بھی مختلف اقدامات کئے۔

مزید برآں پی ٹی سی ایل اپنے فائبر ٹو دی ہوم سروس کی فراہمی کے ذریعے قومی اور بین الاقوامی کنکٹیویٹی فراہم کرنے میں نمایاں مقام برقرار رکھتے ہوئے سال 2020 اور آئندہ آنے والے سالوں میں فائبر ٹو دی ہوم کی تیزی سے تنصیب اور پھیلاؤ کیلئے پر عزم ہے۔ پی ٹی سی ایل صارفین کے اعتماد میں مزید اضافے کیلئے پر عزم ہے اور اس ضمن میں سال 2020 میں صارفین پر مرکوز جیسے ٹرانسفارمیشن پراجیکٹ کا آغاز کر رہا ہے۔

آخر میں 2019 میں پی ٹی سی ایل گروپ کی کامیابی میں اپنا کردار ادا کرنے پر صارفین کے ہماری صلاحیتوں پر مکمل اعتماد، تمام ملازمین کی بھرپور لگن اور ان کی اَن تھک محنت، اپنی پر عزم انتظامیہ اور شیئر ہولڈرز کے بھرپور تعاون اور مکمل ساتھ پر ان کا شکریہ ادا کرتا ہوں۔ مجھے پورا یقین ہے کہ آپ کے تعاون سے پی ٹی سی ایل ہر قسم کے مسائل سے نبرد آزما ہونے کیلئے تیار ہے اور ہم اس بات کا عزم کرتے ہیں کہ اپنے شیئر ہولڈرز کی ویلیو میں اضافے کیلئے تمام تر ذرائع بروئے کار لائیں گے۔

Rashid Khan

**راشد نصیر خان**

پریزیڈنٹ اینڈ چیف ایگزیکٹیو آفیسر

اسلام آباد: 11 فروری، 2020

# 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.**

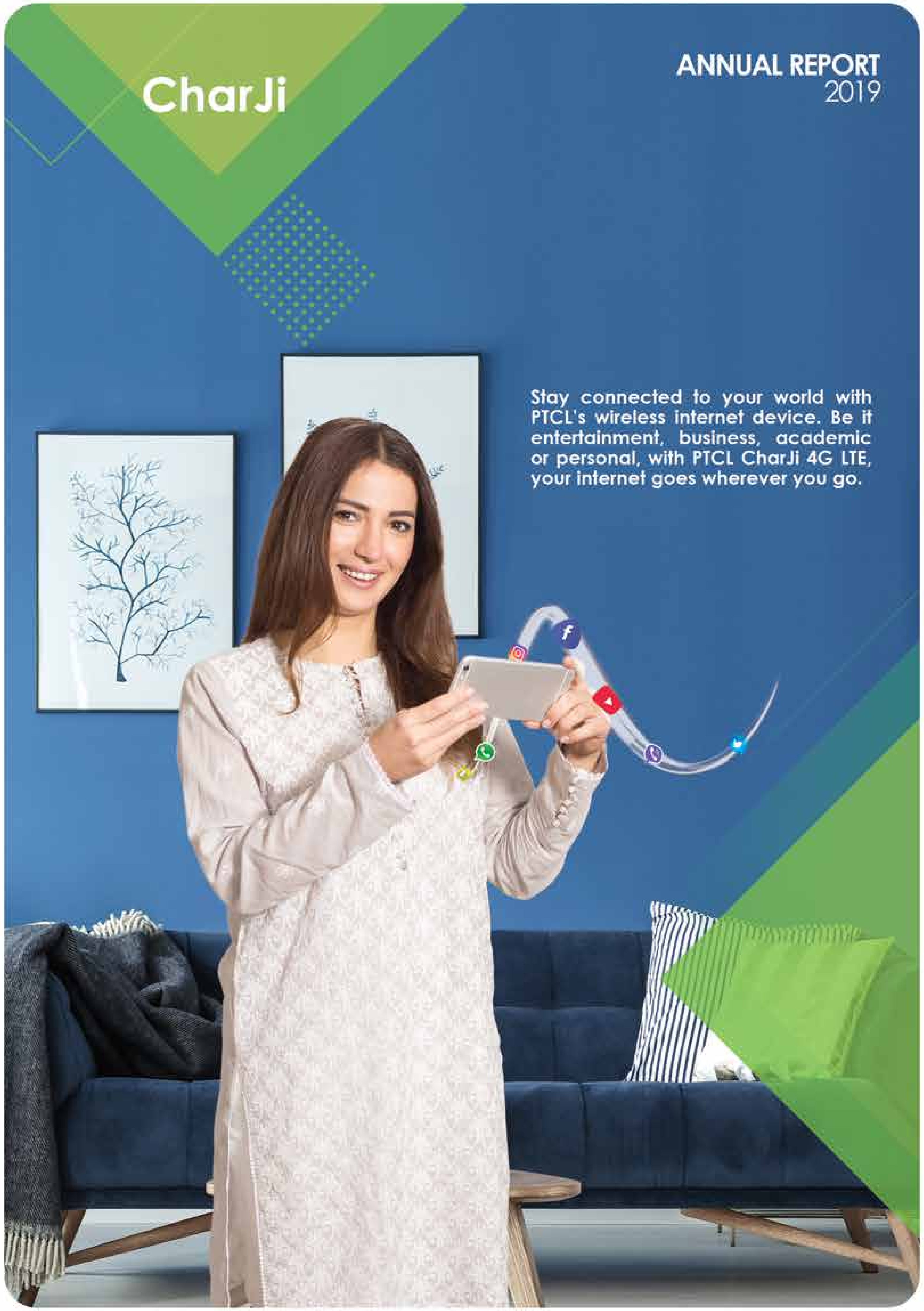
**WE WORK AS ONE TEAM**

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, 2019, together with the auditors' report thereon.

PTCL continues to relentlessly explore opportunities in order to create value for its stakeholders by utilising its vast footprint and strong position in the telecom sector.

Investment in the network upgrade has enabled PTCL to offer improved broadband services to its valued customers. This has not only helped in significantly reducing the customer complaints, enhance customer retention and loyalty, but has also presented the Company with an opportunity to offer higher data rate packages to the customers thereby improving the broadband ARPUs and revenue. PTCL's comprehensive product portfolio of domestic and international connectivity, mobile terminations, interconnect, international transit and passive infrastructure sharing offers great reliability and affordability to our valued business partners. Being the national carrier, PTCL is the backbone of connectivity in Pakistan for organisations that are trusted by their customers for their daily connectivity needs, who in turn trust PTCL as an enabler for provision of these services. These strengths have helped PTCL further enhance its market leadership in the IP bandwidth segment amongst others. PTCL is playing a key role in the digitalization of Pakistan by offering a diverse set of products and services to businesses in the education, finance, healthcare and FMCG sectors. The Company has maintained the entity rating of "AAA" (Triple A) and short-term rating of "A-1+" (A-One Plus) for the second consecutive year. This reflects stakeholders' confidence in PTCL's strong financial position.

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

## Industry Outlook

Towards the end of 2019, Pakistan's economic outlook has started stabilising as a result of the Government's efforts to balance the macroeconomic factors. This intervention has yielded some positive results as the current account deficit has decreased significantly. However, the business continues to face challenging market conditions.

Globally, voice revenues are on the decline and telecom operators are focusing on data revenue streams for top-line growth. Pakistan's telecom market followed a similar trend in 2019 with a continuous decline in voice revenues while notable growth in the data products. Telecom operators have continued to make capital investments in infrastructure upgrades with the aim to offer higher data speeds and achieve growth in subscriber base.

Pakistan's fixed-line penetration lags other developing countries as currently Public Switched Telephone Network (PSTN) and broadband penetration are less than 8% and 6% of total households respectively. Hence, there is an enormous opportunity in fixed-line market space for telecom operators to deploy high-speed data products. Fiber-to-the-Home (FTTH) remains the technology of choice for fixed network operators to meet high-speed data demand of consumers amongst other available fixed-line broadband technologies.

In line with the market trends to provide the customers with high-speed data services, PTCL 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 the future, a considerable opportunity for tower fiberisation is foreseen as an enabler for 5G technology implementation.

Rapid digitalization of major industries has resulted in transformed businesses and operating models. The e-commerce industry also witnessed rapid growth due to this increased digitalization and adoption of new technologies aided by payment gateways systems, e-wallets and branchless banking. These digitalization trends are opening new opportunities in the Information and Communication Technologies (ICT) sector that are positively contributing to corporate and Value-Added-Services (VAS) revenue growth.

Fixed wholesale operators also focused on increasing IP bandwidth capacity by upgrading their network to enable higher bandwidth on long haul and metro fiber to cater to the ever-growing data demand. Corporate and Enterprise segments witnessed an increase in their customers' requirements for managed services, cloud infrastructure and security solutions, which is helping in the development of new revenue streams. This rapid growth in data is offsetting the drop in LDI and voice traffic for operators.

## Financial Performance

Revenues of all the Group companies grew, however, the Group's profitability decreased compared to last year mainly due to significant increase in power cost and other external economic factors. Significant investments on expansion and upgradation of the network helped PTCL maintain its market leadership through the provision of quality services to its esteemed customer base using the latest technologies.

### Revenues

PTCL's revenue of Rs. 71.5 billion for the year is slightly higher than last year. Revenue from Broadband & IPTV and Corporate & Wholesale increased by 5% and 13% respectively. Fiber-to-the-Home (FTTH), deployed in 11 major cities of Pakistan, has enhanced the value proposition of the PTCL brand. Local and international voice revenue has decreased due to subscribers' conversion to OTT (Over the Top) and cellular services as well as an increase in illegal/grey traffic termination. PTCL has successfully maintained and expanded its market leadership in the IP bandwidth business. This expansion coupled with growth in VSAT has enabled PTCL to become the sole bandwidth provider for different cellular, LDI and local loop operators.

PTCL Group's revenue for the year grew by 2.1% from last year to Rs. 129.5 billion as a result of positive contribution by all Group companies. Besides the increase in PTCL's revenue as mentioned earlier, Ufone's revenue increased by 1% whereas growth in U Bank's revenue was significantly higher i.e. 48% over the last year.

### Profitability

PTCL's operating profit for the year has decreased by 24% from last year due to an increase in operating cost mainly on account of the hike in power tariffs and other external economic factors. PTCL has posted a Net Profit after Tax of Rs. 6.3 billion for the year which is 14.5% lower than last year. An increase in non-operating income on account of the disposal of obsolete assets and higher income on investments as a result of an increase in interest rates and translation gain on forex denominated assets has helped reduce the 24% decrease at operating profit level to 14.5% at the net profit level. PTCL's Earnings per Share (EPS) for the year was Rs. 1.24.

PTCL Group has posted operating profit and net profit for the year of Rs. 6.7 billion and Rs. 2.4 billion respectively. The decrease in profits at the Group level is attributable to the pressures exerted by hike in power tariffs and the impact of other external economic factors.

### Cash Flows

PTCL's cash flows, generated through operations during the year, were mainly used for capital expenditure towards network upgrade, expansion and integration of core network and deployment of fiber optic.

At the Group level, besides the above-stated capital expenditure in PTCL's network, the cash flows were also used for Ufone's network upgrade and branch expansion of U Bank.

### Dividends and Appropriations

PTCL's Board of Directors has recommended a final cash dividend of 5% i.e. Re. 0.50 per share, which is in addition to the interim cash dividend of 5% i.e. Re. 0.50 per share. The total dividend for the year thus stands at 10% i.e. Re. 1.00 per share.

Further, the income of Rs. 187 million earned on the insurance reserve funds were transferred from unappropriated profits to the insurance reserve.

### Other Matters

There are no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Your attention is drawn to note 13.7 of PTCL's financial statements as well as note 18.7 of the consolidated financial statements for the year, which explain that the matters relating to certain employees' rights under the PTCL pension scheme are pending with various courts, as highlighted by the external auditors in their audit reports.

## Products & Services - Consumers

PTCL has long served the needs of Pakistani customers in terms of voice, data and content. Various value for money and unlimited broadband packages were launched this year along with an incentive for the customers to get their broadband connection installed at a reduced price. Utilising the transformed network across the country, which serves as a stepping stone for enhancing PTCL's FTTH footprint across the country, many new customers were served. With an aim to digitally connect the nation, the following product offerings were introduced during the year:

### Wireline Broadband

Broadband packages - 4Mbps, 8Mbps, 15Mbps and 25Mbps - were launched across the country to cater to the diverse needs of customers at very attractive pricing.

In order to attract a new customer base, various promotions offering a discount on installation charges were launched. Upgrade promotions for broadband connections of 4Mbps, 6Mbps,




10Mbps and 12Mbps were also launched in different regions for new and existing customers. In order to cater to the needs of the high-end customers and those who require more Wi-Fi coverage, PTCL collaborated with TP-Link and D-Link for Wi-Fi mesh, extenders, routers, etc. to offer a cash-on-delivery facility for the convenience of its customers.

### Voice

Sale of telephone handsets at affordable prices via cash on delivery was initiated during the year. The aim of this campaign was to increase the landline base of the Company. Pricing of various wireline packages were also rationalised during the year along with international tariff rationalisation.

### Fiber-to-the-Home (FTTH)

With an increased focus on FTTH, noteworthy advancements were made in 2019. FTTH services were expanded in 11 major cities including Karachi, Lahore and Islamabad with a growth in the market share from 7% in 2018 to 14% in 2019. Over 150 thousand ready-for-service FTTH lines have been deployed so far. Through this strategy, the Company focused on high potential areas where the customers have the need for ultra-high-speed internet.

To improve customer experience, PTCL's existing xDSL customers were migrated to FTTH through special offers including a waiver on installation charges and free equipment.

### Wireless-CharJi

A thematic campaign for CharJi LTE was launched this year, with the aim of communicating the key attributes of CharJi LTE as an exhilarating communication experience with ultra-fast downloads, buffer-free streaming and the most affordable monthly packages. The campaign was focused on creating a buzz around the theme of 'fastest speed at affordable rates'. CharJi tariffs cater to both heavy and light data users with affordable monthly line-rentals, no hidden costs and endless possible top-ups.

In order to leverage the market potential and superior quality of service in Karachi, an attractive value proposition was launched in the region, offering unlimited data for only Rs. 1,499 per month with a fair usage policy of 150 GB. The offer is applicable for both new and existing customers. Similarly, a nationwide CharJi offer was launched for new and existing customers that offered unlimited data for Rs. 1,999 per month in all LTE enabled regions except Karachi and Azad Jammu & Kashmir (AJK).

### Smart TV & Content

This year PTCL partnered with Netflix, the world's leading subscription-based video-on-demand service, enabling PTCL customers to easily pay their Netflix subscription as part of their monthly PTCL bill. The integration eliminates the need for customers to share their credit or debit card details. This is a convenient solution for a market like Pakistan where the percentage of financial inclusion through banking channels is significantly lower than 50%. New and existing PTCL customers can avail this service by simply registering through the PTCL corporate website.

To enhance customer lifetime value, boost sales of high-speed internet packages and incentivise upgrades, PTCL launched a free Set-Top-Box (STB) offer for both existing and new customers. Under this offer customers received a Smart TV STB free of cost when opting for 8 Mbps or higher connections in areas where the exchanges have been transformed under the network upgrade project. In view of the positive response to this offer, the campaign was further extended beyond its initially announced time frame. The television, radio and digital campaigns, launched for this offer, significantly helped in acquisition of new customers.

Additionally, in line with PTCL's strategy of increasing customer loyalty by enhancing customer experience, PTCL added many new and acclaimed movies to the Video on Demand section.


## Products & Services – Business

The array of service offerings by PTCL cover the digitalization, cloud, data centre hosting, managed services and connectivity needs for our valued customers, both within and outside the country.

### International Business Relations

PTCL continues to provide its valued customers with excellent quality international voice and IP bandwidth/IP transit services. PTCL monitors all its international routes and has a high focus to maintain service quality and provide high availability for its data and voice services.

Increased use of OTT application and illegal/grey traffic termination in Pakistan continued to affect PTCL's international business performance throughout the year. PTCL, in collaboration with PTA and the telecom industry, has made concerted efforts to implement a new grey traffic monitoring and controlling system. This Web Monitoring System (WMS) has been installed at the access points of all international IP bandwidths to monitor and curb illegal/grey traffic. PTCL is also working with major international retail operators for securing its international incoming revenues, to mitigate the effects of grey traffic.

PTCL, in collaboration with Special Communication Organization (SCO - AJK and Gilgit-Baltistan's major telecom operator), has successfully established a strategic partnership to monetise China-Pakistan Economic Corridor (CPEC) cross border connectivity. Through connectivity corridors, being established with Afghanistan, China and Iran, PTCL aspires to be a regional transit hub for data and voice connectivity. PTCL is also focusing on enhancing submarine wet segment capacity sales through short- and medium-term opportunities. We expect that these strategic priorities will have a positive impact and will help lessen the pressure imposed by declining voice traffic volumes on the Company's revenue.

### Carrier Services

Being the national carrier, PTCL is positioning itself to be the engine behind the digital Pakistan initiative. PTCL's vast array of carrier services creates an enabling environment for all telecom service providers to pursue their digital transformation journey.

PTCL is enabling Cellular Mobile Operators (CMOs) to establish and expand their mobile broadband services by providing fiber-based backhaul services and IP bandwidth. PTCL has been able to demonstrate its leadership by achieving the status of a major IP bandwidth service provider of many CMOs and data network operators. Further, PTCL made a successful entry into the VSAT business for backhauling of mobile broadband services in far-flung areas of the country and is now providing VSAT backhaul services to several carrier customers. PTCL has been able to expand its managed capacity services business with different carriers. All these initiatives have helped bring about a growth in revenue from carrier services.

### Digital Services

Digital services remained on track for steady growth with several key initiatives and projects. Managed surveillance, Wi-Fi WAN, data centres, cloud and security remained the key focus and growth areas along with the addition of new products to the portfolio in the digital space based on existing and upcoming market opportunities.

Focused on bringing value for our esteemed customers, PTCL has enhanced its corporate digital services portfolio from serving the connectivity needs to become the customer's trusted security arm through offerings like Cyber Threat Intelligence, IT Service Management Solutions, Virtual as well as Physical Firewalls, DNS and other security solutions. A strong focus on adding new enterprise customers in diversified business verticals has helped PTCL to enhance its customer base and achieve product penetration into new market segments. A keen focus on the expansion of the security vertical has enabled PTCL to become Pakistan's first Managed Security Services Provider (MSSP) to offer the diverse security solutions stated earlier. Along with service upgrades for the existing customers, several new customers were onboarded under the ICT and Microsoft platforms. Today, PTCL has ICT and Cloud customers across multiple industry segments including Education, Finance, Healthcare and FMCG. Equipped with the leading technology solutions and business partners, PTCL is the preferred ICT solution provider for corporate customers.

Recognising the importance of cyber security, PTCL, earlier this year entered into a partnership with Etisalat to offer Cyber Threat Intelligence services to the Pakistani market. Demonstrating thought leadership, PTCL focused on the financial industry (owing to the fact that it is highly data sensitive) and has signed up two banks within a short period. Utilising its telecom footprint and strong penetration in the enterprise market, there are multiple other customers in the pipeline who are expected to avail the services in the future. These initiatives will help strengthen PTCL's position as a one-stop-shop ICT player.


Leveraging its strong position and vast experience in data centre hosting services with state of the art, Tier-3 certified data centres and high-speed connectivity solutions, PTCL launched cloud services with innovative offerings using enterprise-grade platforms. PTCL is the country's only telecom operator to achieve two ISO certifications for its 'Infrastructure-as-a-Service' (IaaS) cloud services offering. Revenue from hosting services showed growth and is expected to grow in the future as well.

PTCL is committed to playing a key role in enabling and accelerating the digital transformation of its customers in the private and government sector. Working together with industry-leading technology and service partners, our strategy is to help our corporate customers solve their ICT challenges through our robust solutions.

## Support Functions

### Network Infrastructure

With the objective to provide high-quality ICT services, especially the broadband services with high speeds and volumes, PTCL started an ambitious project in 2017 to upgrade its network. The top 94 exchanges, that had around 50% contribution towards revenue, have been fully transformed with the latest technologies to enable the provision of high-end data services up to 100Mbps speed. This fixed-line network infrastructure upgrade has enabled PTCL to significantly reduce customer complaints and achieve higher revenue growth in the transformed exchanges.

In order to improve customer experience, 1,353 MSAGs (Multi-Services Access Gateways) have been added. This has increased the number of broadband ports by 510 thousand during the year. In addition to that 73 thousand FTTH lines have been commissioned for areas that have a higher bandwidth demand.

Multiple projects are underway for the expansion of the optical fiber network to serve carrier and corporate customers, both local and international. More than 3,380 KM of Optical Fiber Cable (OFC) has been deployed against different projects, which has increased the network footprint and revenue for the Company. These projects include the deployment of 250 KM OFC along the coastal highway for international and national connectivity, 356 KM fiber deployment for two local cellular operators, 1,741 KM fiber deployment to support the network transformation and FTTH network, 406 KM optical fiber for USF FATA and 446 KM optical fiber for USF KPK. A further 181 KM of fiber has been deployed for fiber route resilience to ensure round the clock network availability.





In the transport network domain, PTCL upgraded the cross border optical links to 100G with Afghanistan. This upgrade has not only provided ample capacity but also added multipath protection for the Afghan transit traffic. In addition to that, optical links along the Gwadar and Turbat coastal highways have also been upgraded to 100G capacity. This is a significant step towards fulfilling commercial and carrier needs for international bandwidths through cross border connectivity with Iran.

PTCL has deployed a unified IP Multi-Service Core Network (MSC) as a consolidated core for all consumer, corporate and carrier services. This consolidated core is a major leap towards the transformation and readiness of the network for the future high bandwidth demands by using futuristic and carrier-grade platforms and to ensure that traffic growth is managed with optimal capital expenditure and operational efficiency. This scalability will help in growing the revenue with agility and speed.

Being a technology-based company, PTCL is fully aware of the fact that it is of paramount importance to protect our customers and services from the modern security threats like Distributed Denial of Service (DDoS) attacks or hackers with malicious intent. A DDoS attack, one of the most devastating spams for any ISP, is a malicious attempt to disrupt normal traffic of a targeted server, service or network by overwhelming the target or its surrounding infrastructure with a flood of unsolicited internet traffic. A new upgraded solution has been deployed for the PTCL network to secure internet services from DDoS attacks. The solution can handle attacks up to 100G traffic that can be immediately stopped and cleaned to avoid any service outage.

After the launch of Next Generation Mobile Services (NGMS) in Pakistan, IP bandwidth has emerged as one of the major carrier products. Cognisant of this emerging market need, PTCL has extended its IP bandwidth services up to the premises of major CMOs by establishing high capacity Point of Presence (PoPs) at their premises. Through these efforts, PTCL has been able to win back one of its major carrier customers and be its sole provider of IP bandwidth. PTCL also managed to be the sole IP bandwidth service provider for some other cellular and internet service providers, despite the cut-throat competition.

To provide high-quality content, with the least latency and best quality of service, PTCL has deployed cache nodes across the network to enhance the customer experience of the subscriber base that use Google, Facebook, Netflix, Youtube, etc. by making the widely viewed content locally available. Under this initiative, PTCL carried out optimisation of local Content Delivery Network (CDN)/cache along with the addition of 1Tbps serving capacity in 2019. This has increased the serving capacity through cache nodes to more than 40% of the peak internet traffic and has enhanced customer experience through highly responsive streaming of high-quality content. This has also resulted in both CAPEX and OPEX savings on the international bandwidth.

For the capacity expansion of the wireless network, the Company has completed 165 high usage LTE cell sites in AJK. This not only resulted in the addition of new subscribers but has also enhanced user experience during peak hours. In addition to that 6 new BTS sites have been installed in AJK for coverage, capacity enhancement and to address quality of service issues at important geographical locations. More greenfield BTS sites are planned in AJK in high demand areas for CharJi services. At 84 locations, new energy-efficient SDR BTS have been installed to replace the older inefficient version. As part of the backhaul planning for new LTE sites, microwave backhaul network capacity expansion project for nationwide sites was successfully executed during the year to improve customer experience and support business continuity.

## Information Technology (IT)

PTCL has taken many initiatives to upgrade the existing setup of PTCL applications. During the year, an Enterprise Mobility Suite (EMS) - a Microsoft application to secure business information like corporate emails and other confidential documents – was installed remotely on all company operated devices (laptops, mobiles, etc.) to ensure the security and integrity of business-critical information.

Your Company has deployed a Service Management Platform (SMP) for its Customer Care team. This will help in significantly reducing the agent-customer efforts and improve first call resolution by offering an integrated customer services platform with visibility of issues, workflows and resolution across all channels. It creates dynamic intelligent workflows that drive troubleshooting actions with the highest predicted resolution for a customer at the time they call or use self-help. In line with PTCL's ambition to be a quality customer brand, it has deployed a Quality of Experience (QoE) solution with the help of active probes to gauge the quality of customer experience for each of its triple-play services. As a part of the pilot project, more than 700 probes are being installed in the Rawalpindi region at MSAG, core and customer premises level to check the customers' quality of experience. This will not only help in understanding the QoE of the region but will also enable PTCL network operation teams to monitor the network proactively.

Change in the telecom sector is rapid and continuous. Organisations that are successful in the long run are the ones that have created an enabling environment for their people to seamlessly communicate and collaborate with each other. To achieve this goal, PTCL has, through a collaboration and communications solution called Convo, initiated a digital transformation process that will not only change the way we communicate but also make internal processes beyond efficient. It will streamline work communications and allow employees to collaborate, share and organise their work including emails, messages, discussions, meetings, documents, approvals, etc. with a user-friendly interface. The process of reporting and resolving all NOC incidents will be integrated through this platform.

During the year, PTCL also invested in; archiving solutions for retention of the huge volumes of data generated by different applications; state of the art security solutions for its managed security services products that it offers to its valued customers; data centres to host the technology infrastructure of its clients; and upgrade of its IBM P-8 infrastructure for enhanced workload management.

## Human Resources

PTCL started the year with a clear way forward and celebrated the success of its high performing employees by giving them Business Excellence Awards. In its efforts to uplift the workforce and improve its productivity, your Company carried out many interventions in the areas of employee development, engagement, customer experience and operational excellence.

To keep senior leadership up to date with modern management principles and digitalization, innovative business simulation programmes were conducted via global experts. Moreover, a year-long graduate course, focused on self awareness, intelligence and leadership skills, was specially designed for Executive Vice Presidents at PTCL. To enrich middle management employees, PTCL's in-house programme called FueL (Future Leaders) inducted a fresh batch of participants, and FueL Batch II graduated this year, after a two year customised development journey. This programme is focused towards identifying high potential employees within the organisation through a rigorous assessment process, followed by a customized two year Leadership Development Programme for grooming them to become future leaders at PTCL. Your Company also focused on young employees and equipped them with the latest concepts, such as Design Thinking, besides offering a multitude of e-learning modules by top-notch learning providers.

PTCL focuses on the specialised development needs of its employees through individual



development plans that are carved out during regular Talent Review Meetings. It not only strengthens the bench strength of the Company but also gives a clear development plan to high performing individuals. Your Company acknowledges the contributions made by its employees and encourages them to perform better every day, through a day to day recognition programme called PTCL Champions. The program is meant to empower Line Managers to recognise the efforts of their team members through small tokens of appreciation.

Your Company's progress with regards to digitalization of work place has taken great strides. PTCL launched a one-stop solution called the PTCL Vibe Portal (a platform integrating all transactional and talent management platforms) and the HR Self Service Kiosk for improved service delivery to employees. To improve communication with front line staff, PTCL started an IVR service for all employees, which not only increases the accessibility of information but also helps in gathering direct feedback. Your Company has also made efforts in digitising noticeboards in more than 30 locations, from static to electronic noticeboards, which help in disseminating news of success as well as important updates to employees more effectively. To create awareness and inculcate a culture of ethics, PTCL launched the first gamified digital module of the Code of Conduct, which provides a holistic understanding of non-negotiable business standards to employees through a variety of quizzes and informational videos.

To strengthen PTCL's employer brand in the market, the Company launched the 6-week Experia Summer Internship programme, in which students from the top universities were onboarded to learn from the hands-on work on the Company's ongoing projects using their knowledge and capabilities. Moreover, PTCL also launched the Safeer Programme, through which students were nominated as campus representatives of the Company across 22 universities, all over the country. Under the umbrella of the same programme, company employees conducted sessions at different campuses as well.


Customer experience is at the heart of the Company's strategy and to execute it better, PTCL's field staff has been trained through a holistic programme called "Roshni ka Safar". It instills PTCL's values and reinforces the importance of customer focus. PTCL is also ensuring the upskilling of its field staff on new fronts like FTTH.

The safety and wellbeing of employees is one of PTCL's top priorities, for which many activities were undertaken including safety briefings, awareness sessions about occupational safety hazards/risks for field workers, fire drills and distribution of personal protective equipment. Your Company also conducted 'Wellness @ Work' sessions on various areas related to the physical and mental health of employees. In order to improve employee engagement levels, several initiatives were taken including Sports Gala, Breakfast with CEO, Team's Day Out, Retreats, Birthday Celebrations, Iftaars, Eid Milan Parties, National Days' Celebration, Women's Day etc. To understand the pulse of the organisation, PTCL conducted an Employee Engagement Survey, which showed positive improvement in all engagement drivers as compared to last year's results.

### Customer Care

PTCL has taken various customer-centric initiatives to improve customer experience. Your Company has implemented Operational Level Agreements (OLAs) between Customer Care, Technical and Business Operations units, which have improved the overall operational efficiency and helped achieve the lowest ever mean time to resolve customer complaints.

In order to improve PTCL's customer experience KPIs, your Company has established support centres which have helped the field operations team in reducing overall resolution time for customer complaints through remote troubleshooting.

In order to improve a new joiner's experience, PTCL has started monitoring new installations for health checks to take proactive actions.

This year as a part of the drive to be a customer-centric organisation, PTCL has established customer care processes and standardisation unit, which developed and standardised all major processes that affect customers at all touchpoints including provisioning, fulfilment, complaints, retention and win back.

PTCL has empowered customer touchpoints to resolve billing related queries and complaints. The Company's contact centres achieved a billing First Call Resolution (FCR) rate of 85%. This empowerment brought customer satisfaction and helped improve overall brand perception.

PTCL's contact centre, being the main customer contact channel, played a vital role to augment the customer experience and growth in terms of contact handling, sales cohort, customer value management, customer retention and win back. The contact centre has met its major KPIs, including the lowest ever agent attrition with a contribution towards new sales and remained one of the leading Etisalat operating companies with effective Customer Value Management campaigns. Moreover, in order to enhance product knowledge, communication and system handling skills, the Company's contact centre training team executed different training activities for all the touchpoints with unified training content.

In order to ensure business continuity of high aging fault customers, your Company has started providing wireless services as backup broadband services in certain areas, which helped to improve overall brand image. Your Company also took various retention and win back initiatives that have contributed towards the recovery of overdue amounts and customer retention.

In order to improve the overall Quality Management System (QMS), PTCL strives to automate most of the processes involved to improve work efficiency and minimise manual interventions. The Company achieved unified communications by making the Quality Assurance Unit to be a single communication channel for all customer care touchpoints. All contact centres have successfully maintained international QMS standards by maintaining ISO 9001:2015 QMS certifications across all locations.


## Marketing and Communication

During 2019, PTCL executed various business and product-based campaigns for existing and prospective customers, which helped maximise our reach and further strengthen the Company's brand image.

To support the business objectives, several campaigns were launched like 30% and 40% discounts on installation charges and an Unlimited Internet thematic campaign to boost sales and gain a competitive edge. Similarly, CharJi campaigns were launched with an aim to acquire new customers. These campaigns included CharJi Reconnect offer, CharJi-Fastest Speeds, CharJi Karachi package and CharJi Nationwide Unlimited package, amongst others. To further penetrate the market, PTCL Smart TV service was promoted through ATL campaigns such as the Smart TV thematic campaign and the Smart TV free STB offer. All these campaigns were positively projected through TV, digital and PR.


As a national company, PTCL has always believed in connecting with the nation. PTCL sponsored 'Sherdil', a Pakistani movie that highlights the courage and bravery of the PAF pilots. A special TV campaign on Pakistan Day was aired to evoke the spirit of patriotism and solidarity. On the Independence Day, the Company launched a special TV campaign 'PTCL bana un sab ka aitebar, jin pay hay apko aitebar' to reinforce the message that PTCL is the backbone of communication infrastructure in Pakistan. It was listed amongst the top Independence Day campaigns of 2019, in leading blogs, with over 7 million views on social media platforms. The focus of the campaign was to create awareness that PTCL is part of our customers' daily lives like using the ATM, online banking, air travel, or using their cellular network, all of which are backed by PTCL's infrastructure that allows seamless connectivity and end-to-end security. To promote the upgraded exchanges under the Network Transformation Project, around 67 on-ground marketing activations were executed in various parts of Pakistan with focused BTL campaigns supported by location-based digital campaigns and city-wise press releases.

On the digital front, various initiatives and creative digital campaigns were successfully executed. Major initiatives include the launch of 'Talks@PTCL', a digital video series, where experienced speakers deliver talks on technology, business, entrepreneurship, start-ups, entertainment, art and culture. As part of PTCL's digital engagement strategy, promotional videos were developed and promoted through digital platforms on various initiatives, collaborations and facilities like CSR, PTCL Medical Camps, Clean & Green Pakistan, etc. To connect with the youth during the Cricket World Cup 2019, PTCL's product presence was ensured on Cricinfo, PTV Sports Livestream and CricinGif to gain maximum mileage and outreach. PTCL Gamers Hub at the FACE Music Mela 2019, created a lot of positive buzz amongst the gaming enthusiasts. The PTCL Gamers Hub was streamed live on social media platforms, followed by short stories posted on Instagram and videos posted on Facebook. For customer convenience, PTCL partnered with Netflix, Bykea, Careem, Daraz and Easy Paisa. These initiatives were promoted through digital platforms and print media. Furthermore, PTCL promoted start-ups from NIC Peshawar and NIC Karachi to support the entrepreneurial spirit in Pakistan. To support environmental preservation, an e-Billing campaign was launched for PTCL customers to adopt the e-Billing option, instead of paper bills. These campaigns generated positive sentiments on all social media platforms.

The Company's image was further improved through major initiatives like the collaboration with the Ministry of Climate Change and MoITT, WWF-Pakistan and organising quarterly financial media briefings, along with CSR activities and events under the Razakaar programme.


## Regulatory Affairs

In coordination with PTA, a telecom-industry wide agreement was signed for the deployment of a comprehensive Web Monitoring System to enable complete coverage of traffic monitoring to restrict grey traffic and to facilitate web monitoring/blocking in compliance with PTA's directives. During 2019, this Web Monitoring System has been deployed to provide complete coverage for traffic monitoring.

During the year, PTCL successfully concluded discussions with major housing authorities for a Common Corridor for the provision of telecom services, particularly fiber-based GPON services, with PTCL as a major player.

In order to meet the ever-increasing international connectivity requirements, PTCL, after a long follow-up with regulatory authorities, secured Permit in Principle (PIP) for six cross-border terrestrial links with Afghanistan and Iran.

During the year, PTCL received a subsidy of Rs.160 million against the USF optical fiber project for Khyber Pakhtunkhwa.



## Corporate Social Responsibility (CSR)

PTCL, over the years, has been successfully establishing collaborations with organisations that are doing sustainable work for the well-being of the community. 2019 was a milestone year where we managed to reach 1.9 million people through a multitude of interventions.

In the field of education and youth development, PTCL made successful partnerships with The Citizen's Foundation (TCF), SABAQ and WWF along with Pehli Kiran Schools, School of Leadership (SoL) and the Balochistan Women Business Association (BWBA). Through each of these partners, your Company was able to reach the most vulnerable strata of society and provide them with education and development opportunities. PTCL took a vital step in supporting early education in Khairpur, Sindh, by adopting twin schools operated by the Indus Resource Centre (IRC). The schools currently host approximately 500 children.

In the field of health, the Company's Medical Services team was able to positively influence 42,000 beneficiaries through Mobile Medical Units across the country and conduct health awareness sessions on a series of medical issues.

In line with PTCL's aspirations to be an environmentally responsible company, we have installed solar power systems at 170 small and medium exchanges and BTS sites. Solar power systems of 179 kW have also been deployed at PTCL HQs. Such a solution could be replicated for large exchanges in the coming years.

A pledge was made to the Ministry of Climate Change for a number of initiatives that will be taken in the upcoming years for forestation and maintenance of green belts. Moreover, assistance was extended towards the NUST Business School (NBS) to make the campus environmentally smart and more sustainable.

Employee volunteerism is a vital part of your Company's CSR Plan. We were able to reach out to an array of beneficiaries through quarterly initiatives such as the Box of Happiness for the Elderly, Ramzan Mehman, Clean Pakistan and Donate a Book. The volunteer force also managed to empower young Experia interns through a customised initiative called 'A Conversation on Bullying' with primary school students. A total of 550 volunteers were engaged this year and a total of 13,901 volunteer hours were spent.

Your Company also formed a "Razakaar trust", a contributory fund by PTCL employees among other contributors designed solely to fulfil the pressing needs of fellow employees in terms of education, medical assistance and disability in the line of duty. PTCL also organised events during Kashmir Day in order to show solidarity with the Kashmiris against the atrocities they are facing.

## Subsidiaries

### Pak Telecom Mobile Limited - Ufone

In 2019, the cellular subscribers crossed the 165 million mark with a 78% penetration. Due to enhanced 4G handset penetration in the market, the 4G subscribers base has shown a 96% growth to reach 42 million subscribers while the 3G subscriber base has declined by 16% to reach 33 million subscribers.

Ufone's revenue for the year has increased by 1% over last year. The imposition of data tax within two major areas (Federal Capital and Sindh Province) and removal of the administrative fees, charged by telecom operators, have adversely affected the topline of telecom operators. Operating profit and net loss have deteriorated as compared to last year due to increase in cost of financing, hike in power tariffs and increase in foreign exchange denominated operating costs.

In 2019, Ufone launched its network modernisation drive and carried out the reforming of its existing spectrum to launch LTE services across the country. The trials were started on 1,200 LTE sites in 7 cities and quickly reached 1 million subscribers in less than 100 days. As an urban-centric brand, the LTE trials enabled Ufone to improve customer loyalty and serve the needs of consumers while bridging the gap with competition. So far 26% of Ufone's network has been upgraded to LTE reaching 3 million LTE subscribers and a total of 9.2 million data subscribers. This also helped Ufone cross 23 million total subscribers and increase its market share. Our customer experience rating has been steadily increasing every quarter and we are the 3rd best in customer satisfaction in 2019.

The Super Card Family remained the champion product in 2019 as well. Ufone was able to upgrade Super Card customers towards Super Card Plus, which has better ARPU and lifetime value. Furthermore, to cater to the higher data needs of the customers and incentivise upgrade to higher card denominations, a free Facebook component was also launched on Super Card Plus.

Ufone also started reviving its Mobile Financial Services portfolio, recognizing its importance within the evolving financial services market in the country. Ufone's Mobile Financial Services business will enable it to increase customer convenience, enhance opportunities for our channel partners and improve synergies within the PTCL group.

Ufone's communication included insightful campaigns built around celebrating everything that is unique to our countrymen and around everyday insights, delivering on its convenience and peace of mind proposition, further cementing Ufone's position as a customer-centric brand and proving our brand promise of "It's All About U".

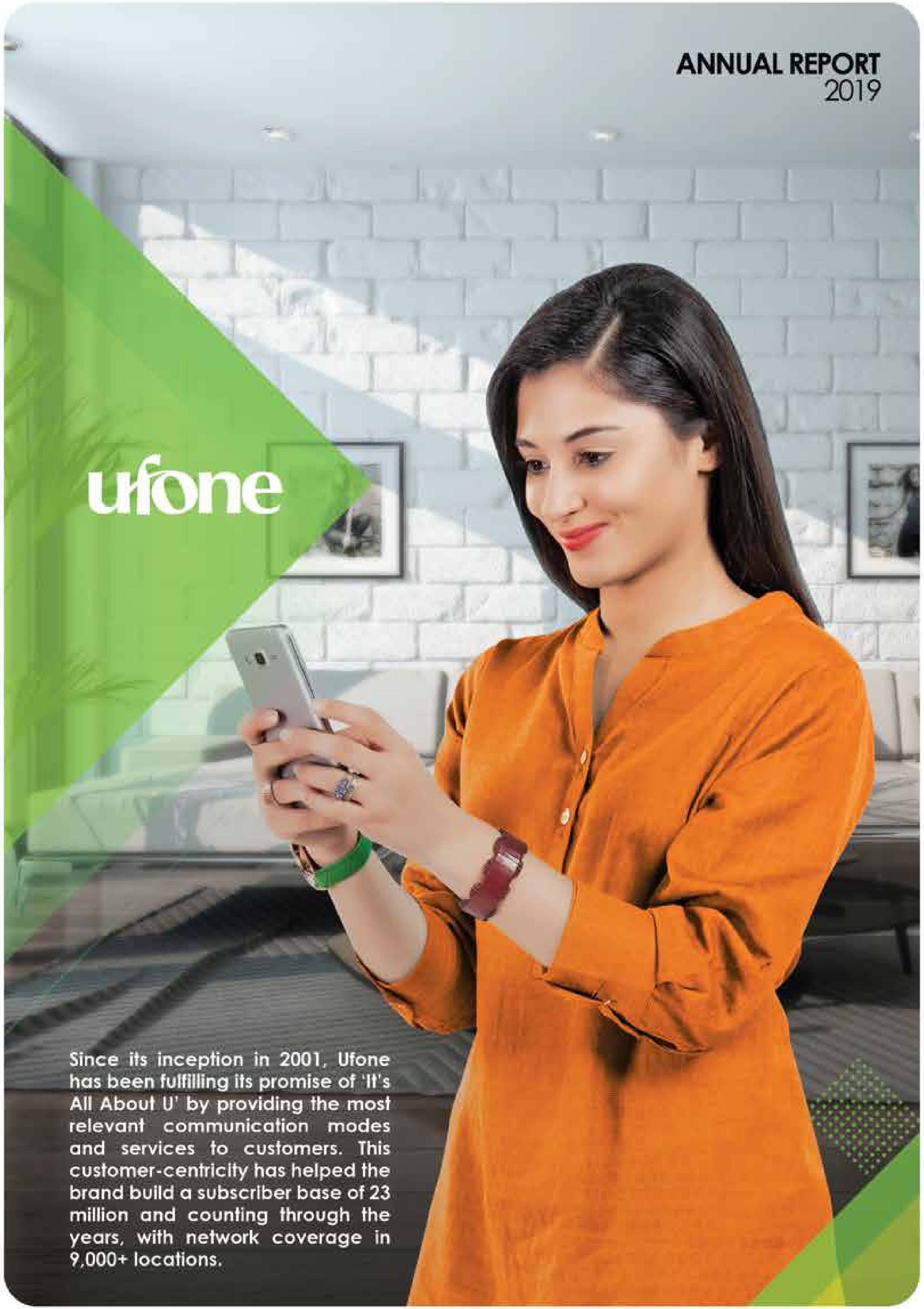
Ufone celebrated its achievement of implementing Quality Management System by attaining ISO 9001:2015 Certification for its Human Resource Department. Being the first in the industry to acquire this certification for its Human Resource Department, Ufone has solidified its commitment to continual improvement in achieving service excellence for its employees. The certification was awarded after an independent assessment conducted by a world-renowned certification company (SGS).

In line with Ufone's promise to always keep customers first, it initiated a customer engagement platform called "Bakamal Pakistan" which included an on-ground and digital talent hunt in colleges across the country, resulting in over 2800 auditions and over 5.7 million online views.

In 2019, the third Ufone Balochistan Football Championship was organized in 8 cities of the province. 720 young footballers and 48 teams competed for the Super-8 stage of the tournament. The programme was expanded to 21 cities of the Khyber Pakhtunkhwa (KP) province. The tournament in KP builds on the success of three seasons of the Ufone Balochistan Football Tournament, which has evolved to become one of Balochistan's major sporting events.

Ufone also partnered with Pakistan Red Crescent (PRC), a member of the 'International Red Cross





Red Crescent Movement', to support the communities affected by floods and heavy snowfall in Balochistan during February 2019. The two organisations joined hands to distribute emergency food packs to 2,000 families in the affected areas.

2019 also brought Ufone two industry accolades. First was the Silver Effie Award for Sustained Success in Services. This award is given to brands that have demonstrated business success over a continuous 3-year period. Ufone was able to grab an award for its Super Card campaigns. Secondly, Ufone Super Card also won the award for "Best Prepaid Card Solution" at the Pakistan Digital Awards – the country's premier digital marketing forum.

### U Microfinance Bank Limited – U Bank

U Bank has considerably expanded its network of touchpoints from 141 at the end of last year to 201, across 183 cities and rural areas in Pakistan, offering a wide range of microfinance loans, deposit products and branchless banking solutions. In doing so, the bank is playing its due role in fighting poverty in Pakistan.

U Bank continued its growth momentum from a strong 2018 and has achieved a double-digit growth in its revenue. The bank's bottom line was adversely affected by the increase in market cost of financing. In addition to that, decline in crop yields for sugar, cotton and wheat have adversely affected the borrowers' capacity to repay. The bank was able to disburse loans of more than Rs. 23 billion thus increasing its gross loan portfolio by 27% at the end of 2019. Customer deposits have shown a year-on-year growth of 13%.

With the introduction of internet and mobile banking, deployment of ATMs and a digital loan application project, the bank continued its vision of innovation and financial inclusion to vitalise its digital future. Internet banking is facilitating urban customers who have on-the-go banking requirements giving them round-the-clock control over their money. The Mobile Wallet app is intended to promote an easy and convenient form of mobile banking and fulfil the need of the customers. U Bank's own ATM network facilitates its customers better by taking banking beyond the banking hours in urban and rural areas of Pakistan. Digital loan acquisition is facilitating in acquiring customers' data digitally through tablets by eliminating the use of paper and bringing banking services to the customers in the fastest time possible.

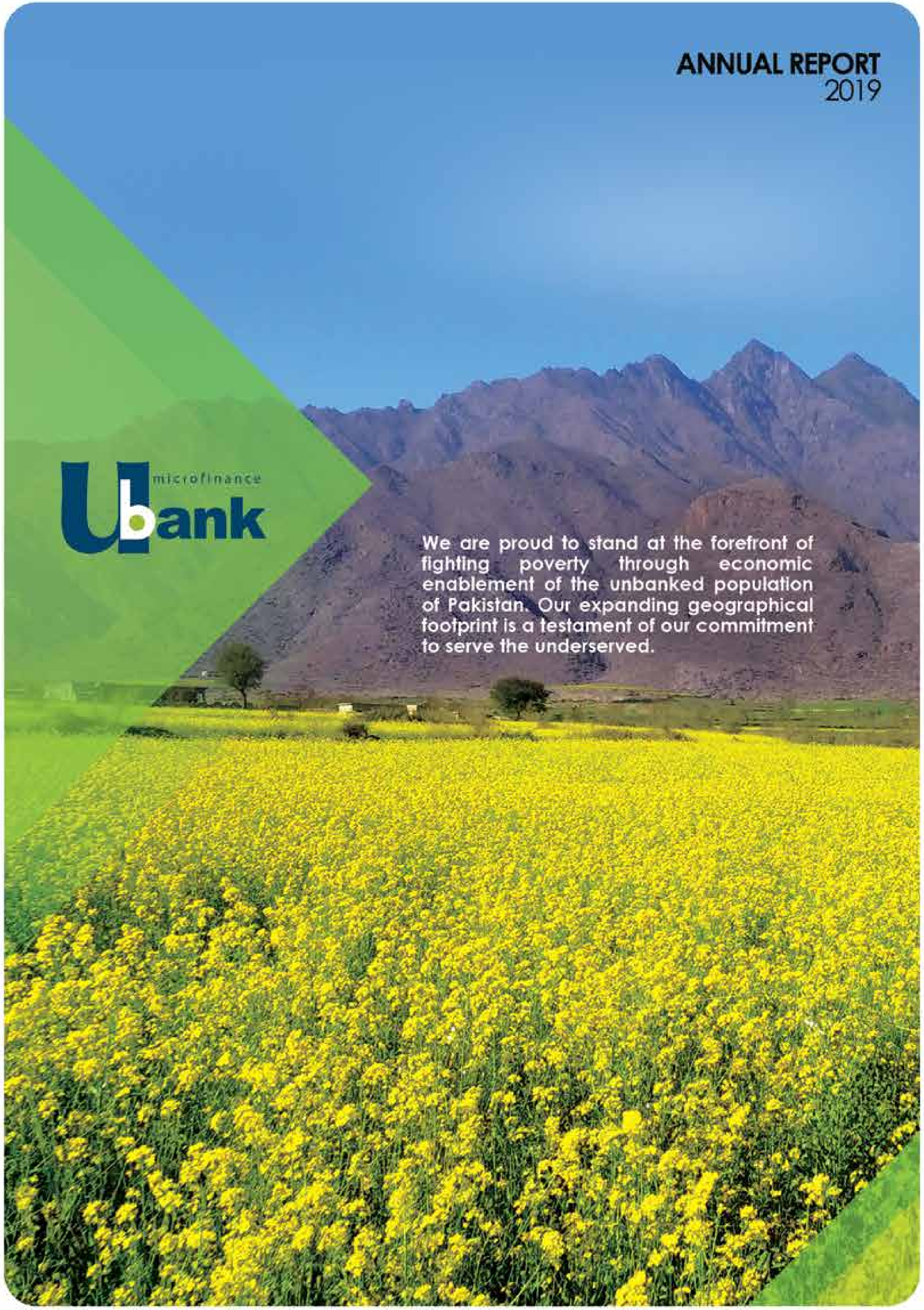
### DVCOM Data (Private) Limited – DVCOM Data

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

### Smart Sky (Private) Limited - Smart Sky

Smart Sky is a wholly-owned subsidiary of PTCL which was originally incorporated to provide Direct-to-Home (DTH) entertainment services. The company was not able to acquire the license for DTH services.





# Corporate Governance

The Company has complied with all the material requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (hereinafter referred to as "2019 Regulations") as well as Pakistan Stock Exchange Regulations ("PSX Regulations"). The Directors confirm the following in compliance with the referred Regulations:

## Compliance - General

- The vision and mission statement, corporate values and overall corporate strategy for the Company are prepared, adopted and reviewed, as and when deemed appropriate by the Board.
- A formal code of conduct is in place and put on the Company's website.
- Adequate systems and controls, including whistleblowing policy, are in place for identification and redressal of grievances arising from unethical practices.
- The system of internal control, including financial control, is sound in design and has been effectively implemented and monitored.
- Decision 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 fairly present 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 judgement.
- 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, 2020 and the Board has endorsed the same.



- Information regarding outstanding taxes and levies 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 39 to the financial statements.
- Statement of Value of Investments in respect of employees' retirement plans has been disclosed in note 8 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 the Company's Articles of Association and Policies.
- The Board of Directors has approved the Directors' Remuneration Policy, which is in line with best corporate and governance practices. The Directors receive a fee for attending the meetings of the Board and its Sub-Committees. The Board shall ensure that the remuneration/fee of the Directors and Chairman shall not be at a level that could be perceived to compromise their independence and the Board shall ensure that Directors' remuneration shall encourage value creation within the Company.
- Training programme 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 the Company's employees considered as 'Executive'.

## Composition of Board

The Board of Directors ("Board") comprises of nine Members. Pursuant to the provisions of the Shareholders Agreement between the President of Pakistan on behalf of the Government of Pakistan ("GOP") and Etisalat International Pakistan ("Strategic Investor"); as well as the Articles of Association of the Company, the GOP nominates four (04) Members on the Board of the Company while the Strategic Investor nominates five (05) Members. The present Board consists of nine (9) Directors as follows:

a. Male: Nine
b. Female: None

The composition of the Board is as follows:

| | | | |
|---|---|---|---|
| i. | Independent Directors | None | |
| ii. | Non-Executive Directors | 1. | Mr. Shoaib Ahmad Siddiqui, Chairman |
| | | 2. | Mr. Abdulrahim A. Al Nooryani |
| | | 3. | Mr. Naveed Kamran Baloch |
| | | 4. | Mr. Rizwan Malik |
| | | 5. | Mr. Hatem Dowidar |
| | | 6. | Syed Shabahat Ali Shah |
| | | 7. | Mr. Serkan Okandan |
| | | 8. | Mr. Hesham Al Qassim |
| | | 9. | Mr. Khalifa Al Shamsi |
| iii. | Executive Directors | None | |
| iv. | Female Directors | None | |

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

- Mr. Maroof Afzal
- Mr. Arif Ahmed Khan
- Mr. M. Younus Dagha
- Mr. Mudassar Hussain
- Mr. Shoaib Ahmad Siddiqui
- Mr. Rizwan Malik
- Mr. Naveed Kamran Baloch
- Syed Shabahat Ali Shah
- Mr. Abdulrahim A. Al Nooryani
- Mr. Hatem Dowidar
- Mr. Serkan Okandan
- Mr. Hesham Al Qassim
- 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 the Company's securities, were determined and intimated to Directors, employees and the stock exchange. Material/price sensitive information was disseminated among all market participants through the stock exchange.

The Compliance Statement with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Auditors Review thereon by statutory auditors are part of this report. Chairman's Review, Notice of Annual General Meeting, Historical Business Indicators, the Composition of the Audit Committee; the Human Resource & Remuneration Committee; the Investment & Finance Committee; the number of Board Meetings; attendance of Directors, and Shareholding Pattern are also part of this report.

## Risk Management

The Board, through the 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 the CFO's leadership and consisting of cross-functional representation, your Company's risk profile is constantly monitored through the identification of enterprise-level inherent risks, their possible impact on PTCL's business and mitigation measures, existing as well as needed, to effectively safeguard the Company's assets, businesses, people and reputation.

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





- Liability on account of Funded Pension Retirement Scheme
- Occupational, health and safety hazards
- Cyber security
- Tax recoverable and related outstanding cases

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

In 2019, PTCL continued to maintain its market leadership in the fixed-line segment despite growing competition from several small-scale operators. PTCL aims to deploy FTTH on a fast track basis in the year 2020 and beyond to strengthen its fixed-line market leadership.

In addition to upgrading its network infrastructure, PTCL is focusing on uplifting customer experience by various customer-centric programs. As a result, a marked improvement in customer care indicators was observed in 2019. Significant improvements in various customer experience indicators are also expected in 2020 as PTCL has initiated its customer experience transformation projects for 2020 to pave way for higher customer satisfaction.

Intense competition in data presents a challenge for operators to increase ARPUs and profitability. Small broadband operators continue to offer a lower price per Mbps to gain market share creating a hindrance in large scale fixed broadband deployment due to lower return on investment. Overall voice traffic is expected to decrease continuously due to OTT (Over-the-Top) applications specifically in international incoming and outgoing traffic which may result in further revenue decline for LDI (Long Distance International) operations. At the same time, OTT applications are creating significantly high IP bandwidth requirements as well in the market and PTCL being the largest submarine and long haul optical fiber operator in the country is poised to monetise its fiber footprint.

The rise in digital trends indicates that, in the near future, data will be the driving force for the growth of the entire telecom industry. Rapid digitalization of major industries is resulting in a complete transformation of businesses 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. Digitalization is a key growth pillar in the Company's agenda for the 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.

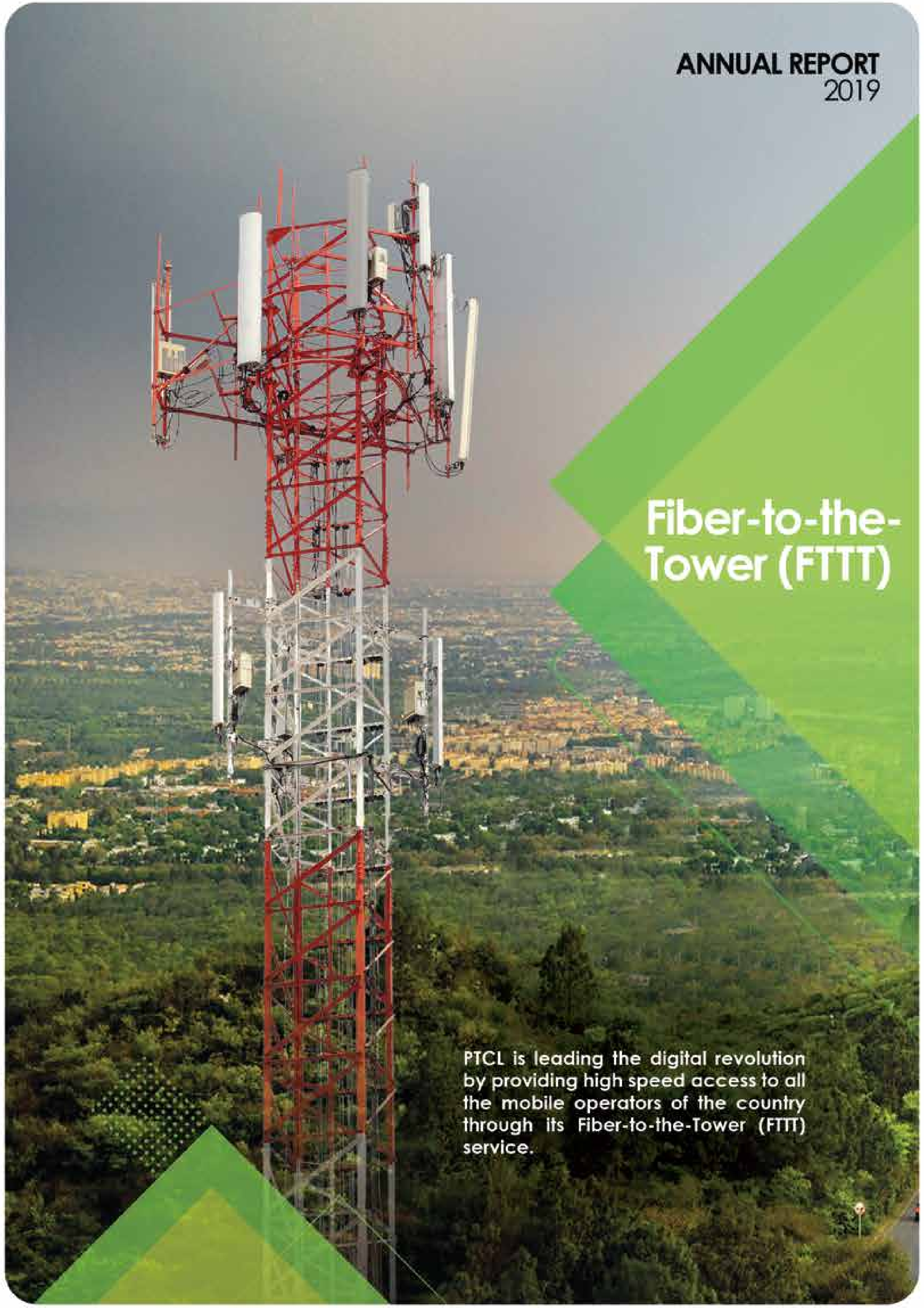
On behalf of the Board of Directors:

Rashid Khan

Rashid Naseer Khan
President and Chief Executive Officer

Shoaib Ahmad Siddiqui
Chairman PTCL Board

Islamabad: February 11, 2020






اپنے نیٹ ورک انفراسٹرکچر کی اپ گریڈیشن کے علاوہ پی ٹی سی ایل اپنے صارفین کے اطمینان میں اضافے کیلئے بھی ترجیحی بنیادوں پر کام کر رہا ہے جس کے نتیجے میں سال 2019 میں پی ٹی سی ایل کی پراڈکٹس اور سروسز پر صارفین کے اطمینان میں خاطر خواہ اضافہ دیکھنے میں آیا۔ سال 2020 میں کسٹمر ایکسپیرئینس (experience) ٹرانسفارمیشن پراجیکٹ کا آغاز کیا جا چکا ہے جس کے ذریعے صارفین کے مسائل کو فوری حل کرنے اور انہیں بہتر سروسز اور پراڈکٹس کی فراہمی سے مثبت نتائج متوقع ہیں۔ آپریٹرز کو ڈیٹا میں منافع اور اے آر پی یوز میں اضافے کیلئے سخت مقابلے کا سامنا ہے۔ براڈ بینڈ کے چھوٹے آپریٹرز کم ریٹ پر انٹرنیٹ سروسز فراہم کر رہے ہیں جس کی وجہ سے مارکیٹ شیئر تقسیم ہو جاتا ہے اور بڑے آپریٹرز کے منافع پر منفی اثرات مرتب ہوتے ہیں۔ اوور دی ٹاپ ایپلی کیشن (OTT) کی طرف تیزی سے منتقلی کی وجہ سے مجموعی طور پر وائس ٹریفک میں کمی متوقع ہے جس کے نتیجے میں ایل ڈی آئی آپریشنز کی آمدن میں مزید کمی واقع ہو سکتی ہے۔

اس کے ساتھ ساتھ او ٹی ٹی ایپلی کیشنز مارکیٹ میں ہائی بینڈ وڈتھ کی ضروریات بھی پیدا کر رہی ہیں اور ملک کے سب سے بڑے سب میرین آپٹیکل فائبر آپریٹر ہونے کے ناطے پی ٹی سی ایل اپنے فائبر فٹ پرنٹ سے اپنے منافع میں اضافے کیلئے پرعزم ہے۔ ڈیجیٹل رجحانات میں اضافہ اس بات کی نشاندہی کرتا ہے کہ مستقبل قریب میں ٹیلی کام سیکٹر کی ترقی کیلئے ڈیٹا بنیادی کردار ادا کرے گا۔ اہم صنعتوں کی تیزی سے بڑھتی ہوئی ڈیجیٹلائزیشن سے انٹرپرائز، آئی سی ٹی اور وی اے ایس سیگمنٹس میں ترقی کی بے پناہ راہیں ہموار ہوں گی۔ پی ٹی سی ایل اپنے موجودہ نیٹ ورک کی اپ گریڈیشن کے ذریعے اپنے صارفین کو مزید بہتر سروسز کی فراہمی کے لئے تیار ہے۔ آئندہ سالوں میں جدید ٹیکنالوجی کو بروئے کار لاتے ہوئے کمپنی کو ڈیجیٹلائزیشن کے ذریعے پروان چڑھانا ہمارے ترجیحی مقاصد کا حصہ ہے۔

## اعتراف

کمپنی کے بورڈ آف ڈائریکٹرز اپنے تمام صارفین، سپلائرز، کنٹریکٹرز، سروس فراہم کنندگان، اسٹیک ہولڈرز اور شیئرز ہولڈرز کے مسلسل تعاون پر شکر گزار ہیں۔ ہم ملک بھر میں اپنے تمام ملازمین کی ان تھک محنت اور لگن کی حوصلہ افزائی کرتے ہیں جن کی کاوشوں سے کمپنی کو درپیش مسائل اور چیلنجز سے نمٹنے میں مدد ملی۔ ہم کمپنی کے مقاصد اور اہداف کے حصول میں حکومت پاکستان اور اتصلات گروپ کے بھرپور تعاون پر ان کا خصوصی طور پر شکریہ ادا کرتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز

شعیب احمد صدیقی
چیئرمین پی ٹی سی ایل بورڈ

Rashid Khan
راشد نصیر خان
پریزیڈنٹ اینڈ چیف ایگزیکٹو آفیسر

اسلام آباد: 11 فروری 2020

## ڈیجیٹل سروسز

کئی اقدامات کی بدولت ہماری ڈیجیٹل سروسز بھی ترقی کے سفر پر رواں دواں ہیں۔ اس دوران مینیجڈ سرویلنس، وائی فائی، WAN، ڈیٹا سینٹرز، کلاؤڈ اینڈ سیکورٹی کو اہم ترجیح بنائے رکھا۔ اس کے ساتھ ساتھ موجودہ اور متوقع مارکیٹ کے مواقع کی بنیاد پر مبنی ڈیجیٹل سپیس میں پورٹ فولیو کی نئی مصنوعات بھی شامل کی گئیں۔ اپنے معزز صارفین کے فائدے کو پیش نظر رکھتے ہوئے پی ٹی سی ایل نے کنیکٹیویٹی ضروریات پوری کرنے والے اپنے کارپوریٹ ڈیجیٹل سروسز پورٹ فولیو کو سائبر تھریٹ انٹیلی جنس، آئی ٹی سروس مینجمنٹ سلوشنز، ورچوئل و فزیکل فائر والز، ڈی این ایس اور دیگر سیکورٹی سلوشنز جیسی پیشکشوں کے ذریعے پی ٹی سی ایل نے اپنی ڈیجیٹل سروسز پورٹ فولیو میں اضافہ کیا۔ بزنس سے متعلقہ مختلف سرگرمیوں میں نئے انٹرپرائز کسٹمرز کی شمولیت سے پی ٹی سی ایل کو نئے مارکیٹ سیگمنٹ میں اپنے کسٹمرز کی تعداد بڑھانے میں مدد ملی ہے۔ سیکیورٹی ورٹیکل میں اضافے پر خاص توجہ دے کر پی ٹی سی ایل مذکورہ سیکیورٹی سلوشنز پیش کرنے والا پاکستان کا پہلا مینیجڈ سیکورٹی سروسز پرووائیڈر (MSSP) بن چکا ہے۔ موجودہ صارفین کے لئے سروسز کو بہتر بنانے کے ساتھ ساتھ آئی سی ٹی اور مائیکروسافٹ پلیٹ فارمز کے تحت نئے صارفین بھی پی ٹی سی ایل کے نیٹ ورک کا حصہ بنے۔

آج پی ٹی سی ایل، آئی سی ٹی اور کلاؤڈ کسٹمرز ایف ایم سی جی، صحت، تعلیم اور مالیاتی اداروں جیسے کئی اداروں میں موجود ہیں۔ جدید ٹیکنالوجی سلوشنز اور اپنے کاروباری شراکت داروں کے ساتھ پی ٹی سی ایل بطور آئی سی ٹی سلوشنز پرووائیڈر کارپوریٹ کسٹمرز کی پہلی ترجیح بن چکا ہے۔ سائبر سیکیورٹی کی اہمیت کو سمجھتے ہوئے پی ٹی سی ایل نے اس سال کے شروع میں پاکستانی مارکیٹ میں سائبر تھریٹ انٹیلی جنس کی خدمات پیش کرنے کیلئے Etisalat کے ساتھ شراکت داری بھی کی۔ پی ٹی سی ایل نے ترقی پسند سوچ کا مظاہرہ کرتے ہوئے مالیاتی شعبے پر توجہ مرکوز رکھی (بوجہ اس حقیقت کے، کہ یہ انتہائی data sensitive ہے) اور مختصر مدت میں دو بینکوں کے ساتھ معاہدے پر دستخط کیے۔ انٹرپرائز مارکیٹ میں اپنے ٹیلی کام فٹ پرنٹ اور مضبوط رسائی کو بروئے کار لاتے ہوئے مستقبل قریب میں دیگر متعدد کسٹمرز ہمارے نیٹ ورک کا حصہ بننے والے ہیں۔ ان اقدامات سے پی ٹی سی ایل کو ون سٹاپ شاپ آئی سی ٹی پلیئر کے طور پر اپنی پوزیشن مستحکم بنانے میں مدد ملے گی۔ جدید ترین Tier-3 سرٹیفائیڈ ڈیٹا سینٹرز اور ہائی سپیڈ کنیکٹیویٹی سلوشنز کے ساتھ ڈیٹا سینٹر ہوسٹنگ میں مستحکم پوزیشن اور وسیع تجربے کا فائدہ اٹھاتے ہوئے پی ٹی سی ایل نے انٹرپرائز گریڈ پلیٹ فارمز کا استعمال کرتے ہوئے منفرد پیشکشوں کے ساتھ کلاؤڈ سروسز کا آغاز کیا۔ پی ٹی سی ایل ملک کا واحد ٹیلی کام آپریٹر ہے جس نے اپنی (انفرا سٹرکچر بطور سروس) (IaaS) کلاؤڈ سروسز آفر پر دو ISO سرٹیفکیٹس حاصل کیے ہیں۔ ہوسٹنگ سروسز سے حاصل ہونے والی آمدن میں اضافہ ہوا اور مستقبل میں بھی مزید اضافے کی توقع کی جاتی ہے۔ پی ٹی سی ایل نجی اور سرکاری شعبے میں اپنے صارفین کی ڈیجیٹل ٹرانسفارمیشن کو فعال اور تیز کرنے میں کلیدی کردار ادا کرنے کیلئے پرعزم ہے۔ صنعتی شعبے میں صف اول کی ٹیکنالوجی اور سروسز پارٹنرز کی بدولت کارپوریٹ کسٹمرز کو جدید ترین سلوشنز کے ذریعے آئی سی ٹی چیلنجز کو حل کرنے میں مدد دینا ہماری حکمت عملی کی ترجیحات ہیں۔

## کارپوریٹ سوشل رسپانسیبلیٹی (CSR)

پی ٹی سی ایل نے گزشتہ کئی سالوں سے لوگوں کی بہبود کے لئے کام کرنے والی تنظیموں کے ساتھ تعاون قائم کرنے کا سلسلہ جاری رکھا ہوا ہے۔ سال 2019 ہمارے لیے ایک سنگ میل سال ثابت ہوا جس کے دوران ہم نے مختلف اقدامات کے ذریعے 1.9 ملین لوگوں تک رسائی حاصل کی۔ تعلیم اور نوجوانوں کی ترقی کے شعبے میں پی ٹی سی ایل نے دی سیٹیزن فاؤنڈیشن (ٹی سی ایف)، SABAQ اور ڈبلیوڈبلیوایف کے علاوہ پہلی کرن سکولز، سکول آف لیڈرشپ (SoL) اور بلوچستان ویمن بزنس ایسوسی ایشن (BWBA) کے ساتھ کامیاب شراکت داری قائم کی ہے۔ ان تمام شراکت داروں کے ذریعے آپ کی کمپنی کو معاشرے کے کمزور طبقات تک رسائی اور انہیں تعلیم و ترقی کے مواقع فراہم کرنے میں کامیابی حاصل ہوئی ہے۔ پی ٹی سی ایل نے خیرپور سندھ میں ابتدائی تعلیم کے فروغ کے لیے انڈس ریسورس سینٹر (آئی آر سی) کی جانب سے چلنے والے دو اسکولوں کی ذمہ داری لینے کا اہم قدم اٹھایا ہے ان اسکولوں میں اس وقت تقریباً 500 بچے زیر تعلیم ہیں۔ صحت کے شعبے میں کمپنی کی طبی خدمات کی ٹیم نے ملک بھر میں موبائل میڈیکل یونٹس کے ذریعے 42,000 افراد کو طبی خدمات فراہم کیں اور مختلف طبی مسائل پر صحت کی آگاہی کے اجلاس منعقد کیے۔ ماحولیات سے متعلق ایک ذمہ دار کمپنی کے طور پر پی ٹی سی ایل نے 170 چھوٹے اور درمیانی ایکس چینجز اور BTS سائٹس پر شمسی توانائی کا نظام نصب کیا۔ پی ٹی سی ایل ہیڈکوارٹرز میں 179 کلوواٹ کا شمسی توانائی کا نظام بھی نصب کیا گیا۔ اس طرح کے سلوشنز کو آنے والے سالوں میں بڑی ایکس چینجز میں بھی لاگو کیا جا سکتا ہے۔



وزارت ماحولیاتی تبدیلی کے ساتھ بھی مختلف اقدامات کے حوالے سے ایک معاہدہ کیا گیا جس کے تحت آئندہ سالوں میں درخت لگانے اور گرین بیلٹ کی دیکھ بھال کے لئے اقدامات پر عمل کیا جائے گا۔ اس کے علاوہ نسٹ بزنس سکول (NBS) کو کیمپس میں صاف ستھرا ماحول برقرار رکھنے میں بھی تعاون پیش کیا جائے گا۔ فلاح و بہبود کے کاموں میں ملازمین کی رضاکارانہ شرکت کمپنی کے CSR پلان کا ایک اہم جزو ہے۔ اپنے سہ ماہی اقدامات جیسا کہ بزرگ افراد کے لیے باکس آف ہیپی نیس، رمضان مہمان، کلین پاکستان اور ڈونیٹ اے بک کے ذریعے ہم نے ہر عمر کے افراد کو فائدہ پہنچایا۔ اس کے علاوہ رضاکار فورس نے پرائمری سکول کے طلباء کے ساتھ A Conversation on Bullying کا اہتمام کر کے نوجوان انٹرنز کو بااختیار بنانے میں بھی کردار ادا کیا۔ رواں سال کل 550 رضاکاروں نے کل 13,901 گھنٹے رضاکارانہ سرگرمیوں کے لئے وقف کیے۔ تعلیم، طبی ضروریات اور دوران ڈیوٹی معذوری کی صورت میں اپنے ساتھی ملازمین کی ضروریات کو پورا کرنے کے لئے ہماری کمپنی نے ایک "رضاکار ٹرسٹ" بھی قائم کیا ہے۔ پی ٹی سی ایل نے ظلم و بربریت کا سامنا کرنے والے کشمیری عوام سے یکجہتی کے لئے یوم کشمیر بھی منایا۔

## دورانِ سال بورڈ ممبران کی تفصیل

دوران سال درج ذیل ممبران بورڈ میں شامل رہے:

- جناب معروف افضل صاحب
- جناب مدثر حسین صاحب
- جناب نوید کامران بلوچ صاحب
- جناب حاتم دوئیدار صاحب
- جناب خلیفہ الشمسی صاحب
- جناب عارف احمد خان صاحب
- جناب شعیب احمد صدیقی صاحب
- جناب سید شباہت علی شاہ صاحب
- جناب سرکن اوکندن صاحب
- جناب یونس ڈاگھا صاحب
- جناب رضوان ملک صاحب
- جناب عبدالرحیم اے النوریانی صاحب
- جناب ہشام القاسم صاحب

## رسک مینجمنٹ

بورڈ اپنی آڈٹ کمیٹی کے ذریعے پی ٹی سی ایل کے انٹرپرائز رسک مینجمنٹ (ERM) کو ریگولیٹ کرتا ہے۔ اس مقصد کے لیے ERM پالیسی اور فریم ورک کا اطلاق کیا گیا اور سی ایف او کی زیر قیادت بورڈ کی جانب سے تشکیل کردہ اور کراس فنکشنل نمائندگی پر مشتمل ایک ERM کمیٹی کے ذریعے کمپنی کی رسک پروفائل کو مسلسل انٹرپرائز کے inherent risks، پی ٹی سی ایل بزنس پر ان کے ممکنہ اثرات اور ان میں کمی کے موجودہ اور ضروری اقدامات کے ذریعے نگرانی کی جاتی ہے تاکہ کمپنی کے اثاثوں، کاروبار، لوگوں اور ساکھ کی حفاظت کو ممکن بنایا جا سکے۔
اس طرح کمپنی کے سٹریٹیجک اہداف کے حصول میں رکاوٹ کے طور پر درج ذیل خطرات کی نشاندہی کی گئی:

- فنڈڈ پنشن ریٹائرمنٹ اسکیم کی ذمہ داری
- پیشہ ورانہ صحت اور تحفظ سے متعلق خطرات
- سائبر سیکیورٹی
- قابل وصول ٹیکس اور متعلقہ کیسز

اندرونی اور بیرونی شراکت داروں کے تعاون کے ساتھ پی ٹی سی ایل مسلسل ان خطرات کے ممکنہ اثرات کا جائزہ لیتا ہے اور اس کے مطابق قابل قبول سطح پر اس کے متوقع اثرات کو کم کرنے کے لئے تمام ضروری اقدامات کرتا ہے۔

## درپیش مسائل اور مستقبل کا لائحہ عمل

سال 2019 میں چھوٹی سطح کے مختلف آپریٹرز کی طرف سے مسابقتی ماحول کے باوجود پی ٹی سی ایل نے فکسڈ لائن سیگمنٹ میں مارکیٹ میں اپنی نمایاں حیثیت کو برقرار رکھا۔ پی ٹی سی ایل فکسڈ لائن میں نمایاں مقام کو مزید مستحکم کرنے کے ساتھ ساتھ 2020 میں ایف ٹی ٹی ایچ کی ترجیحی بنیادوں پر تنصیب کیلئے پرعزم ہے۔

موجودہ اور نئے پی ٹی سی ایل صارفین، پی ٹی سی ایل کی کارپوریٹ ویب سائٹ سے باآسانی رجسٹریشن کروا کر اس سہولت سے فائدہ اٹھا سکتے ہیں۔ صارفین کی لائف ٹائم ویلیو، ہائی سپیڈ انٹرنیٹ پیکیجز کی فروخت اور رعایتی اپ گریڈز میں اضافے کے لئے پی ٹی سی ایل نے موجودہ اور نئے صارفین کے لئے فری سیٹ۔ ٹاپ۔ باکس (STB) کی سہولت متعارف کروائی ہے جس کے تحت ایسے علاقے جہاں نیٹ ورک اپ گریڈ پراجیکٹ کے نتیجے میں ایکس چینجز کی ٹرانسفارمیشن عمل میں آئی ہے، 8Mbps یا اس سے زائد کنکشن کے صارفین کو مفت سمارٹ ٹی وی STB فراہم کئے گئے۔ صارفین کی غیر معمولی دلچسپی کے پیش نظر مذکورہ آفر کی ابتدائی مدت میں اضافہ بھی کیا گیا۔ ٹی وی، ریڈیو اور ڈیجیٹل میڈیا پر اس آفر کی چلائی جانے والی مہم نے نئے صارفین کی تعداد میں خاطر خواہ اضافہ کیا۔ علاوہ ازیں، پی ٹی سی ایل نے صارفین کی دلچسپی برقرار رکھنے کے لئے ویڈیو آن ڈیمانڈ کے سیکشن میں کئی نئی اور مشہور فلمیں بھی شامل کیں۔

## بزنس سے متعلقہ پراڈکٹس اور خدمات

پی ٹی سی ایل کی جانب سے قومی و بین الاقوامی صارفین کے لئے پیش کی گئی خدمات میں ڈیجیٹلائزیشن، کلاؤڈ، ڈیٹا سینٹر ہوسٹنگ، مینیجڈ سروسز اور کنیکٹیویٹی سے منسلک ضروریات شامل ہیں۔

### انٹرنیشنل بزنس ریلیشنز

پی ٹی سی ایل اپنے کرم فرماؤں کو اعلیٰ معیار کی انٹرنیشنل وائس اور آئی پی بینڈ وڈتھ/آئی پی ٹرانزٹ سروسز فراہم کر رہا ہے۔ پی ٹی سی ایل اپنے تمام بین الاقوامی روٹس کی نگرانی کرتا ہے اور اس کا اعادہ کئے ہوئے ہے کہ معیاری سہولت کو برقرار رکھے اور اعلیٰ معیار کی ڈیٹا اور وائس سروسز مہیا کرے۔ رواں سال کے دوران OTT Application کے استعمال میں اضافہ اور غیر قانونی گرے ٹریفک ٹرمینیشن کی وجہ سے پی ٹی سی ایل کی بین الاقوامی سطح پر بزنس کی کارکردگی متاثر ہوئی۔ اس کے پیش نظر پی ٹی سی ایل نے پی ٹی اے اور ٹیلی کام انڈسٹری کی معاونت سے نیا گرے ٹریفک مانیٹرنگ اور کنٹرولنگ سسٹم متعارف کروایا ہے۔ یہ ویب مانیٹرنگ سسٹم (WMS) تمام انٹرنیشنل آئی پی بینڈ وڈتھ کے Access Points پر نصب کیا گیا ہے تاکہ غیر قانونی گرے ٹریفک کا خاتمہ کیا جا سکے۔ اس کے علاوہ پی ٹی سی ایل انٹرنیشنل ریٹیل آپریٹرز کے ساتھ مل کر بین الاقوامی سطح پر آنے والی آمدن کو محفوظ تر بنانے اور غیر قانونی گرے ٹریفک کے اثرات میں کمی لانے کیلئے بھی کوشاں ہے۔

پی ٹی سی ایل نے سپیشل کمیونیکیشن آرگنائزیشن ('SCO' آزاد جموں و کشمیر اور گلگت بلتستان کا بڑا ٹیلی کام آپریٹر) کے ساتھ مل کر چائنہ پاکستان اقتصادی راہداری (CPEC) کی بین الملکی مواصلات کو قانونی دائرہ کار میں لانے کیلئے کامیابی سے شراکت داری قائم کی ہے۔ اس شراکت داری کے ذریعے پی ٹی سی ایل افغانستان، چائنہ اور ایران کے ساتھ استوار کی جانے والی راہداری کے ذریعے ڈیٹا اور وائس کنیکٹیویٹی کے حوالے سے مرکزی حیثیت اختیار کرے گا۔ پی ٹی سی ایل Submarine Wet Segment Capacity کی سیل بڑھانے کیلئے درمیانی اور قلیل مدتی مواقع بڑھانے پر بھی توجہ مرکوز کئے ہوئے ہے۔ ہم امید کرتے ہیں کہ مذکورہ پارٹنرشپس کے ذریعے وائس ٹریفک حجم کی وجہ سے آنے والے دباؤ کو کم کرنے میں مدد ملے گی۔

### کیریئر سروسز

پاکستان کا قومی ادارہ ہونے کے ناطے پی ٹی سی ایل ڈیجیٹل پاکستان کی منزل کی جانب اہم ترین کردار ادا کرنے کیلئے پرعزم ہے۔ ٹیلی کام سروسز فراہم کرنے والے اداروں کو ڈیجیٹل ٹرانسفارمیشن کی جانب گامزن رہنے کیلئے پی ٹی سی ایل اپنی منفرد سروسز فراہم کر رہا ہے۔ فائبر بیسڈ بیک ہال سروسز اور آئی پی بینڈ وڈتھ کی فراہمی کے ذریعے پی ٹی سی ایل سیلولر موبائل آپریٹرز (CMOs) کو اپنی موبائل براڈ بینڈ سروسز کی توسیع میں بھرپور تعاون پیش کر رہا ہے۔ پی ٹی سی ایل مذکورہ CMOs اور ڈیٹا نیٹ ورک آپریٹرز کو آئی پی بینڈ وڈتھ کی فراہمی کے ذریعے اپنی نمایاں حیثیت کو تسلیم کرا چکا ہے۔ اس کے ساتھ ساتھ پی ٹی سی ایل نے دور دراز علاقوں میں VSAT کے ذریعے موبائل براڈ بینڈ سروسز کی عملداری بھی قائم کی ہے اور اب کئی صارفین کو وی ایس اے ٹی بیک ہال سروسز فراہم کر رہا ہے۔ اس عمل کے ذریعے مختلف اداروں کے ساتھ کپیسٹی سروسز کی توسیع ممکن ہوئی ہے۔ اس طرح کے اقدامات پی ٹی سی ایل کی آمدن میں اضافے کا سبب بنے۔





### وائرلائن براڈ بینڈ

ملک بھر میں صارفین کی ڈیٹا کی ضروریات کو پورا کرنے کے لئے مختلف براڈ بینڈ پیکیجز (4Mbps، 8Mbps، 15Mbps اور 25Mbps) نہایت پرکشش قیمتوں پر متعارف کروائے گئے۔ نئے صارفین کی توجہ مبذول کرانے کے لئے انسٹالیشن چارجز میں رعایت کے ساتھ مختلف پروموشنل آفرز متعارف کروائی گئیں۔ جبکہ مختلف علاقوں میں نئے اور موجودہ صارفین کے لئے 4Mbps، 6Mbps، 10Mbps اور 12Mbps کے براڈ بینڈ کنیکشنز کی نئی آفرز بھی شروع کی گئیں۔ پی ٹی سی ایل کے کئی خصوصی صارفین بھی ہیں جنھیں قدرے زیادہ وائی فائی کوریج درکار ہوتی ہے۔ ان صارفین کی ضروریات کو مدنظر رکھتے ہوئے پی ٹی سی ایل نے وائی فائی میش، ایکسٹینڈرز، راؤٹرز وغیرہ کے لئے ٹی پی لنک اور ڈی لنک کے اشتراک سے اپنے ان خصوصی صارفین کو کیش آن ڈیلیوری کی سہولت بھی پیش کی۔

### وائس

دورانِ سال ٹیلی فون ہینڈ سیٹس کی بذریعہ کیش آن ڈیلیوری فروخت کا بھی آغاز کیا گیا۔ اس مہم کا مقصد کمپنی کی لینڈ لائن بیس میں اضافہ کرنا تھا۔ دورانِ سال انٹرنیشنل ٹیرف کے ساتھ ساتھ مختلف وائرلائن پیکجز کی قیمتوں کا تعین بھی کیا گیا۔

### فائبر۔ ٹو۔ دی۔ ہوم (FTTH)

FTTH پر بھرپور توجہ رکھتے ہوئے سال 2019 میں قابل ذکر پیشرفت کی گئی۔ FTTH خدمات کو کراچی، لاہور اور اسلام آباد سمیت ملک کے 11 بڑے شہروں تک توسیع دی گئی جس سے مارکیٹ شیئر میں اضافہ 7 فیصد (2018) سے بڑھ کر 14 فیصد (2019) ہوا۔ اب تک 150,000 سے زائد سروس کے لئے تیار FTTH لائنز بچھائی جا چکی ہیں۔ اس حکمت عملی کے ذریعے کمپنی نے ان علاقوں پر فوکس کیا جہاں صارفین کو انتہائی تیز رفتار انٹرنیٹ کی ضرورت ہوتی ہے۔ صارفین کے تجربے کو بہتر بنانے کے لیے پی ٹی سی ایل کے موجودہ xDSL صارفین کو انسٹالیشن چارجز میں رعایت اور مفت ایکوپمنٹ سمیت خصوصی آفرز کے ذریعے FTTH پر منتقل کیا گیا۔

### وائرلیس۔ CharJi

رواں سال CharJi LTE کے لئے ایک نہایت شاندار مہم کا بھی آغاز کیا گیا جس کا مقصد CharJi LTE کی اہم خصوصیات کو ایک زبردست مواصلاتی تجربے کے طور پر انتہائی تیز رفتار ڈاؤن لوڈ، بفر فری سٹریمنگ اور مسابقتی قیمت پر ماہانہ پیکیجز کے ہمراہ پیش کرنا تھا۔ اس مہم کا دائرہ کار مکمل طور پر اپنے موضوع (بہترین ریٹس میں تیز ترین سپیڈ) کے گرد رہا۔ CharJi ٹیرف ہیوی اور لائٹ ڈیٹا صارفین کی ضروریات کو سستے ماہانہ لائن رینٹ، کسی بھی قسم کے پوشیدہ اخراجات کے بغیر اور لاتعداد ٹاپ اپ سہولت کے ساتھ پورا کرتا ہے۔ کراچی میں مارکیٹ کی صلاحیت اور خدمات کے اعلیٰ معیار میں اضافے کے لئے ریجن میں ایک پرکشش آفر متعارف کروائی گئی جو کہ صرف 1,499 روپے ماہانہ میں ان لمیٹڈ انٹرنیٹ 150 GB کی منصفانہ استعمال کی پالیسی (ایف یو پی) کے ساتھ پیش کی گئی۔ یہ آفر نئے اور موجودہ صارفین دونوں کے لئے ہے۔ اس سے قبل اسی طرح موجودہ اور نئے صارفین کے لئے ملکی سطح پر CharJi کی آفر کا اجراء کیا گیا تھا جس کے تحت کراچی اور آزاد جموں و کشمیر کے علاوہ LTE سہولت کے فعال علاقوں میں اَن لمیٹڈ ڈیٹا کی پیشکش صرف 1,999 روپے ماہانہ میں کی گئی تھی۔

### سمارٹ ٹی وی اور مواد

رواں سال پی ٹی سی ایل نے نیٹ فلیکس کے ساتھ شراکت داری کی جو دنیا کی سبسکرپشن۔ بیسڈ ویڈیو۔ آن۔ ڈیمانڈ کی سب سے بڑی آن لائن سروس ہے۔ پی ٹی سی ایل صارفین کو نیٹ فلیکس سبسکرپشن کے چارجز کی ادائیگی اپنے ماہانہ بل کے ساتھ کرنے کی سہولت دی گئی۔ اس آسانی کی وجہ سے صارفین کو اپنے کریڈٹ یا ڈیبٹ کارڈ کی تفصیل فراہم کرنے جیسے غیر محفوظ عمل سے نجات ملی۔ یہ پاکستان جیسی مارکیٹ کیلئے ایک آسان طریقہ ہے جہاں بینک کے ذریعے ادائیگی کا تناسب 50 فیصد سے کم ہے۔

# مالیاتی جائزہ اور دیگر امور برائے 2019

ہم پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) کے بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2019 کو ختم ہونے والے سال کیلئے سالانہ رپورٹ اور آڈٹ شدہ مالی حسابات ہمراہ آڈیٹرز رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ پی ٹی سی ایل ٹیلی کام سیکٹر میں اپنی مضبوط پوزیشن اور وسیع نیٹ ورک کو بروئے کار لاتے ہوئے اپنے اسٹیک ہولڈرز کی بہتری کیلئے بھرپور محنت جاری رکھے ہوئے ہے۔

نیٹ ورک اپ گریڈ کی مد میں کی جانے والی سرمایہ کاری کی بدولت پی ٹی سی ایل اپنے معزز صارفین کیلئے بہترین براڈ بینڈ سروسز کی فراہمی کو یقینی بنانے میں کامیاب ہوا۔ جس سے نہ صرف صارفین کی شکایات میں نمایاں کمی واقع ہوئی ہے بلکہ صارفین کو ہائر ڈیٹا ریٹ پیکیجز کی فراہمی کے مواقع بھی دستیاب ہوئے ہیں جس سے براڈ بینڈ اے آر پی یوز اور آمدن میں بہتری آئی ہے۔ پی ٹی سی ایل کے قومی اور بین الاقوامی جامع پورٹ فولیو، موبائل ٹرمینیشنز، انٹرکنیکٹ، انٹرنیشنل ٹرانزٹ اور پیسیو انفراسٹرکچر شیئرنگ سے ہمارے معزز کاروباری شراکت داروں کے اعتماد میں اضافہ ہوا۔

قومی ادارہ ہونے کے ناطے پی ٹی سی ایل پاکستان میں رابطوں کی فراہمی میں ریڑھ کی ہڈی کی حیثیت رکھتا ہے اور بہت سے ایسے صارفین ہیں جن کی روزمرہ رابطوں کی ضروریات کو پی ٹی سی ایل پورا کرتا ہے اسی لئے پی ٹی سی ایل ان سب کا اعتبار ہے جن کی سروسز پر آپ اعتبار کرتے ہیں۔ انہی وجوہات کی بنا پر آئی پی بینڈ وڈتھ سیگمینٹ میں پی ٹی سی ایل کے نمایاں مقام کو مزید تقویت ملی۔

صحت، مالیاتی، ایف ایم سی جی اور تعلیم کے شعبوں میں منفرد پراڈکٹس اور سروسز کی فراہمی کے ذریعے پی ٹی سی ایل ڈیجیٹل پاکستان کی منزل کی جانب اپنا اہم ترین کردار ادا کر رہا ہے۔ پی ٹی سی ایل نے مسلسل دوسرے سال بھی entity ریٹنگ میں (Triple A) "AAA" ریٹنگ اور شارٹ ٹرم ریٹنگ (A-One Plus) "A-1+" کو برقرار رکھا۔ اس سے پی ٹی سی ایل کی مضبوط مالی پوزیشن پر اسٹیک ہولڈرز کا اعتماد ظاہر ہوتا ہے۔ دوران سال کمپنی کی کارکردگی کا مختصر جائزہ درج ذیل ہے:۔

## مالیاتی کارکردگی

گروپ کی تمام کمپنیوں کی آمدن میں اضافہ ہوا تاہم بجلی کی قیمتوں میں اضافہ اور دیگر بیرونی معاشی وجوہات کی بنا پر گروپ کے منافع میں گزشتہ سال کی نسبت کمی واقع ہوئی۔ پی ٹی سی ایل گروپ نے نیٹ ورکس کی توسیع اور اپ گریڈیشن کیلئے بھاری سرمایہ کاری کے ذریعے اپنے معزز صارفین کو معیاری خدمات فراہم کرتے ہوئے مارکیٹ میں اپنے نمایاں مقام کو برقرار رکھا۔

### آمدن

رواں سال کے دوران پی ٹی سی ایل کی آمدن 71.5 ارب روپے رہی جو گزشتہ سال کے مقابلے میں نسبتاً زیادہ ہے۔ براڈ بینڈ اینڈ آئی پی ٹی وی اور کارپوریٹ اینڈ ہول سیل کی آمدن میں بالترتیب 5 فیصد اور 13 فیصد اضافہ ہوا۔ پاکستان کے 11 بڑے شہروں میں فائبر ٹو دی ہوم (FTTH) کی بدولت پی ٹی سی ایل برانڈ کی اہمیت میں اضافہ ہوا۔ 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 وائس آمدن میں کمی آئی ہے۔ وی ایس اے ٹی میں اضافے کے ساتھ پی ٹی سی ایل مختلف سیلولر، ایل ڈی آئی اور لوکل لوپ آپریٹرز کیلئے بینڈ وڈتھ فراہم کرنے والی واحد کمپنی بن گئی۔ رواں سال کے دوران پی ٹی سی ایل گروپ کی آمدن گزشتہ سال کی نسبت 2.1 فیصد اضافے کے ساتھ 129.5 ارب روپے رہی۔ مذکورہ بیان کردہ پی ٹی سی ایل کی آمدن میں اضافے کے علاوہ یوفون کی آمدن میں 1 فیصد جبکہ یو بینک کی آمدن میں گزشتہ سال کی نسبت 48 فیصد کا خاطر خواہ اضافہ ہوا۔



### منافع پذیری

پی ٹی سی ایل کے آپریٹنگ منافع میں گزشتہ سال کی نسبت 24 فیصد کمی ہوئی جس کی وجوہات میں، بجلی کی قیمتوں میں اضافہ اور دیگر بیرونی معاشی عوامل کی بنا پر آپریٹنگ کاسٹ میں اضافہ شامل ہیں۔ پی ٹی سی ایل نے رواں سال کے لئے 6.3 ارب روپے کا بعد از ٹیکس خالص منافع ظاہر کیا جو کہ گزشتہ سال کی نسبت 14.5 فیصد کم ہے۔ شرح سود میں اضافے کی بدولت سرمایہ کاری پر ہونے والی آمدن میں اضافے، ناکارہ اثاثہ جات کی فروخت اور غیر ملکی اثاثہ جات پر ہونے والی آمدن نے آپریٹنگ منافع کی سطح پر 24 فیصد کمی کو خالص منافع کی سطح پر 14.5 فیصد تک کم کرنے میں مدد فراہم کی۔ سال کے دوران پی ٹی سی ایل کا فی شیئر منافع 1.24 روپے رہا۔ پی ٹی سی ایل گروپ نے دوران سال آپریٹنگ منافع اور نیٹ منافع بالترتیب 6.7 ارب روپے اور 2.4 ارب روپے ظاہر کیا۔ گروپ کی سطح پر منافع میں کمی کی وجوہات میں بجلی کی قیمتوں میں اضافہ اور بیرونی معاشی عوامل شامل ہیں۔

### رقوم کا بہاؤ

پی ٹی سی ایل نے مذکورہ سال میں رقوم کے بہاؤ کو بالخصوص نیٹ ورکس کی اپ گریڈیشن اور فائبر آپٹک کی تنصیب کیلئے استعمال کیا۔ گروپ لیول پر درج بالا ادائیگیوں کے ساتھ رقوم کے بہاؤ کو یوفون کے نیٹ ورکس کی اپ گریڈیشن اور یو بینک کی شاخوں میں اضافے کیلئے بھی استعمال کیا گیا۔

### ڈیویڈنڈ اور اختصاص

پی ٹی سی ایل کے بورڈ آف ڈائریکٹرز نے حتمی کیش ڈیویڈنڈ 5 فیصد (0.50 روپیہ فی شیئر) تجویز کیا جو کہ عبوری کیش ڈیویڈنڈ 5 فیصد (0.50 روپیہ فی شیئر) کے علاوہ ہے۔ مجموعی طور پر رواں سال ڈیویڈنڈ 10 فیصد (1.00 روپیہ فی شیئر) رہا۔ مزید برآں انشورنس ریزرو فنڈ کی مد میں ہوئی 187 ملین روپے کی آمدن کو غیر مختص منافع میں سے انشورنس ریزرو میں منتقل کیا۔

### دیگر معاملات

کمپنی کے مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے دوران ایسی کوئی مادی تبدیلیاں اور وعدے نہیں ہیں جس سے کمپنی کی مالی پوزیشن متاثر ہو۔ آپ کی توجہ اس سال کے پی ٹی سی ایل کی فنانشل اسٹیٹمنٹس کی شق 13.7 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 متعلق کچھ ملازمین کے حقوق کی وضاحت کی گئی ہے جیسا کہ بیرونی آڈیٹرز نے اپنی رپورٹ میں اجاگر کیا۔

## صارفین کیلئے پراڈکٹس اور خدمات

پی ٹی سی ایل نے ایک طویل عرصے تک پاکستانی صارفین کی کالز، انٹرنیٹ اور کونٹینٹ (مواد) کی ضروریات کو پورا کیا ہے۔ اس سال صارفین کے لئے مناسب قیمت میں بہترین اَن لمیٹڈ براڈ بینڈ پیکیجز اضافی فوائد کے ساتھ پیش کیے گئے تاکہ صارفین رعایتی قیمت میں یہ کنیکشن حاصل کر سکیں۔ اپنے اَپ گریڈ کیے گئے پہلے سے بہتر نیٹ ورک کے ذریعے پی ٹی سی ایل نے ملک بھر میں نہ صرف اپنی FTTH ٹیکنالوجی کو وسیع کیا بلکہ بے شمار نئے صارفین کو بھی یہ خدمات فراہم کیں۔ پورے ملک کو ڈیجیٹل لحاظ سے منسلک کرنے کے مقصد کے تحت پی ٹی سی ایل نے رواں سال کے دوران مندرجہ ذیل پراڈکٹ آفرز متعارف کروائیں:

## Audit Committee

### Composition

| | |
|---|---|
| Mr. Serkan Okandan | Chairman |
| Mr. Abdulrahim A. Al Nooryani | Member |
| Mr. Rizwan Malik | Member |
| Mr. Naveed Kamran Baloch | Member |
| Mr. Mohamed Dukandar | Member |

### Attendance

Total 05 Meetings of the Audit Committee were held during the Financial Year ended on December 31, 2019.

| Sr. | Name of Director-Member | Attendance |
|---|---|---|
| 1 | Mr. Serkan Okandan | 5 |
| 2 | Mr. Abdulrahim A. Al Nooryani | 5 |
| 3 | Mr. Mudassar Hussain | 2 |
| | Mr. Naveed Kamran Baloch | 2 |
| 4 | Mr. Rizwan Malik | 5 |

### Functions

- Recommend to the Board in approving Company's financial statements and appointment of External Auditors.
- Review the scope of internal control.
- Monitor statutory and corporate governance compliances.
- Determine the appropriate measures to safeguard Company's assets.
- Review enterprise risk management processes and exposures and recommend appropriate policies to the Board.
- Review and recommend significant policies and Company's delegation of fiduciary powers.
- Oversee tax and fiscal exposures.
- Discuss major internal audit findings with external auditors and establish procedures for and reviews whistleblowing material cases.

## Human Resource & Remuneration Committee

### Composition

| | |
|---|---|
| Mr. Abdulrahim A. Al Nooryani | Chairman |
| Mr. Serkan Okandan | Member |
| Mr. Rizwan Malik | Member |
| Mr. Naveed Kamran Baloch | Member |
| Mr. Khalifa Al Shamsi | Member |

### Attendance

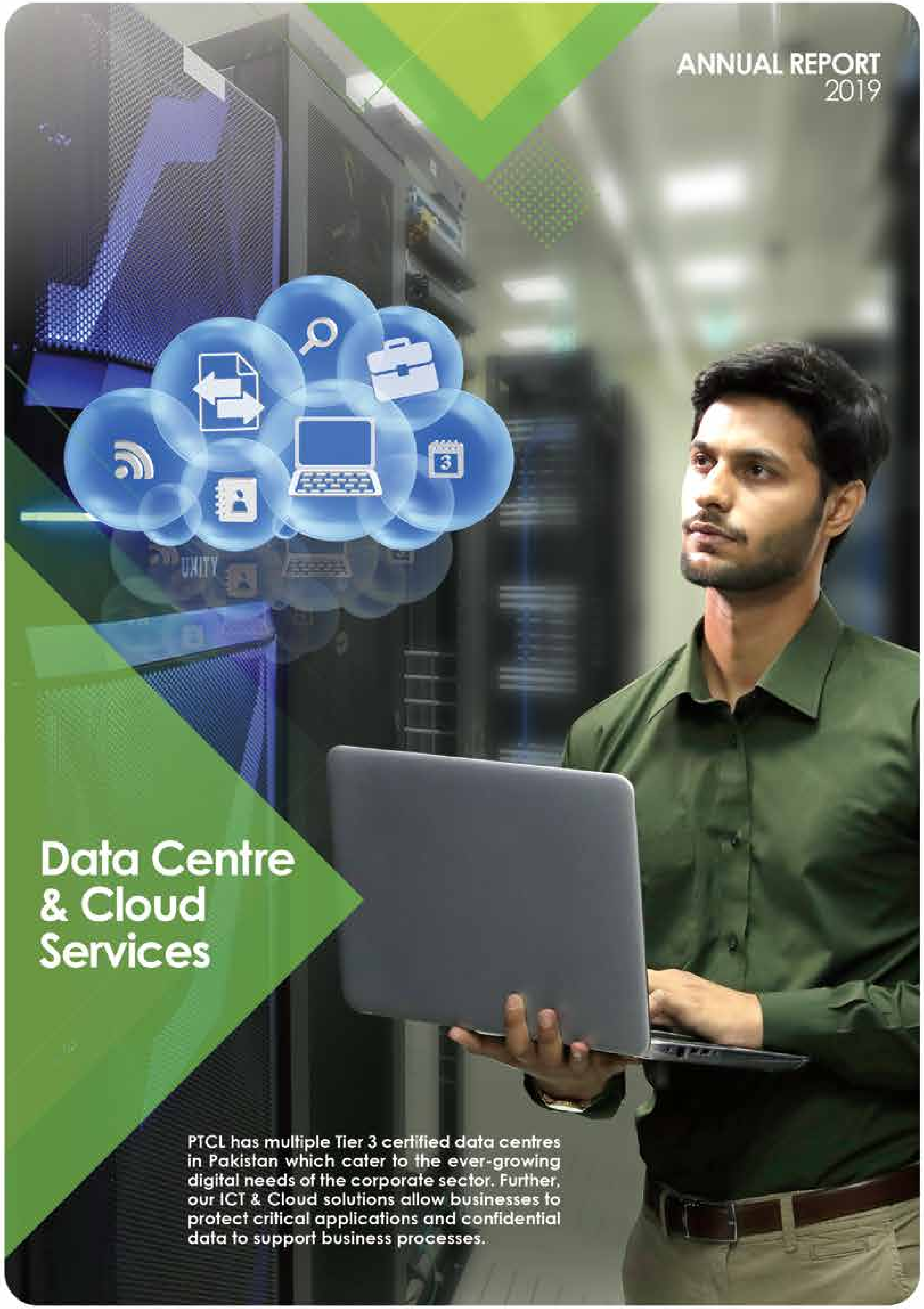
Total 04 Meetings of the HR & R Committee were held during the Financial Year ended on December 31, 2019.

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

### Functions

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






# Data Centre & Cloud Services

PTCL has multiple Tier 3 certified data centres in Pakistan which cater to the ever-growing digital needs of the corporate sector. Further, our ICT & Cloud solutions allow businesses to protect critical applications and confidential data to support business processes.

## Investment & Finance Committee

### Composition

| | |
|---|---|
| Mr. Hatem Dowidar | Chairman |
| Mr. Serkan Okandan | Member |
| Mr. Naveed Kamran Baloch | Member |
| Mr. Rizwan Malik | Member |
| Mr. Khalifa Al Shamsi | Member |

### Attendance

Total 08 Meetings of the Investment and Finance Committee were held during the Financial Year ended on December 31, 2019.

| Sr. | Name of Director-Member | Attendance |
|---|---|---|
| 1 | Mr. Hatem Dowidar | 8 |
| 2 | Mr. Serkan Okandan | 7 |
| 3 | Mr. Arif Ahmed Khan | 1 |
| | Mr. Naveed Kamran Baloch | 6 |
| 4 | Mr. Mudassar Hussain | 1 |
| 5 | Mr. Rizwan Malik | 7 |
| 6 | Mr. Khalifa Al Shamsi | 7 |

### Functions

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

## PTCL Board

### Composition

Total 08 Board Meetings were held during the Financial Year ended on December 31, 2019.

| Sr. | Name of Director | Portfolio | Attendance |
|---|---|---|---|
| 1 | Mr. Maroof Afzal | Chairman | 3 |
| | Mr. Shoaib Ahmad Siddiqui | | 5 |
| 2 | Mr. Abdulrahim A. Al Nooryani | Member | 8 |
| 3 | Mr. Arif Ahmed Khan | Member | 1 |
| | Mr. M. Younus Dagha | | 1 |
| | Mr. Naveed Kamran Baloch | | 6 |
| 4 | Mr. Hatem Dowidar | Member | 8 |
| 5 | Mr. Mudassar Hussain | Member | 2 |
| | Syed Shabahat Ali Shah | Member | 4 |
| 6 | Mr. Serkan Okandan | Member | 8 |
| 7 | Mr. Rizwan Malik | Member | 8 |
| 8 | Mr. Khalifa Al Shamsi | Member | 8 |
| 9 | Mr. Hesham Al Qassim | Member | 6 |



# Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations")

## Pakistan Telecommunication Company Limited (the "Company") Year ending December 31, 2019

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

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

   a. Male: Nine
   b. Female: None

2. The composition of the Board of Directors (the "Board") is as follows:

| | | |
|---|---|---|
| i) | Independent Directors | None |
| ii) | Non-Executive Directors | 1. Mr. Shoaib Ahmad Siddiqui, Chairman<br>2. Mr. Abdulrahim A. Al Nooryani<br>3. Mr. Naveed Kamran Baloch<br>4. Mr. Rizwan Malik<br>5. Mr. Hatem Dowidar<br>6. Syed Shabahat Ali Shah<br>7. Mr. Serkan Okandan<br>8. Mr. Hesham Al Qassim<br>9. Mr. Khalifa Al Shamsi |
| iii) | Executive Directors | None |
| iv) | Female Directors | None |

3. The Directors have confirmed that none of them is serving as a director on more than seven 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. The Board has ensured that a complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

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



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

   Following Directors have been certified under the Directors' Training Programme during the year 2019:

| | |
|---|---|
| 1. | Mr. Maroof Afzal |
| 2. | Mr. Rizwan Malik |

   Following Executives have been certified under the Directors' Training Programme during the year 2019:

| | |
|---|---|
| 1. | Ms. Saima Akbar Khattak, Company Secretary |
| 2. | Mr. Sikandar Naqi, Chief Business Development Officer |

10. The Board has approved the 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. CFO and Chief Executive Officer ("CEO") duly endorsed the financial statements before approval of the Board.

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

a) Audit Committee

| |
|---|
| 1. Mr. Serkan Okandan, Chairman |
| 2. Mr. Abdulrahim A. Al Nooryani |
| 3. Mr. Mohamed Dukandar |
| 4. Mr. Naveed Kamran Baloch |
| 5. Mr. Rizwan Malik |

b) Human Resource and Remuneration Committee

| |
|---|
| 1. Mr. Abdulrahim A. Al Nooryani, Chairman |
| 2. Mr. Serkan Okandan |
| 3. Mr. Khalifa Al Shamsi |
| 4. Mr. Naveed Kamran Baloch |
| 5. Mr. Rizwan Malik |

c) Investment and Finance Committee

| |
|---|
| 1. Mr. Hatem Dowidar, Chairman |
| 2. Mr. Serkan Okandan |
| 3. Mr. Khalifa Al Shamsi |
| 4. Mr. Naveed Kamran Baloch |
| 5. Mr. Rizwan Malik |

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

14. The frequency of meetings (quarterly/bi-annually/annually) 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 five meetings were held during the year 2019.

   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 the year 2019.

   c) Investment and Finance Committee

   The frequency of meetings is on quarterly basis and as per the requirement of the Company. Total eight meetings were held during the year 2019.

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 programme of the Institute of Chartered Accountants of Pakistan ("ICAP") and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the CEO, CFO, Head of Internal Audit, Company Secretary or Director of the Company.

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 requirements of Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with. With regard to Regulations 6, 7, 27 (1)(i) and 27 (1)(ii), we explain as follows:

    The Board comprises nine Members. Pursuant to the provisions of the Shareholders Agreement between the President of Pakistan on behalf of the Government of Pakistan ("GOP") and Etisalat International Pakistan ("Strategic Investor"); as well as the Articles of Association of the Company, the GOP nominates four (04) Members on the Board of the Company while Strategic Investor nominates five (05) Members.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

    The Regulation 28 Sub-Regulation 1 of the Regulations requires that at least one member of the Human Resource and Remuneration Committee ("HR&RC") shall be an independent director. The Regulation 28 Sub-Regulation 2 of the Regulations requires that the Chairman of the HR&RC shall be an independent director. However, pursuant to Regulation 2 of the Regulations, the requirements of Regulation 28 are not mandatory.

    The appointment of an independent Director has been explained in para 18 above.

Rashid Naseer Khan
President and Chief Executive Officer

Shoaib Ahmad Siddiqui
Chairman PTCL Board

Islamabad: February 11, 2020



# Independent Auditors' Review Report

## To the members of Pakistan Telecommunication Company Limited

## Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pakistan Telecommunication Company Limited for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for 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 the 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 Directors upon recommendation of the Audit Committee.

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, 2019.



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

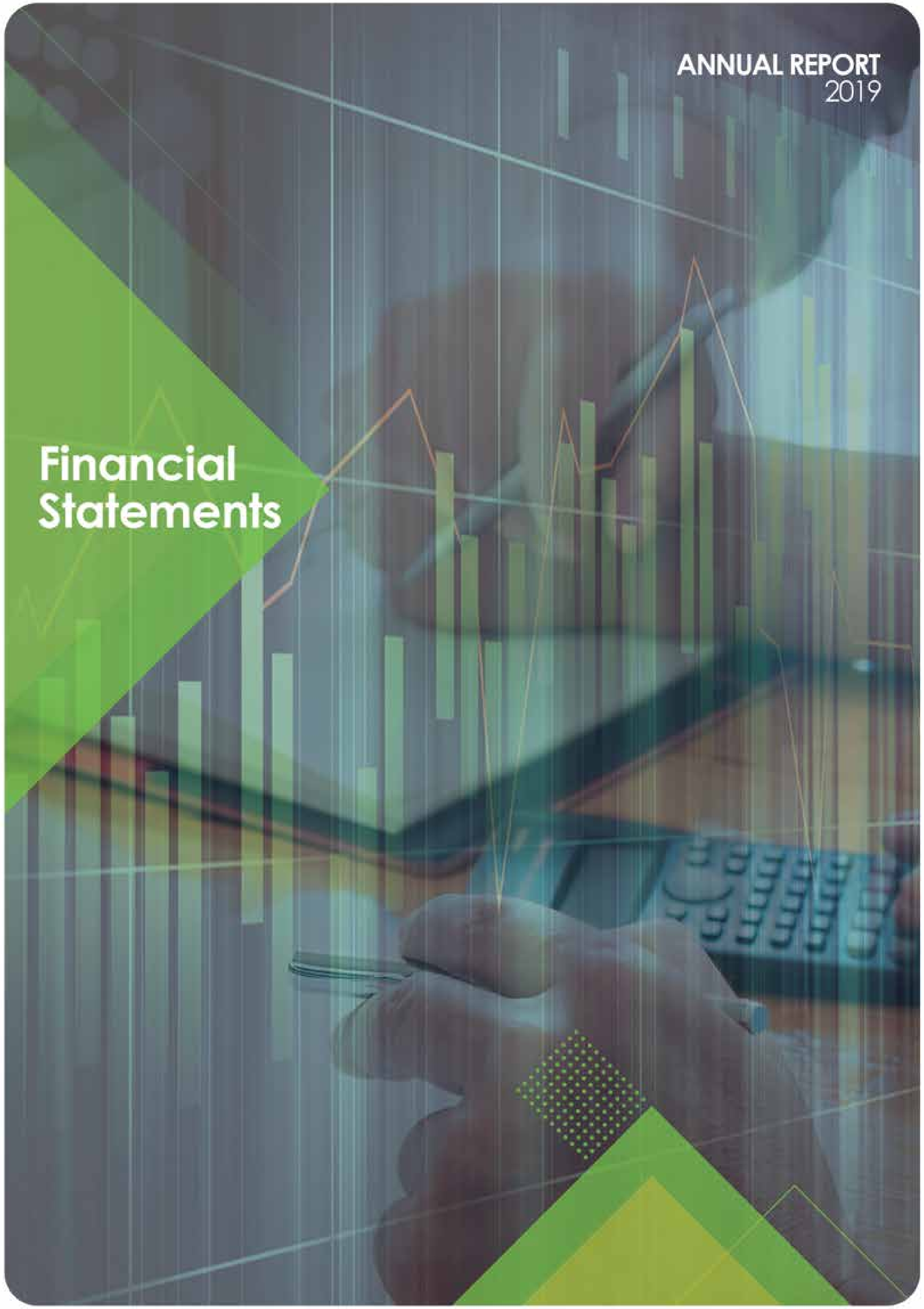
As stated in para 18 and 19, the Company has not yet elected an independent director.

**KPMG Taseer Hadi & Co.**
Chartered Accountants

Islamabad
March 20, 2020

# NOTES





# 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 separate financial statements of Pakistan Telecommunication Company Limited (the Company), which comprise the statement of financial position as at December 31, 2019, 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, the 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 December 31, 2019 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 13.7 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<br><br>Refer notes 5.20 and 28 to the financial statements.<br><br>The Company has reported revenue amounting to Rs 71,548,302 thousand for the year ended December 31, 2019. 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.<br><br>We identified recognition of revenue as a key audit matter because 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. | Our audit procedures to assess the recognition of revenue, amongst others, included the following:<br><br>• 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;<br><br>• Comparing a sample of transactions comprising of various revenue streams recorded during the year with relevant underlying supporting documents and cash receipts;<br><br>• 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 to the amounts recognized during the year;<br><br>• 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<br><br>• Considering the appropriateness of disclosures in the financial statements. |
| 2 | Income tax recoverable<br><br>Refer notes 5.24 and 23 to the financial statements. | Our audit procedures in relation to the matter included: |

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

| S. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | As at December 31, 2019, income tax recoverable is stated at Rs 17,756,175 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.<br><br>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. | • Consulting our tax specialist to assess the reasonableness of the Company's conclusions on recoverability of income tax refundable;<br><br>• Reviewing the status of significant pending tax matters, including the Company's assessment of the potential liabilities;<br><br>• Comparing refund applications filed for refund of tax relating to preceding years with the amounts recorded in the financial statements;<br><br>• Inspecting correspondence with tax authorities to identify any pending taxation matters relating to the years to which the refund relates;<br><br>• Testing computation of current income tax provisions and appropriateness of adjustments recognized in the financial statements in accordance with the accounting policy for group taxation adopted by the Company;<br><br>• 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;<br><br>• Assessing adequacy of disclosures in the financial statements. |
| 3 | Cost capitalisation for property, plant and equipment<br><br>Refer notes 5.11 (a) and 14 to the financial statements.<br><br>The Company has recorded additions to property, plant and equipment amounting to Rs 25,911,825 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.<br><br>The initial recognition and classification of property, plant and equipment and certain elements of expenditure as either | Our audit procedures in relation to the matter, amongst others, included the following:<br><br>• Assessing the design, implementation and operating effectiveness of key internal controls over capitalization of property, plant and equipment including transfers from capital work in progress to operating fixed assets;<br><br>• Comparing, on sample basis, costs capitalized during the year with underlying supporting documentation;<br><br>• Assessing the nature of cost incurred meet the criteria for capitalization under accounting framework;<br><br>• Comparing, on sample basis, the cost of completed projects from capital work in progress |



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

| S. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | assets or expenses involves subjective judgments or uncertainties. | operating fixed assets with supporting documentation including completion certificates, where relevant, and comparing the date of capitalization with supporting documentation; and<br><br>• Assessing whether the depreciation has been correctly computed from the date of capitalization. |
| 4 | Recoverability of trade debts<br><br>Refer notes 5.17.4 and 21 to the financial statements.<br><br>As at December 31, 2019, the Company's gross trade debtors were Rs 27,911,795 thousand against which allowances for expected credit losses of Rs 7,653,221 thousand were recognized.<br><br>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:<br><br>• 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;<br><br>• Agreeing, on a sample basis, the balances used in management's estimate of expected credit loss with the books of account of the Company;<br><br>• Testing the assumptions and estimates made by management for the allowances for doubtful debts; and<br><br>• Evaluating that the allowance for doubtful debt is in accordance with the requirements of applicable financial reporting framework. |

### 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 December 31, 2019, 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.

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

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.

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 judgment 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.



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 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.

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.

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

**KPMG Taseer Hadi & Co.**
Chartered Accountants

Islamabad
March 20, 2020

## STATEMENT OF
# FINANCIAL POSITION
AS AT DECEMBER 31, 2019

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| Equity | | | |
| Share capital and reserves | | | |
| Share capital | 6 | 51,000,000 | 51,000,000 |
| Revenue reserves | | | |
| Insurance reserve | | 3,172,624 | 2,985,696 |
| General reserve | | 27,497,072 | 27,497,072 |
| Unappropriated profit | | 6,081,683 | 2,088,583 |
| | | 36,751,379 | 32,571,351 |
| | | 87,751,379 | 83,571,351 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Deferred income tax | 7 | 5,932,356 | 6,991,303 |
| Employees retirement benefits | 8 | 27,042,310 | 28,487,425 |
| Deferred government grants | 9 | 7,578,974 | 7,841,637 |
| Advances from customers | | 1,526,911 | 1,112,453 |
| Lease liabilities | 10 | 927,185 | - |
| | | 43,007,736 | 44,432,818 |
| Current liabilities | | | |
| Trade and other payables | 11 | 78,261,680 | 67,675,182 |
| Security deposits | 12 | 583,739 | 579,039 |
| Unpaid / unclaimed dividend | | 211,589 | 264,836 |
| Current maturity of lease liabilities | 10 | 177,955 | - |
| | | 79,234,963 | 68,519,057 |
| Total equity and liabilities | | 209,994,078 | 196,523,226 |
| Contingencies and commitments | 13 | | |

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

Chief Financial Officer

President & CEO

Chairman





## STATEMENT OF
# FINANCIAL POSITION
AS AT DECEMBER 31, 2019

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **Assets** | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 116,719,808 | 106,151,422 |
| ROU assets | 15 | 1,144,505 | - |
| Intangible assets | 16 | 1,463,269 | 1,690,725 |
| | | 119,327,582 | 107,842,147 |
| Long term investments | 17 | 8,936,284 | 8,968,757 |
| Long term loans and advances | 18 | 12,387,056 | 10,690,139 |
| Contract costs | 19 | 508,615 | 364,502 |
| | | 141,159,537 | 127,865,545 |
| Current assets | | | |
| Stores and spares | 20 | 5,335,121 | 6,067,575 |
| Contract costs | 19 | 1,525,845 | 1,093,505 |
| Trade debts and contract assets | 21 | 20,258,574 | 16,657,916 |
| Loans and advances | 22 | 922,344 | 1,762,470 |
| Income tax recoverable | 23 | 17,756,175 | 16,478,323 |
| Receivable from GoP | 24 | 2,164,072 | 2,164,072 |
| Prepayments and other receivables | 25 | 16,697,980 | 14,842,839 |
| Short term investments | 26 | 6,906 | 4,930,370 |
| Cash and bank balances | 27 | 4,167,524 | 4,660,611 |
| | | 68,834,541 | 68,657,681 |
| Total assets | | 209,994,078 | 196,523,226 |

Chief Financial Officer

President & CEO

Chairman

## STATEMENT OF
# PROFIT OR LOSS
### FOR THE YEAR ENDED DECEMBER 31, 2019

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Revenue | 28 | 71,548,302 | 71,273,180 |
| Cost of services | 29 | (54,569,330) | (53,531,527) |
| Gross profit | | 16,978,972 | 17,741,653 |
| Administrative and general expenses | 30 | (6,759,574) | (6,257,069) |
| Selling and marketing expenses | 31 | (2,991,971) | (3,014,579) |
| Impairment loss on trade debts and contract assets | 21.3 | (2,288,544) | (1,955,881) |
| | | (12,040,089) | (11,227,529) |
| Operating profit | | 4,938,883 | 6,514,124 |
| Other income | 32 | 4,710,120 | 4,796,873 |
| Finance costs | 33 | (317,775) | (553,828) |
| Profit before tax | | 9,331,228 | 10,757,169 |
| Taxation | 34 | (2,983,993) | (3,334,722) |
| Profit after tax | | 6,347,235 | 7,422,447 |
| Earnings per share - basic and diluted (Rupees) | 35 | 1.24 | 1.46 |

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

Chief Financial Officer | President & CEO | Chairman



## STATEMENT OF
# COMPREHENSIVE INCOME
### FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| Profit for the year | 6,347,235 | 7,422,447 |
| Other comprehensive income for the year | | |
| Items that will not be reclassified to statement of profit or loss: | | |
| Remeasurement gain / (loss) on employees retirement benefits | 571,619 | (5,426,593) |
| Impairment loss on other investment | (32,473) | - |
| | 539,146 | (5,426,593) |
| Tax effect | (156,353) | 1,573,712 |
| Other comprehensive income for the year - net of tax | 382,793 | (3,852,881) |
| Total comprehensive income for the year | 6,730,028 | 3,569,566 |

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

Chief Financial Officer | President & CEO | Chairman

## STATEMENT OF
# CASH FLOWS
### FOR THE YEAR ENDED DECEMBER 31, 2019

| | Note | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 37 | 31,159,394 | 28,986,491 |
| Payment to Pakistan Telecommunication Employees Trust (PTET) | | (3,500,000) | (2,779,570) |
| Employees retirement benefits paid | | (1,225,388) | (1,063,334) |
| Advances from customers | | 414,458 | (111,459) |
| Income tax paid | | (2,076,023) | (3,140,097) |
| Net cash inflows from operating activities | | 24,772,441 | 21,892,031 |
| **Cash flows from investing activities** | | | |
| Capital expenditure | | (24,801,759) | (19,884,397) |
| Acquisition of intangible assets | | (224,345) | (222,694) |
| Proceeds from disposal of property, plant and equipment | | 885,030 | 82,657 |
| Disposal of short term investments | | - | 3,080,778 |
| Addition to contract cost | | (3,064,418) | (2,251,475) |
| Long term loans and advances | | (278,482) | (387,358) |
| Return on long term loans and short term investment | | 1,662,024 | 1,142,205 |
| Government grants received | | 167,287 | 300,000 |
| Long term investment in U Microfinance Bank Limited (Ubank) | | - | (1,000,000) |
| Subordinated long term loan to PTML | | (1,500,000) | (1,000,000) |
| Subordinated long term loan to Ubank | | - | (4,000,000) |
| Dividend income - Ubank | | - | 114,286 |
| Net cash outflows from investing activities | | (27,154,663) | (24,025,998) |
| **Cash flows from financing activities** | | | |
| Dividend paid | | (2,603,247) | (5,045,351) |
| Lease liabilities | | (431,082) | - |
| Net cash outflows from financing activities | | (3,034,329) | (5,045,351) |
| Net decrease in cash and cash equivalents | | (5,416,551) | (7,179,318) |
| Cash and cash equivalents at the beginning of the year | | 9,590,981 | 16,770,299 |
| Cash and cash equivalents at the end of the year | 37.1 | 4,174,430 | 9,590,981 |

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

Chief Financial Officer | President & CEO | Chairman



## STATEMENT OF
# CHANGES IN EQUITY
### FOR THE YEAR ENDED DECEMBER 31, 2019

| | 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, 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 |
| Total comprehensive income for the year 2019 | | | | | | |
| Profit for the year | - | - | - | - | 6,347,235 | 6,347,235 |
| Other comprehensive income - net of tax | - | - | - | - | 382,793 | 382,793 |
| | - | - | - | - | 6,730,028 | 6,730,028 |
| Distribution to owners of the Company | | | | | | |
| Interim dividend for the year ended December 31, 2019 - Rs 0.50 per share | - | - | - | - | (2,550,000) | (2,550,000) |
| | - | - | - | - | (2,550,000) | (2,550,000) |
| Transfer to insurance reserve | - | - | 186,928 | - | (186,928) | - |
| **Balance as at December 31, 2019** | 37,740,000 | 13,260,000 | 3,172,624 | 27,497,072 | 6,081,683 | 87,751,379 |

The annexed notes 1 to 47 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, 2019

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.

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 | Clifton Exchange, Hatim Alvi road Karachi. |

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.

2.1 Standards, interpretation and amendment adopted during the year

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

(a) New accounting standards / amendments and IFRSs interpretations that are effective for the year ended December 31, 2019.

| | |
|---|---|
| IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 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. | Effective from accounting period beginning on or after January 01, 2019. |



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2019

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

| | |
|---|---|
| IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. | Effective from accounting period beginning on or after January 01, 2019. |
| Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. | Effective from accounting period beginning on or after January 01, 2019. |
| Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. | Effective from accounting period beginning on or after January 01, 2019. |
| IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. | Effective from accounting period beginning on or after January 01, 2019. |
| IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. | Effective from accounting period beginning on or after January 01, 2019. |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

(b) 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. |
| IFRS 7 'Financial Instruments: Disclosures' Amendments regarding pre-replacement issues in the context of the IBOR reform | Effective from accounting period beginning on or after January 01, 2020. |
| IFRS 9 'Financial Instruments: Disclosures' Amendments regarding pre-replacement issues in the context of the IBOR reform | Effective from accounting period beginning on or after January 01, 2020. |
| IFRS 17 'Insurance Contracts' | Effective from accounting period beginning on or after January 01, 2021 |
| IAS 1 'Presentation of Financial Statements' Amendments regarding the definition of materiality | 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. |
| IFRS 14 'Regulatory Deferral Accounts' | 'Effective from accounting period beginning on or after July 01, 2019. |

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

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

- IFRS 1 First -time Adoption of International Financial Reporting Standards
- IFRS 17 Insurance Contracts

### 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:





NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

(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.

(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 judgement 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 contract with customers

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

## 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 polices

The Company has initially adopted IFRS 16 'Leases' from January 01, 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company applied IFRS 16 using the modified retrospective approach, under which the Company has recognized lease liabilities at the date of initial recognition for leases previously classified as operating lease under IAS 17 at the present value of the remaining lease payments using the Company's incremental borrowing rate and recognizing right of use assets at the date of initial application for leases. The Company has chosen to measure the right of use assets at an amount equal to the lease liabilities. Accordingly, the comparative figures presented for 2018 have not been restated.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining whether an arrangement contains a Lease'. The Company now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company used the following practical expedients when applying IFRS 16, to leases previously classified as operating leases under IAS 17.

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

| | December 31, 2019<br>Rs '000 |
|---|---|
| **Amounts recognized in profit or loss for the year under new policy.** | |
| Interest on lease liabilities | 119,916 |
| Depreciation of right of use assets | 271,801 |
| | 391,717 |

If IFRS 16 were not applicable than rental cost of Rs 210,553 thousand and Rs 135,182 thousand would have been recognized in cost of sales and administration and general expenses respectively. Accordingly, profit before tax decreased by Rs 45,982 thousand for the year ended December 31, 2019 as a result of the adoption of IFRS 16.

### 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 statement of profit or loss for the year.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

### 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.

NOTES TO AND FORMING PART OF THE
# FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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. 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.

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.

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.



NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

5.13 Impairment of non-financial assets

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

5.14 Stores 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 expected credit losses based on review of all outstanding amounts at reporting date. Bad debts are written off as per Company policy.

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.

(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 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.<br><br>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.

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 amortised 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.

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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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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 seperately 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 stand alone 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

| Product and services | Nature, timing of satisfaction of performance obligation |
|---|---|
| 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 performance obligations (PO) 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 PO 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. |
| International Revenue | International revenue represents revenue from foreign network operators, for calls that originate outside Pakistan. It is recognized over the period when services are provided to the customers. |

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 rate method.

5.20.2 Dividend income

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





NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

5.21 Contract cost

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 and recognized as cost of sales. 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.

5.22 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.

5.23 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.

5.24 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.

(c) Group taxation

The Company is taxed as a one fiscal unit along with it's other wholly own subsidiaries under section 59AA to the Income Tax Ordinance, 2001. Current and deferred income taxes are recognised by each entity within the group, regardless of who has the legal rights for the recovery of tax. However, current tax liability / receivable is shown by the Company as it has legal obligation / right of recovery of tax upon submission of annual tax return. Balances among the group entities as a result of group tax is shown as other income tax recoverable / payable to the respective group entities.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

5.25 Employees retirement benefits

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

(a) PTCL Employees GPF Trust

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

(b) Defined benefit plans

The Company provides the following defined benefit plans:

(i) Pension plans

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

(ii) Gratuity plan

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

(iii) Medical benefits plan

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

(iv) 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.



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

6 Share capital

6.1 Authorized share capital

| 2019 | 2018 | | 2019 | 2018 |
|---|---|---|---|---|
| (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

| 2019 | 2018 | | 2019 | 2018 |
|---|---|---|---|---|
| (Number of shares '000) | | | Rs '000 | Rs '000 |
| 3,774,000 | 3,774,000 | "A" class ordinary shares of Rs 10 each issued as fully paid for consideration other than cash - note 6.3 and note 6.5. | 37,740,000 | 37,740,000 |
| 1,326,000 | 1,326,000 | "B" class ordinary shares of Rs 10 each issued as fully paid for consideration other than cash - note 6.3 and note 6.6. | 13,260,000 | 13,260,000 |
| 5,100,000 | 5,100,000 | | 51,000,000 | 51,000,000 |

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

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

6.5 The Government of Pakistan, through an "Offer for Sale" document, dated July 30, 1994, issued to its domestic investors, a first tranche of vouchers exchangeable for "A" class ordinary shares of the Company; subsequently, through an Information Memorandum dated September 16, 1994, a second tranche of vouchers was issued to international investors, also exchangeable, at the option of the voucher holders, for "A" class ordinary shares or Global Depository Receipts (GDRs) representing "A" class ordinary shares of the Company. Out of 3,774,000 thousand "A" class ordinary shares, vouchers against 601,084 thousand "A" class ordinary shares were issued to the general public. Till December 31, 2019, 599,553 thousand (December 31, 2018: 599,547 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.

# NOTES TO AND FORMING PART OF THE
# FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 7 | **Deferred income tax** | | | |
| | Deferred tax liability / (asset) relating to: | | | |
| | Accelerated tax depreciation | | 8,782,682 | 9,210,667 |
| | Accelerated tax amortization | | 259,041 | 313,948 |
| | Provision for obsolete stores | | (364,167) | (369,758) |
| | Provision for receivables | | (2,273,154) | (2,163,554) |
| | ROU assets / lease liabilities | | (13,335) | - |
| | Contract cost | | 241,940 | - |
| | Liabilities claimable on payment | | (691,234) | - |
| | Others | | (9,417) | - |
| | | | 5,932,356 | 6,991,303 |
| 7.1 | Movement during the year | | | |
| | Balance at beginning of the year | | 6,991,303 | 7,145,461 |
| | Charge / (reversal) for the year in respect of | | | |
| | Accelerated tax depreciation | | (427,985) | (401,075) |
| | Accelerated tax amortization | | (54,907) | (46,185) |
| | Provision for obsolete stores | | 5,591 | 9,968 |
| | Provision for receivables | | (109,600) | 342,172 |
| | ROU assets / lease liabilities | | (13,335) | - |
| | Contract cost | | 241,940 | - |
| | Liabilities claimable on payment | | (691,234) | - |
| | Others | | - | (59,038) |
| | | | (1,049,530) | (154,158) |
| | Tax credit on impairment of investment in OCI | | (9,417) | |
| | Balance at end of the year | | 5,932,356 | 6,991,303 |
| 8 | **Employees retirement benefits** | | | |
| | Liabilities for pension obligations | | | |
| | Funded | 8.1 & 8.2 | 4,135,611 | 6,415,222 |
| | Unfunded | 8.1 | 6,290,701 | 5,510,435 |
| | | | 10,426,312 | 11,925,657 |
| | Gratuity - funded | 8.1 | 137,974 | 230,987 |
| | Accumulated compensated absences - unfunded | 8.1 | 1,513,696 | 1,503,324 |
| | Post retirement medical facility- unfunded | 8.1 | 11,193,005 | 11,108,005 |
| | Benevolent grants - unfunded | 8.1 | 3,771,323 | 3,719,452 |
| | | | 27,042,310 | 28,487,425 |



# NOTES TO AND FORMING PART OF THE
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## FOR THE YEAR ENDED DECEMBER 31, 2019

8.1 The latest actuarial valuations of the Company's defined benefit plans, were conducted at December 31, 2019 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 | | | |
| | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
| a) The amounts recognized in the statement of financial position: | | | | | | | | | | | | | | |
| Present value of defined benefit obligations | 119,000,260 | 115,539,324 | 6,290,701 | 5,510,435 | 1,586,291 | 1,490,918 | 1,513,696 | 1,503,324 | 11,193,005 | 11,108,005 | 3,771,323 | 3,719,452 | 143,355,276 | 138,871,458 |
| Fair value of plan assets - Note: 8.3 | (114,864,649) | (109,124,102) | - | - | (1,448,317) | (1,259,931) | - | - | - | - | - | - | (116,312,966) | (110,384,033) |
| Liability at end of the year - Note: 8.2 | 4,135,611 | 6,415,222 | 6,290,701 | 5,510,435 | 137,974 | 230,987 | 1,513,696 | 1,503,324 | 11,193,005 | 11,108,005 | 3,771,323 | 3,719,452 | 27,042,310 | 28,487,425 |
| b) Changes in the present value of defined benefit obligations: | | | | | | | | | | | | | | |
| Balance at beginning 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 |
| Current service cost | 751,696 | 790,444 | 293,660 | 261,546 | 190,126 | 171,399 | 76,126 | 80,234 | 78,335 | 75,639 | 39,242 | 39,150 | 1,429,185 | 1,418,412 |
| Interest expense | 11,134,053 | 10,785,606 | 549,293 | 459,459 | 129,788 | 111,433 | 132,977 | 131,467 | 1,070,149 | 1,060,317 | 359,300 | 347,789 | 13,375,560 | 12,896,071 |
| Actuarial gain on accumulated compensated absences | - | - | - | - | - | - | (147,114) | (138,274) | | - | - | - | (147,114) | (138,274) |
| | 11,885,749 | 11,576,050 | 842,953 | 721,005 | 319,914 | 282,832 | 61,989 | 73,427 | 1,148,484 | 1,135,956 | 398,542 | 386,939 | 14,657,631 | 14,176,209 |
| Remeasurements: | | | | | | | | | | | | | | |
| (Gain) / loss due to experience adjustments | (27,222) | 278,405 | (27,680) | 211,394 | (126,893) | 7,400 | - | - | (250,452) | (295,050) | (93,773) | (23,497) | (526,020) | 178,652 |
| Benefits paid | (8,397,591) | (8,342,388) | (35,007) | (33,102) | (97,648) | (74,925) | (51,617) | (61,700) | (813,032) | (672,144) | (252,898) | (243,760) | (9,647,793) | (9,428,019) |
| Balance at end of the year | 119,000,260 | 115,539,324 | 6,290,701 | 5,510,435 | 1,586,291 | 1,490,918 | 1,513,696 | 1,503,324 | 11,193,005 | 11,108,005 | 3,771,323 | 3,719,452 | 143,355,276 | 138,871,458 |
| c) Charge for the year: | | | | | | | | | | | | | | |
| Profit or Loss: | | | | | | | | | | | | | | |
| Current service cost | 751,696 | 790,444 | 293,660 | 261,546 | 190,126 | 171,399 | 76,126 | 80,234 | 78,335 | 75,639 | 39,242 | 39,150 | 1,429,185 | 1,418,412 |
| Net interest expense | 466,522 | 138,978 | 549,293 | 459,459 | 16,394 | 4,054 | 132,977 | 131,467 | 1,070,149 | 1,060,317 | 359,300 | 347,789 | 2,594,635 | 2,142,064 |
| Actuarial gain on accumulated compensated absences | - | - | - | | - | - | (147,114) | (138,274) | - | - | - | - | (147,114) | (138,274) |
| Contribution from deputationists / employees | (6,116) | (3,341) | - | - | - | - | - | - | - | - | (18,698) | (18,955) | (24,814) | (22,296) |
| | 1,212,102 | 926,081 | 842,953 | 721,005 | 206,520 | 175,453 | 61,989 | 73,427 | 1,148,484 | 1,135,956 | 379,844 | 367,984 | 3,851,892 | 3,399,906 |
| Other comprehensive income | | | | | | | | | | | | | | |
| Remeasurements: | | | | | | | | | | | | | | |
| (Gain) / loss on remeasurement of assets | 29,393 | 5,207,395 | - | - | (74,992) | 40,546 | - | - | - | - | - | - | (45,599) | 5,247,941 |
| (Gain) / loss due to experience adjustments | (27,222) | 278,405 | (27,680) | 211,394 | (126,893) | 7,400 | - | - | (250,452) | (295,050) | (93,773) | (23,497) | (526,020) | 178,652 |
| | 2,171 | 5,485,800 | (27,680) | 211,394 | (201,885) | 47,946 | - | - | (250,452) | (295,050) | (93,773) | (23,497) | (571,619) | 5,426,593 |
| | 1,214,273 | 6,411,881 | 815,273 | 932,399 | 4,635 | 223,399 | 61,989 | 73,427 | 898,032 | 840,906 | 286,071 | 344,487 | 3,280,273 | 8,826,499 |
| 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 | 23 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 | | | |

## NOTES TO AND FORMING PART OF THE
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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.

| | Defined benefit pension plan Funded | | Defined benefit gratuity plan Funded | |
|---|---|---|---|---|
| | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
| **8.3 Changes in the fair value of plan assets** | | | | |
| Balance at beginning of the year | 109,124,102 | 109,247,687 | 1,259,931 | 1,193,098 |
| Expected return on plan assets | 10,667,531 | 10,646,628 | 113,394 | 107,379 |
| Total payments made to members on behalf of fund | - | - | 97,648 | 74,925 |
| Gain / (loss) on remeasurement of assets | (29,393) | (5,207,395) | 74,992 | (40,546) |
| Contributions made by the Company during the year | 3,500,000 | 2,779,570 | - | - |
| Benefits paid | (8,397,591) | (8,342,388) | (97,648) | (74,925) |
| Balance at end of the year | 114,864,649 | 109,124,102 | 1,448,317 | 1,259,931 |

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Rs '000 | Percentage | Rs '000 | Percentage |
| Debt instruments - unquoted | | | | |
| - Special Savings Accounts | 1,454,738 | 1.27 | 71,944,191 | 65.94 |
| - Defense Savings Certificates | 21,738,969 | 18.93 | 2,183,794 | 2.00 |
| - Regular Income Certificates | 56,508,685 | 49.19 | - | - |
| - Pakistan Investment Bonds | 3,051,718 | 2.66 | 3,048,762 | 2.79 |
| | 82,754,110 | 72.05 | 77,176,747 | 70.73 |
| Cash and cash equivalents | | | | |
| - Term deposits | 14,000,000 | 12.18 | 13,531,573 | 12.40 |
| - Equity securities | 994,291 | 0.87 | 1,237,541 | 1.13 |
| - Sukuks | 1,351,810 | 1.18 | 1,226,970 | 1.12 |
| - Pakistan incestment bond | 999,050 | 0.87 | 680,960 | 0.62 |
| - Term finance certificates | - | 0.00 | 81,000 | 0.07 |
| - Treasury bills | 606,392 | 0.53 | - | - |
| - Commercial papers | 116,094 | 0.10 | - | - |
| - Cash and bank balances | 1,740,572 | 1.51 | 4,356,373 | 3.99 |
| | 19,808,209 | 17.24 | 21,114,417 | 19.33 |
| Investment property | | | | |
| - Telecom tower | 7,291,287 | 6.34 | 7,291,027 | 6.68 |
| - Telehouse | 1,893,822 | 1.65 | 1,886,122 | 1.73 |
| | 9,185,109 | 7.99 | 9,177,149 | 8.41 |
| Fixed assets | 7,802 | 0.01 | 6,346 | 0.01 |
| Other assets | 4,340,180 | 3.78 | 3,022,750 | 2.77 |
| | 116,095,410 | 101.07 | 110,497,409 | 101.25 |
| Liabilities | | | | |
| - Staff retirement benefits | (62,867) | (0.05) | (53,660) | (0.05) |
| - Amount due to PTCL | (94) | 0.00 | (2,777) | 0.00 |
| - Accrued & other liabilities | (830,300) | (0.73) | (130,504) | (0.12) |
| - Provision for zakat | (337,500) | (0.29) | (1,186,366) | (1.08) |
| | (1,230,761) | (1.07) | (1,373,307) | (1.25) |
| | 114,864,649 | 100.00 | 109,124,102 | 100.00 |

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Rs '000 | Percentage | Rs '000 | Percentage |
| Units of mutual funds | 107,396 | 7.42 | 288,497 | 22.90 |
| Term deposit receipt | 1,231,026 | 85.00 | 967,114 | 76.76 |
| Term finance certificate | 100,000 | 6.90 | - | - |
| Other assets | 4,407 | 0.30 | 1,686 | 0.13 |
| Bank balances | 5,488 | 0.38 | 2,634 | 0.21 |
| | 1,448,317 | 100.00 | 1,259,931 | 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 4,135,611 thousand and Rs 137,974 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 | 1% decrease in assumption Rs '000 |
| **Future salary / medical cost** | | |
| Pension - funded | 1,453,742 | (1,338,674) |
| Pension - unfunded | 645,583 | (570,099) |
| Gratuity - funded | 133,224 | (118,159) |
| Accumulated compensated absences - unfunded | 147,641 | (130,846) |
| Post-retirement medical facility - unfunded | 1,373,852 | (1,136,852) |
| **Discount rate** | | |
| Pension - funded | (8,986,375) | 10,575,914 |
| Pension - unfunded | (926,890) | 1,169,029 |
| Gratuity - funded | (116,142) | 133,224 |
| Accumulated compensated absences - unfunded | (128,614) | 147,641 |
| Post-retirement medical facility - unfunded | (1,271,345) | 1,564,637 |
| Benevolent grants - unfunded | (25,482) | 31,202 |
| **Future pension increase** | | |
| Pension - funded | 9,034,711 | (7,760,639) |
| Pension - unfunded | 477,178 | (400,508) |
| **Benevolent grants** | | |
| Benevolent grants - unfunded | 33,646 | (35,842) |

| Expected mortality rates | Increase by 1 year Rs '000 | Decrease by 1 year Rs '000 |
|---|---|---|
| Pension - funded | (2,732,337) | 2,715,879 |
| Pension - unfunded | (81,050) | 78,874 |
| Gratuity - funded | (20,440) | 19,888 |
| Accumulated compensated absences - unfunded | (19,505) | 18,978 |
| Post-retirement medical facility - unfunded | (311,084) | 312,273 |
| Benevolent grants - unfunded | (104,816) | 105,215 |

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

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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| | | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| 9. | Deferred government grants | | |
| | Balance at beginning of the year | 7,841,637 | 8,059,878 |
| | Received during the year | 167,287 | 300,000 |
| | | 8,008,924 | 8,359,878 |
| | Income recognized during the year | (429,950) | (518,241) |
| | Balance at end of the year | 7,578,974 | 7,841,637 |

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.

| | | January 01 2019 Rs '000 |
|---|---|---|
| 10. | Lease liabilities | |
| | Operating lease commitments | 1,692,549 |
| | Discounted using the incremental borrowing rate | 1,252,039 |

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using an estimated incremental borrowing rate of 10%.

| | December 31 2019 Rs '000 |
|---|---|
| Lease commitments | |
| Within one year | 280,712 |
| Between 2 and 5 years | 1,054,321 |
| After 5 years | 90,700 |
| Total undiscounted lease commitments | 1,425,733 |
| Discounted lease liability using the incremental borrowing rate | 1,105,140 |
| Current portion shown under current liabilities | (177,955) |
| Due after 12 months | 927,185 |

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 11. | Trade and other payables | | | |
| | Trade creditors | | 11,289,895 | 12,233,377 |
| | Accrued and other liabilities | 11.1 | 27,657,593 | 26,851,061 |
| | Technical services assistance fee | 30 | 21,297,281 | 16,763,367 |
| | Advances from customers / contract liability | | 5,932,578 | 4,797,581 |
| | Retention money / payable to contractors and suppliers | | 6,761,684 | 6,000,635 |
| | Income tax collected / deducted at source | | 718,313 | 658,578 |
| | Payable to subsidiaries on account of group taxation | 11.3 | 3,401,122 | - |
| | Sales tax payable | | 1,203,214 | 345,385 |
| | Payable to GPF Trust | | - | 25,198 |
| | | 11.2 | 78,261,680 | 67,675,182 |
| 11.1 | Accrued and other liabilities | | | |
| | Accrued liability for operational expenses | | 5,484,769 | 5,059,934 |
| | Amount withheld on account of provincial levies (Sub-judice) for ICH operations | 11.1.1 | 12,110,803 | 12,110,803 |
| | Accrual for Government / regulatory expenses | | 8,305,315 | 7,620,343 |
| | Accrued wages | | 1,160,504 | 1,176,982 |
| | Others | | 596,202 | 882,999 |
| | | | 27,657,593 | 26,851,061 |





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

| | | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| 11.2 | Trade and other payables include payables to the following related parties: | | |
| | Pak Telecom Mobile Limited | 373 | 259,453 |
| | U Microfinance Bank Limited | 36 | 182 |
| | DVCOM Data (Private) Limited | 969,000 | 765,000 |
| | Etisalat - UAE | 670,864 | 415,428 |
| | Etisalat's subsidiaries and associates | 148,184 | 97,336 |
| | Telecom Foundation | 64,019 | 57,649 |
| | TF Pipes Limited | 4,630 | 4,271 |
| | GoP related entities | 1,301,247 | 1,208,447 |
| | Retention money / payable to contractors and suppliers | | |
| | TF Pipes Limited | 3,055 | 2,751 |

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

11.3 This represents payable to PTML and DVCom amounting to Rs 2,960,411 thousand and Rs 440,711 thousand respectively on account of group taxation.

## 12 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, 2018: Rs 3,623 thousand) from Pak Telecom Mobile Limited (PTML), a related party. The Company has adjusted / paid a sum of Rs 96 thousand (December 31, 2018: Rs 108 thousand) to its customers during the year against their balances. Amount of these security deposits has been kept in a separate bank account.

## 13 Contingencies and commitments

Contingencies

Indirect taxes

13.1 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.

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

13.3 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.

13.4 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, taxes and other charges amounting to Rs 1,685,884 thousand against which the Company has filed an appeal before the Customs Appellate Tribunal.

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### Income tax

13.5 For the tax years 2007, 2009, 2010 and 2011 to 2018, 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 19,282,749 thousand. Appeals on the remaining outstanding items are pending adjudication before ATIR. Reference in respect of 2007 is subjudice before Honorable Islamabad High Court. Stay has been obtained in all cases from different fora.

13.6 For the Tax Year 2020, Taxation officer objected to the quarterly advance tax calculation submitted by the Company based on group taxation and raised demand amounting to Rs. 2,855,907 thousand despite that PTCL had filed option for group taxation within prescribed time. PTCL obtained stay order from Honorable Islamabad High against any coercive measures. Later the Securities and Exchange Commission also issued Group Designation Letter for PTCL Group.

### Others

13.7 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.

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 May 17, 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2) CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. However, PTET has implemented the Apex court decision dated 12 June 2015 to the extent of 343 pensioners who were the petitioners in the main case. Some of the interveners (pensioners) seeking the same relief as allowed vide order dated June 12, 2015 have been directed by the Apex Court to approach the appropriate forum on May 10, 2018. 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.

13.8 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.

13.9 A total of 1,362 cases (December 31, 2018: 1,677) against PTCL involving Regulatory, Telecom Operators, Employees and Subscribers. Because of number of cases and their uncertain nature, it is not possible to quantify their financial impact. Management and legal advisors of the Company are of the view that the outcome of these cases is expected to be favorable and liability, if any, arising out on the settlement is not likely to be material.

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

| | | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|---|
| 13.10 | Bank guarantees and bid bonds issued in favor of: | | |
| | Universal Service Fund (USF) against government grants | 4,065,496 | 4,530,296 |
| | Others | 2,539,018 | 2,649,064 |
| | | 6,604,514 | 7,179,360 |
| 13.11 | Commitments | | |
| | Contracts for capital expenditure | 4,065,672 | 5,727,341 |



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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| 14 Property, plant and equipment | Note | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|---|
| Operating fixed assets | 14.1 | 103,626,162 | 91,947,710 |
| Capital work in progress | 14.5 | 13,093,646 | 14,203,712 |
| | | 116,719,808 | 106,151,422 |

**14.1 Operating fixed assets**

| | Land | | Buildings on | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold - note 14.2 | 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, 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 | | | | | | | | | | | | |
| 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 | - | (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 | - | - | | | | (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 |
| **Movement during 2019** | | | | | | | | | | | | |
| Additions | - | 10,563 | 205,115 | 62,065 | 7,688,096 | 17,081,294 | 171,912 | 199,216 | 134,725 | 135,611 | 223,228 | 25,911,825 |
| Disposals - note 14.3 | | | | | | | | | | | | - |
| Cost | - | - | - | - | (3,478,703) | (420,429) | - | (2,282) | (41,225) | (10,691) | (79,658) | (4,032,988) |
| Accumulated depreciation | - | - | - | - | 3,475,874 | 408,529 | - | 2,273 | 41,203 | 10,691 | 75,950 | 4,014,520 |
| | - | - | - | - | (2,829) | (11,900) | - | (9) | (22) | - | (3,708) | (18,468) |
| Depreciation charge for the year - note 14.4 | - | (3,714) | (323,346) | (29,780) | (3,522,010) | (8,528,498) | (1,134,674) | (186,609) | (195,475) | (25,983) | (264,816) | - (14,214,905) |
| Net book Value | 1,637,680 | 61,181 | 7,086,332 | 598,781 | 31,958,438 | 52,297,437 | 7,538,886 | 1,349,631 | 172,929 | 250,587 | 674,280 | 103,626,162 |
| **As at December 31, 2019** | | | | | | | | | | | | |
| Cost | 1,637,680 | 100,589 | 13,081,916 | 1,226,561 | 140,962,421 | 216,755,020 | 18,291,641 | 2,757,643 | 2,109,820 | 785,992 | 2,989,501 | 400,698,784 |
| Accumulated depreciation and impairment | - | (39,408) | (5,995,584) | (627,780) | (109,003,983) | (164,457,583) | (10,752,755) | (1,408,012) | (1,936,891) | (535,405) | (2,315,221) | (297,072,622) |
| Net book Value | 1,637,680 | 61,181 | 7,086,332 | 598,781 | 31,958,438 | 52,297,437 | 7,538,886 | 1,349,631 | 172,929 | 250,587 | 674,280 | 103,626,162 |
| 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 | |

14.2 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-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 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 sub clause (ii) of the 4th Schedule to the Companies Act, 2017.Therefore , this information / record is available for inspection by the members at the registered office of the Company , i.e. PTCL Headquarters , Sector G-B/4, Islamabad upon request.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

14.3 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 | Rs '000 | | |
| Line & Wire | 3,478,703 | 3,475,874 | 2,829 | 786,986 | 784,157 | Auction | Various buyers |
| Apparatus, Plant & Equipment | 399,321 | 398,855 | 466 | 40,985 | 40,519 | Auction | Various buyers |
| Computer Equipment | 41,225 | 41,203 | 22 | 3,178 | 3,156 | Auction | Various buyers |
| Furniture | 10,691 | 10,691 | - | 39 | 39 | Auction | Various buyers |
| Office equipment | 2,282 | 2,273 | 9 | 37 | 28 | Auction | Various buyers |
| Motor Vehicles | 65,418 | 64,469 | 948 | 52,605 | 51,655 | Auction | Various buyers |
| | 3,997,640 | 3,993,365 | 4,274 | 883,830 | 879,554 | | |

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

| | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain / (loss) on disposal | Mode of disposal | Particulars of purchaser /relationship with Company |
|---|---|---|---|---|---|---|---|
| | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | | |
| Apparatus, Plant & Equipment | 21,108 | 9,674 | 11,434 | - | (11,434) | Written off | Damaged |
| Motor Vehicles | 4,595 | 3,217 | 1,378 | 600 | (778) | Company Policy | Adnan Shahid - employee |
| Motor Vehicles | 5,310 | 4,779 | 531 | 600 | 69 | Company Policy | Syed Mazhar Hussain - employee |
| Motor Vehicles | 4,335 | 3,485 | 850 | - | (850) | Written off | Theft case |
| | 35,348 | 21,155 | 14,194 | 1,200 | (12,994) | | |
| | 4,032,988 | 4,014,520 | 18,468 | 885,030 | 866,560 | | |

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 14.4 | The depreciation charge for the year has been allocated as follows: | | | |
| | Cost of services | 29 | 13,927,791 | 13,256,182 |
| | Administrative and general expenses | 30 | 174,080 | 162,890 |
| | Selling and marketing expenses | 31 | 113,034 | 105,757 |
| | | | 14,214,905 | 13,524,829 |
| 14.5 | Capital work in progress | | | |
| | Buildings | | 881,797 | 719,882 |
| | Lines and wires | | 7,147,047 | 5,338,033 |
| | Apparatus, plant and equipment | | 1,868,125 | 3,095,018 |
| | Turnkey projects | | 3,194,323 | 5,048,425 |
| | Others | | 2,354 | 2,354 |
| | | 14.6 | 13,093,646 | 14,203,712 |
| 14.6 | Movement during the year | | | |
| | Balance at beginning of the year | | 14,203,712 | 9,341,115 |
| | Additions during the year | | 24,940,661 | 19,973,960 |
| | Transfers during the year | | | |
| | - operating fixed assets | | (25,826,382) | (14,888,669) |
| | - intangible assets | | (224,345) | (222,694) |
| | | | (26,050,727) | (15,111,363) |
| | Balance at end of the year | | 13,093,646 | 14,203,712 |

This includes Rs 12,131,888 thousand (December 31, 2018: Rs 10,858,984 thousand) spent on transformation of network exchanges and Rs 2,998,379 thousand (December 31, 2018: Rs 2,098,869 thousand) in respect of direct overheads relating to development of assets.





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

### 15 Right of use (ROU) assets

Right of use assets have been measured at the amount equal to the lease liabilities, adjusted by the amount of prepaid lease payments relating to the leases as at January 01, 2019.

| | Rs '000 |
|---|---|
| Present value of the future lease payments | 1,252,039 |
| Prepayments reclassified as right of use assets | 164,267 |
| | 1,416,306 |

| | Note | 2019 Rs '000 |
|---|---|---|
| Movement during the year | | |
| Balance as at January 01, 2019 | | 1,416,306 |
| Additions for the year | | - |
| Disposals for the year | | - |
| Depreciation for the year | 29 | (271,801) |
| Balance as at December 31, 2019 | | 1,144,505 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Note | Licenses and spectrum | Computer software | Total |
|---|---|---|---|---|
| | | Rs '000 | Rs '000 | Rs '000 |
| **16 Intangible assets** | | | | |
| 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 | | (206,067) | (208,770) | (414,837) |
| Net book value | | 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 |
| Movement during 2019 | | | | |
| Opening net book value | | 1,203,163 | 487,562 | 1,690,725 |
| Additions | | - | 224,345 | 224,345 |
| Amortization charge for the year | 29 | (206,066) | (203,451) | (409,517) |
| Impairment charge for the year | | - | (42,284) | (42,284) |
| Net book value | 16.1 | 997,097 | 466,172 | 1,463,269 |
| As at December 31, 2019 | | | | |
| Cost | | 4,166,794 | 2,229,574 | 6,396,368 |
| Accumulated amortization | | (3,169,697) | (1,763,402) | (4,933,099) |
| Net book value | | 997,097 | 466,172 | 1,463,269 |
| Annual rate of amortization (%) | | 4 - 10 | 6.67 - 20 | |

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **16.1** Breakup of net book values as at year end is as follows : | | | |
| Licenses and spectrum | | | |
| Telecom | 16.2 | 9,972 | 19,945 |
| WLL spectrum | 16.2 | 850,214 | 1,029,212 |
| WLL and LDI License | 16.3 | 111,628 | 125,023 |
| IPTV | 16.4 | 25,283 | 28,983 |
| | | 997,097 | 1,203,163 |
| Computer software | | 466,172 | 487,562 |
| | | 1,463,269 | 1,690,725 |

16.2 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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

16.4 Pakistan Electronic Media Regulatory Authority (PEMRA) has renewed the IPTV licence 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 | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **17 Long term investments** | | | |
| Investments in subsidiaries and associate | 17.1 | 8,884,857 | 8,884,857 |
| Other investments | 17.2 | 51,427 | 83,900 |
| | | 8,936,284 | 8,968,757 |
| **17.1** Investments in subsidiaries and associate - at cost (unquoted) | | | |
| Wholly owned subsidiaries | | | |
| Pak Telecom Mobile Limited - Islamabad<br>650,000,000 (December 31, 2018: 650,000,000) ordinary shares of Rs 10 each<br>Shares held 100% (December 31, 2018: 100%) | | 6,500,000 | 6,500,000 |
| U Microfinance Bank Limited - Islamabad<br>228,571,429 (December 31, 2018: 228,571,429) ordinary shares of Rs 10 each<br>Shares held 100% (December 31, 2018: 100%) | | 2,283,857 | 2,283,857 |
| DVCOM Data (Private) Limited - Karachi<br>10,000 (December 31, 2018: 10,000 ) ordinary shares of Rs 100 each<br>Shares held 100% (December 31, 2018: 100%) | | 1,000 | 1,000 |
| Smart Sky (Private) Limited - Islamabad<br>10,000,000 (December 31, 2018: 10,000,000) ordinary shares of Rs 10 each<br>Shares held 100% (December 31, 2018: 100%) | | 100,000 | 100,000 |
| | | 8,884,857 | 8,884,857 |
| Associate | | | |
| TF Pipes Limited - Islamabad<br>1,658,520 (December 31, 2018: 1,658,520) ordinary shares of Rs 10 each<br>Shares held 40% (December 31, 2018: 40%) | | 23,539 | 23,539 |
| Less: accumulated impairment loss on investment | 17.1.1 | (23,539) | (23,539) |
| | | - | - |
| | | 8,884,857 | 8,884,857 |
| **17.1.1** Accumulated impairment loss - January 01, | | 23,539 | 14,996 |
| Impairment loss recorded during the year | | - | 8,543 |
| Accumulated impairment loss - December 31, | | 23,539 | 23,539 |

All subsidiaries and associated companies are incorporated in Pakistan.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 17.2 | Other investments | | | |
| | Fair value through other comprehensive income (FVOCI) - unquoted | | | |
| | Thuraya Satellite Telecommunication Company - Dubai, UAE | | | |
| | 3,670,000 (December 31, 2018: 3,670,000) ordinary shares of AED 1 each | | 63,900 | 63,900 |
| | Less: accumulated impairment loss on investment | | (32,473) | - |
| | | | 31,427 | 63,900 |
| | Alcatel - Lucent Pakistan Limited - Islamabad | | | |
| | 2,000,000 (December 31, 2018: 2,000,000) ordinary shares of Rs 10 each | | 20,000 | 20,000 |
| | | | 51,427 | 83,900 |
| 18 | Long term loans and advances - considered good | | | |
| | Loans to PTML - unsecured | 18.1 | 7,500,000 | 6,000,000 |
| | Loans to Ubank - unsecured | 18.1 | 4,000,000 | 4,000,000 |
| | Loans to employees - secured | 18.2 | 1,291,664 | 985,444 |
| | Imputed interest | | (228,261) | (203,790) |
| | | 18.3 | 1,063,403 | 781,654 |
| | | | 12,563,403 | 10,781,654 |
| | Others | | 58,618 | 74,333 |
| | | | 12,622,021 | 10,855,987 |
| | Current portion shown under current assets | | | |
| | Loans to employees - secured | 22 | (234,965) | (165,848) |
| | | | 12,387,056 | 10,690,139 |

18.1 These represent various unsecured loans given to PTML and Ubank under subordinated debts agreements, from 2017 to 2019 on following terms :

| | PTML | | | Ubank |
|---|---|---|---|---|
| | First loan | Second loan | Third loan | First loan |
| Disbursement Date | December 04, 2017 | August 03, 2018 | December 24, 2019 | December 31, 2018 |
| Loan (Rs '000) | 5,000,000 | 1,000,000 | 1,500,000 | 4,000,000 |
| Mark-up Rate | Kibor plus 24 basis points | Kibor plus 25 basis points | Kibor plus 60 basis points | 3 month Kibor plus 200 basis points |
| Grace Period | 4 years | 4 years | 4 years | 5 years |
| Repayment method | Twelve equal quarterly installments | Twelve equal quarterly installments | Twelve equal quarterly installments | Four equal semi annual installments |
| Due date of first installment | March 04, 2022 | November 04, 2022 | March 24, 2024 | June 30, 2024 |

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

| | As at January 01, 2019 Rs '000 | Disbursements Rs '000 | Repayments Rs '000 | As at December 31, 2019 Rs '000 |
|---|---|---|---|---|
| Executives | 93,423 | 124,097 | (41,298) | 176,222 |
| Other employees | 892,021 | 455,845 | (232,424) | 1,115,442 |
| | 985,444 | 579,942 | (273,722) | 1,291,664 |

| | As at January 01, 2018 Rs '000 | Disbursements Rs '000 | Repayments 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 |





# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| Maximum amount of loan to executives and other employees outstanding at any time during the year: | | |
| Executives | 199,411 | 93,423 |
| Other employees | 1,187,237 | 919,954 |

18.3 These loans and advances are for house building and purchase of vehicles and motor cycles . These loans are recoverable in equal monthly installments spread over a period of 5 to 10 years and are secured against retirement benefits of the employees.

Loans to executive employees include loans aggregating Rs 68,135 thousand (December 2018: 13,573 thousand). The maximum aggregate amount of loans to key management personnel outstanding at any time during the year was Rs 73,380 thousand (December 2018: 17,426 thousand ).

List of key management personal having outstanding balances of loans up till December 31, 2019 are as under:

| No. | Name of employees | No. | Name of employees |
|---|---|---|---|
| 1. | Mr. Muhammad Shehzad Yousuf | 11. | Mr. Zain Ul Abideen |
| 2. | Mr. Muhammad Umar Ilyas | 12. | Mr. Wajeeh Anwer |
| 3. | Mr. Syed Muhammad Imran Ali | 13. | Mr. Imran Sardar |
| 4. | Ms. Zahida Awan | 14. | Mr. Mateen Malik |
| 5. | Mr. Muhammad Amer Shafique | 15. | Mr. Abdul Zahir Achakzai |
| 6. | Mr. Muhammad Javed Aslam | 16. | Mr. Aamer Ejaz |
| 7. | Mr. Mohammad Nadeem Khan | 17. | Mr. Mubashir Naseer Ch. |
| 8. | Mr. Moqeem Ul Haque | 18. | Mr. Syed Shahzad Shah |
| 9. | Mr. Muhammad Basharat Qureshi | 19. | Mr. Mudassar Hafeez Dar |
| 10. | Mr. Syed Mazhar Hussain | | |

## 19 Contract cost

Incremental costs for obtaining new subscribers are recoverable, therefore the Company has 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 | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Cost to obtain a contract | | 198,929 | 196,610 |
| Cost to fulfill a contract | | 1,835,531 | 1,261,397 |
| | 19.1 | 2,034,460 | 1,458,007 |
| Current maturity of contract costs | | (1,525,845) | (1,093,505) |
| | | 508,615 | 364,502 |
| **19.1 Movement during the year** | | | |
| Balance at the beginning of the year | | 1,458,007 | 1,200,185 |
| Capitalization during the year | | 3,064,418 | 2,251,475 |
| | | 4,522,425 | 3,451,660 |
| Amortization during the year | 29 | (2,487,965) | (1,993,653) |
| Balance at end of the year | | 2,034,460 | 1,458,007 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| **20.** | **Stores and spares** | | | |
| | Stores and spares | | 6,590,871 | 7,342,604 |
| | Provision for obsolescence | 20.1 | (1,255,750) | (1,275,029) |
| | | | 5,335,121 | 6,067,575 |
| 20.1 | Provision for obsolescence | | | |
| | Balance at beginning of the year | | 1,275,029 | 1,265,754 |
| | Provision during the year | 29.3 | 14,292 | 9,275 |
| | | | 1,289,321 | 1,275,029 |
| | Written off during the year | | (33,571) | - |
| | Balance at end of the year | | 1,255,750 | 1,275,029 |
| **21.** | **Trade debts and contract assets - unsecured** | | | |
| | Trade debts | | 15,080,876 | 11,449,308 |
| | Contract asset | | 5,177,698 | 5,208,608 |
| | | | 20,258,574 | 16,657,916 |
| | Domestic | | | |
| | Considered good | 21.1 | 12,190,655 | 11,954,206 |
| | Considered doubtful | | 7,595,746 | 7,217,817 |
| | | | 19,786,401 | 19,172,023 |
| | International | | | |
| | Considered good | 21.2 | 8,067,919 | 4,703,711 |
| | Considered doubtful | | 57,475 | 57,475 |
| | | | 8,125,394 | 4,761,186 |
| | | | 27,911,795 | 23,933,209 |
| | Accumulated impairment loss on trade debts and contract assets | 21.3 | (7,653,221) | (7,275,293) |
| | | 21.4 | 20,258,574 | 16,657,916 |

21.1 These include amounts due from the following related parties:

| | Maximum aggregate amount Rs '000 | Up to 6 months Rs '000 | More than 6 months Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|---|
| Pak Telecom Mobile Limited | 1,103,641 | 429,371 | - | 429,371 | 330,122 |
| U Microfinance Bank Limited | 1,906 | 1,793 | - | 1,793 | 1,512 |
| GoP related entities | 1,559,312 | 1,430,326 | - | 1,430,326 | 1,310,997 |
| | 2,664,859 | 1,861,490 | - | 1,861,490 | 1,642,631 |

21.2 These include amounts due from the following related parties:

| | Maximum aggregate amount Rs '000 | Up to 6 months Rs '000 | More than 6 months Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|---|
| Etisalat - UAE | 5,941,795 | 1,316,693 | 4,625,102 | 5,941,795 | 2,752,716 |
| Etisalat - Afghanistan | 294,934 | 94,976 | 199,958 | 294,934 | 63,262 |
| Etihad Etisalat Company | 30,837 | 30,837 | - | 30,837 | 14,316 |
| GoP related entities | 142,646 | 142,646 | - | 142,646 | 81,974 |
| | 6,410,212 | 1,585,152 | 4,825,060 | 6,410,212 | 2,912,268 |





NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| 21.3 | Accumulated impairment loss on trade debts and contract assets | | |
| | Balance at beginning of the year | 7,275,293 | 8,167,181 |
| | Impairment loss on trade debts and contract assets | 2,288,544 | 1,955,881 |
| | Recovery of DSC's | 129,456 | 160,982 |
| | | 2,418,000 | 2,116,863 |
| | | 9,693,293 | 10,284,044 |
| | Write off against provision | (2,040,072) | (3,008,751) |
| | Balance at end of the year | 7,653,221 | 7,275,293 |

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

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| **22** | **Loans and advances - considered good** | | | |
| | Current portion of long term loans to employees | 18 | 234,965 | 165,848 |
| | Advances to suppliers and contractors | 22.1 | 676,660 | 1,575,574 |
| | Others | | 10,719 | 21,048 |
| | | | 922,344 | 1,762,470 |

22.1 These include Rs 26,774 thousand (December 31, 2018: Rs 27,095 thousand) to TF Pipes Limited, a related party.

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| **23** | **Income tax recoverable** | | | |
| | Balance at beginning of the year | | 16,478,323 | 15,253,394 |
| | Current tax charge for the year - P&L | | (4,033,523) | (3,488,880) |
| | Tax credit on re-measurement (gains) / losses - OCI | | (165,770) | 1,573,712 |
| | Tax paid during the year | | 2,076,023 | 3,140,097 |
| | | | 14,355,053 | 16,478,323 |
| | Tax receivable on behalf of subsidiries under group taxation | 11.3 | 3,401,122 | - |
| | Balance at end of the year | | 17,756,175 | 16,478,323 |

**24 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 | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| **25** | **Prepayments and other receivables** | | | |
| | Prepayments | | | |
| | - Pakistan Telecommunication Authority - related party | | 54,199 | 43,130 |
| | - Others | | 215,532 | 293,563 |
| | | | 269,731 | 336,693 |
| | Other Receivables | | | |
| | - Due from related parties | 25.1 | 12,813,830 | 10,809,478 |
| | - Federal Excise Duty (FED) | 25.2 | 2,816,935 | 2,816,935 |
| | - Others | | 797,484 | 879,733 |
| | | | 16,697,980 | 14,842,839 |

| | | Maximum aggregate amount Rs '000 | Up to 6 months Rs '000 | More than 6 months Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|---|---|
| 25.1 | Pak Telecom Mobile Limited - Note 25.4 | 9,302,377 | 1,109,561 | 8,191,751 | 9,301,312 | 7,451,962 |
| | Etisalat, UAE | 71,305 | - | 71,305 | 71,305 | 71,305 |
| | Pakistan Telecommunication Employees Trust | 11,175 | 94 | - | 94 | 2,777 |
| | PTCL Employees GPF Trust | 138,465 | 107,454 | - | 107,454 | - |
| | Smart Sky (Pvt) Limited | 300 | 150 | 150 | 300 | 150 |
| | DVCOM Data (Pvt) Limited | 3,252,741 | - | 3,252,741 | 3,252,741 | 3,226,183 |
| | Interest on subordinated loan to PTML | 180,824 | 80,624 | - | 80,624 | 55,726 |
| | Interest on subordinated loan to Ubank | 511,587 | - | - | - | 1,375 |
| | | 13,468,774 | 1,297,883 | 11,515,947 | 12,813,830 | 10,809,478 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 25.2 | Federal Excise Duty | | 3,283,111 | 3,283,111 |
| | Provision for doubtful amount | | (466,176) | (466,176) |
| | | 25.3 | 2,816,935 | 2,816,935 |

25.3 This represents payments under protest on account of FED on interconnect charges. Since Honorable Islamabad High Court has decided the case in favor of PTCL, tax department has filed reference in Honorable Supreme Court.

25.4 This amount includes TSA fee receivable from PTML Rs 9,127,316 thousand (December 31, 2018: Rs 7,129,511 thousand).

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 26 | **Short term investments** | | | |
| | Market treasury bills - Amortized cost | | - | 980,221 |
| | Investment in mutual funds - FVTPL | | 6,906 | 3,950,149 |
| | | | 6,906 | 4,930,370 |
| 27 | **Cash and bank balances** | | | |
| | Cash in hand | | 51,335 | 258,774 |
| | Balances with banks: | | | |
| | Deposit accounts - local currency | 27.1 | 2,304,244 | 829,885 |
| | Current accounts | | | |
| | Local currency | | 1,103,129 | 1,253,204 |
| | Foreign currency- USD 4,490 thousand (December 31, 2018: USD 16,746 thousand) | | 708,816 | 2,318,748 |
| | | | 1,811,945 | 3,571,952 |
| | | 27.2 | 4,167,524 | 4,660,611 |

27.1 The balances in deposit accounts, carry mark-up ranging between 3.6% and 12.25% (December 31, 2018: 3% and 8.5%) per annum. These deposit accounts include Rs 565,434 thousand (December 31, 2018: Rs. 110 thousand ) with U Microfinance Bank Limited - a related party. The maximum aggregate amount outstanding at any time during the year amounts to Rs 565,434 thousand.

27.2 Bank balances include Rs. 147,092 thousand (December 31, 2018: Rs. 15,343 thousand) carrying profit at the rate of 7% (December 31, 2018: 2.4% to 4%) per annum from Shariah arrangements.

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 28 | **Revenue** | | | |
| | Broadband & IPTV | | 28,121,358 | 26,853,805 |
| | Voice services | | 12,614,909 | 14,279,300 |
| | Wireless data | | 2,115,460 | 3,069,397 |
| | Revenue from retail customers | | 42,851,727 | 44,202,502 |
| | Corporate and wholesale | | 21,248,771 | 18,844,426 |
| | International | | 7,447,804 | 8,226,252 |
| | Total Revenue | 28.1 | 71,548,302 | 71,273,180 |

28.1 Revenue is net of trade discount of Rs 68,048 thousand (December 31, 2018:Rs 99,840 thousand) and Federal Excise Duty / Sales Tax of Rs 10,370,460 thousand (December 31, 2018: Rs 9,269,614 thousand).



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 29 | **Cost of services** | | | |
| | Staff cost | 29.1 | 11,714,797 | 10,934,480 |
| | Outsourced staff cost | | 1,232,236 | 1,056,519 |
| | Interconnect costs | | 2,300,040 | 2,876,312 |
| | Foreign operators costs and satellite charges | | 7,069,700 | 7,751,196 |
| | Fuel and power | | 5,258,689 | 4,340,544 |
| | Cost of devices sold | | 1,017,911 | 1,476,553 |
| | Amortization of contract costs | 19.1 | 2,487,965 | 1,993,653 |
| | Rent, rates and taxes | | 1,676,539 | 1,944,225 |
| | Repairs & maintenance and IT cost | | 4,770,371 | 4,397,325 |
| | Annual license fee and regulatory charges | 29.2 | 1,614,917 | 1,564,304 |
| | Security service charges | | 749,489 | 762,660 |
| | Depreciation on property, plant and equipment | 14.4 | 13,927,791 | 13,256,182 |
| | Depreciation on ROU assets | 15 | 271,801 | - |
| | Amortization and impairment of intangible assets | 16 | 451,802 | 414,837 |
| | Impairment of property plant and equipment | | - | 739,646 |
| | Other expenses | 29.3 | 25,282 | 23,091 |
| | | | 54,569,330 | 53,531,527 |

29.1 This includes Rs 2,938,994 thousand (December 31, 2018: Rs 2,828,801 thousand) in respect of employees retirement benefits.

29.2 This represents the Company's contribution to the National Information Communication Technology Research and Development Fund (National ICT R&D Fund), Universal Service Fund (USF), annual license fee and other regulatory charges, in accordance with the terms and conditions of its license to provide telecommunication services.

29.3 This includes provision for obsolete stores of Rs 14,292 thousand (December 31, 2018: Rs 9,275 thousand).

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 30 | **Administrative and general expenses** | | | |
| | Staff cost | 30.1 | 1,995,968 | 1,863,018 |
| | Outsourced staff cost | | 29,456 | 25,255 |
| | Fuel and power | | 362,594 | 280,541 |
| | Rates and taxes | | 183,561 | 199,377 |
| | Repairs and maintenance cost | | 286,150 | 221,370 |
| | Travelling and conveyance | | 133,171 | 141,174 |
| | Technical services assistance fee | 30.2 | 2,536,214 | 2,383,565 |
| | Legal and professional charges | 30.3 | 465,218 | 288,129 |
| | Billing expenses | | 369,855 | 466,761 |
| | Depreciation on property, plant and equipment | 14.4 | 174,080 | 162,890 |
| | Other expenses | | 223,307 | 224,989 |
| | | | 6,759,574 | 6,257,069 |

30.1 This includes Rs 500,746 thousand (December 31, 2018: Rs 288,226 thousand) in respect of employees retirement benefits.

30.2 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.

| | | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| 30.3 | This includes auditors' remuneration as follows: | | |
| | Statutory audit, including half yearly review | 7,000 | 7,000 |
| | Other services | 500 | 500 |
| | Out of pocket expenses | 500 | - |
| | | 8,000 | 7,500 |

NOTES TO AND FORMING PART OF THE

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 31 | Selling and marketing expenses | | | |
| | Staff cost | 31.1 | 1,642,835 | 1,533,407 |
| | Outsourced staff cost | | 374,744 | 321,305 |
| | Advertisement and publicity | 31.2 | 610,315 | 790,207 |
| | Sales and distribution charges | | 251,043 | 263,903 |
| | Depreciation on property, plant and equipment | 14.4 | 113,034 | 105,757 |
| | | | 2,991,971 | 3,014,579 |

31.1 This includes Rs 412,152 thousand (December 31, 2018: Rs 282,880 thousand) in respect of employees retirement benefits.

31.2 It includes donation Rs. 9,985 thousand (December 31, 2018: Rs 7,615 thousand). Donations that exceed Rs 1,000 thousand are given to the parties given hereunder :

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Name of Donees | | | |
| Indus Resource Centre | | 4,505 | - |
| World Wildlife Fund | | 500 | 2,950 |
| | | 5,005 | 2,950 |

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 32 | Other income | | | |
| | Income from financial assets: | | | |
| | Return on bank deposits | 32.1 | 359,415 | 680,623 |
| | Late payment surcharge from subscribers | | 283,288 | 280,251 |
| | Interest on subordinated long term loan to subsidiaries | | 1,314,567 | 406,361 |
| | Gain on mutual funds (FVTPL) | | 93,337 | 238,552 |
| | Exchange gain | | 352,706 | - |
| | Dividend income from Ubank | | - | 114,286 |
| | | | 2,403,313 | 1,720,073 |
| | Income from non financial assets: | | | |
| | Write back of liabilities | | 272,465 | 1,580,167 |
| | Government grants recognized | 32.2 | 420,401 | 488,005 |
| | Pre-deposit income | | 195,638 | 272,612 |
| | Gain on disposal of property, plant and equipment | | 866,561 | 82,116 |
| | Rental income | | 112,116 | 81,055 |
| | Others | | 439,626 | 572,845 |
| | | | 4,710,120 | 4,796,873 |

32.1 Return on bank deposits includes Rs 1,327 thousand (December 31, 2018: Rs 227 thousand) earned from Shariah arrangements.

32.2 This amount is net of operating expenditure subsidy amounting to Rs 9,549 thousand (December 31, 2018: Rs 30,236 thousand).

| | | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| 33 | Finance costs | | |
| | Bank and other charges | 175,082 | 184,221 |
| | Imputed Interest on employee loans | 22,777 | 46,587 |
| | Interest on lease liability | 119,916 | - |
| | Exchange loss | - | 323,020 |
| | | 317,775 | 553,828 |





NOTES TO AND FORMING PART OF THE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 34 | Taxation | | | |
| | Current | | 4,033,523 | 3,488,880 |
| | Deferred | 7.1 | (1,049,530) | (154,158) |
| | | | 2,983,993 | 3,334,722 |
| 34.1 | Reconciliation of effective tax rate | | | |
| | Profit before tax (Rupees in thousand) | | 9,331,228 | 10,757,169 |
| | | | % | % |
| | Applicable tax rate | | 29.00 | 29.00 |
| | Tax effect of amounts not deductible for tax purposes | | 3.15 | 4.60 |
| | Impact of change in tax rate | | - | (2.20) |
| | Separate block incomes chargeable at lower tax rates | | (0.17) | (0.40) |
| | | | 2.98 | 2.00 |
| | Average effective tax rate | | 31.98 | 31.00 |

| | | | 2019 | 2018 |
|---|---|---|---|---|
| 35 | Earnings per share - basic and diluted | | | |
| | Profit for the year | Rupees in thousand | 6,347,235 | 7,422,447 |
| | Weighted average number of ordinary shares | Numbers in thousand | 5,100,000 | 5,100,000 |
| | Earnings per share | Rupees | 1.24 | 1.46 |

36 Non-funded finance facilities

The Company has non funded financing facilities available with banks, which include facilities to avail letters of credit and letters of guarantee. The aggregate facility of Rs 20,800,000 thousand (December 31, 2018: Rs 19,800,000 thousand) and Rs 15,800,000 thousand (December 31, 2018: Rs 17,800,000 thousand) is available for letters of credit and letters of guarantee respectively, out of which the facility availed at the year end is Rs 3,749,818 thousand (December 31, 2018: Rs 4,162,650 thousand) and Rs 6,604,514 thousand (December 31, 2018: Rs 7,179,360 thousand) respectively. The letter of guarantee facility is secured by a hypothecation charge over certain assets of the Company, amounting to Rs 34,717,667 thousand (December 31, 2018: Rs 29,968,000 thousand).

## NOTES TO AND FORMING PART OF THE
# FINANCIAL STATEMENTS
### FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 37 | Cash generated from operations | | | |
| | Profit before tax | | 9,331,228 | 10,757,169 |
| | Adjustments for non-cash charges and other items: | | | |
| | Depreciation and impairment of property, plant and equipment | | 14,214,905 | 14,264,475 |
| | Amortization and impairment of intangible assets | | 451,801 | 414,837 |
| | Depreciation of right of use assets | | 271,801 | - |
| | Amortization of contract cost | | 2,487,965 | 1,993,653 |
| | Provision for obsolete stores and spares | | 14,292 | 9,275 |
| | Impairment loss on trade debts and contract assets | | 2,288,544 | 1,955,881 |
| | Impairment on investment | | - | 8,543 |
| | Provision for employees retirement benefits | | 3,851,892 | 3,399,906 |
| | Gain on disposal of property, plant and equipment | | (866,560) | (77,039) |
| | Return on bank deposits | | (359,415) | (680,623) |
| | Imputed interest on long term loans | | 22,777 | 46,587 |
| | Imputed interest on lease liability | | 119,916 | - |
| | Return on subordinated long term loans to subsidiaries | | (1,314,567) | (406,361) |
| | Dividend income | | - | (114,286) |
| | Release of deferred government grants | | (429,950) | (518,241) |
| | | | 30,084,629 | 31,053,776 |
| | Effect of cash flows due to working capital changes | | | |
| | Decrease / (increase) in current assets: | | | |
| | Stores and spares | | 718,162 | (2,443,281) |
| | Trade debts and contract assets | | (6,018,658) | (2,094,181) |
| | Loans and advances | | 898,914 | (163,880) |
| | Prepayments and other receivables | | (1,843,183) | (3,037,407) |
| | | | (6,244,765) | (7,738,749) |
| | Increase in current liabilities: | | | |
| | Trade and other payables | | 7,314,830 | 5,645,871 |
| | Security deposits | | 4,700 | 25,593 |
| | | | 31,159,394 | 28,986,491 |
| 37.1 | Cash and cash equivalents | | | |
| | Short term investments | 26 | 6,906 | 4,930,370 |
| | Cash and bank balances | 27 | 4,167,524 | 4,660,611 |
| | | | 4,174,430 | 9,590,981 |

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

| | Liabilities | | Equity | |
|---|---|---|---|---|
| | Lease liability Rs '000 | Unpaid / unclaimed dividend Rs '000 | Revenue reserves Rs '000 | Total Rs '000 |
| Balance as at January 01, 2019 | 1,416,306 | 264,836 | 32,571,351 | 34,252,494 |
| Addition during the year | 119,916 | 2,550,000 | - | 2,669,916 |
| Payment / Adjustment during the year | (431,082) | (2,603,247) | - | (3,034,329) |
| Total equity related changes | - | - | 4,180,028 | 4,180,028 |
| Balance as at December 31, 2019 | 1,105,140 | 211,589 | 36,751,379 | 38,068,109 |
| Balance as at December 31, 2018 | - | 264,836 | 32,571,351 | 32,836,188 |





## NOTES TO AND FORMING PART OF THE
# FINANCIAL STATEMENTS
### FOR THE YEAR ENDED DECEMBER 31, 2019

**39 Remuneration of Directors, Chief Executive Officer and Executives**

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

| | Chairman | | Chief Executive Officer | | Executives | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Key management personnel | | Other executives | |
| | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
| Managerial remuneration | - | - | 98,915 | 196,544 | 237,378 | 264,074 | 558,037 | 473,634 |
| Honorarium | 300 | 300 | - | - | - | - | - | - |
| Retirement benefits | - | - | - | 21,263 | 25,109 | 23,141 | 59,028 | 43,271 |
| Housing | - | - | 18,513 | 11,047 | 105,505 | 89,117 | 201,256 | 164,916 |
| Utilities | - | - | - | - | 40,352 | 19,858 | 44,717 | 37,018 |
| | 300 | 300 | 117,428 | 228,854 | 408,344 | 396,190 | 863,038 | 718,839 |
| Bonus paid | - | - | 439,424 | 61,280 | 41,639 | 52,809 | 50,655 | 59,536 |
| | 300 | 300 | 556,852 | 290,134 | 449,983 | 448,999 | 913,693 | 778,375 |
| Number of persons | 1 | 1 | 2 | 1 | 41 | 38 | 241 | 196 |

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, 2019 as fee to 9 directors (December 31, 2018: 9) is Rs 80,306 thousand ( December 31, 2018: Rs 58,250 thousand) for attending Board of Directors and subcommittee meetings.

Bonus to the Chief Exective Officer was inclusive of the amount paid to the previous Chief Executive Officer.

**40 Rates of exchange**

Assets in US dollars have been translated into Rupees at USD 1 = Rs 154.85 (December 31, 2018: USD 1 = Rs 138.60), while liabilities in US dollars have been translated into Rupees at USD 1 = Rs 155.35 (December 31, 2018: USD 139.10).

**41 Employees' provident fund**

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

| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| Total assets | 4,444,206 | 3,962,627 |
| Cost of investments made | 3,758,306 | 3,562,865 |
| Percentage of investments made | 84.57 | 89.91 |
| Fair value of investments | 4,111,296 | 3,803,300 |

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Rs '000 | Percentage | Rs '000 | Percentage |
| Break up of investments - at cost | | | | |
| Mutual funds | 725,000 | 19.29 | 1,100,000 | 30.9 |
| Pakistan Investment bonds | 875,000 | 23.28 | 875,000 | 24.6 |
| Term finance certificates | 424,000 | 11.28 | 224,000 | 6.3 |
| Term deposits | 1,684,185 | 44.81 | 1,322,623 | 37.0 |
| Interest bearing accounts | 50,121 | 1.33 | 41,242 | 1.2 |
| | 3,758,306 | 100.0 | 3,562,865 | 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

42 Financial instruments and risk management

42.1 Financial risk factors

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

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), EURO (EUR) and Pound sterling (GBP). 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:

| | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|
| USD | | |
| Trade and other payables | (6,175,589) | (4,178,979) |
| Trade debts | 7,547,518 | 4,761,186 |
| Cash and bank balances | 708,816 | 2,318,748 |
| Net exposure | 2,080,745 | 2,900,955 |
| AED | | |
| Trade and other payables | (2,985) | (73,556) |
| EUR | | |
| Trade and other payables | (7,243) | (4,360) |
| GBP | | |
| Trade and other payables | (8,604) | (7,432) |

The following significant exchange rates were applied during the year:

| | 2019 | 2018 |
|---|---|---|
| Rupees per USD | | |
| Average rate | 149.82 | 122.42 |
| Reporting date rate | | |
| Assets | 154.85 | 138.60 |
| Liabilities | 155.35 | 139.10 |
| Rupees per AED | | |
| Average rate | 40.79 | 33.34 |
| Reporting date rate | 42.30 | 37.87 |
| Rupees per EUR | | |
| Average rate | 167.54 | 144.06 |
| Reporting date rate | 174.05 | 159.10 |
| Rupees per GBP | | |
| Average rate | 190.99 | 161.73 |
| Reporting date rate | 202.93 | 175.26 |





NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

If the functional currency, at the reporting date, had fluctuated by 5% against the USD, AED, EUR and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rs 70,104 thousand (December 31, 2018: Rs 78,318 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.

The other financial assets include investments categorized as fair value through profit or loss Rs 6,906 thousand (December 31, 2018: Rs 3,950,149 thousand ) which were subject to price risk.

If redemption price on mutual funds, at the year end date, fluctuate by 5% higher / lower with all other variables held constant, total comprehensive income for the year would have been Rs 238 thousand (December 31, 2018: Rs. 136,248 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:

| | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|
| Financial assets | | |
| Fixed rate instruments: | | |
| Staff loans | 1,291,664 | 985,444 |
| Short term investments - T Bills / term deposits | - | 980,221 |
| Bank balances - deposit accounts | 2,304,244 | 829,885 |
| | 3,595,908 | 2,795,550 |
| Variable rate instruments: | | |
| Subordinated long term loan to PTML | 7,500,000 | 6,000,000 |
| Subordinated long term loan to Ubank | 4,000,000 | 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 U-Bank) 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 41,024 thousand (December 31, 2018: Rs 37,430 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:

| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| Long term loans and advances | 12,387,056 | 10,690,139 |
| Trade debts and contract assets | 20,258,574 | 16,657,916 |
| Loans and advances | 676,660 | 1,575,574 |
| Other receivables | 12,821,990 | 10,809,478 |
| Short term investments | 6,906 | 4,930,370 |
| Bank balances | 4,116,189 | 4,401,837 |
| | 50,267,375 | 49,065,314 |

The credit risk on liquid funds is limited, because the counter parties are banks with reasonably high credit ratings. In case of trade debts, the Company believes that it is not exposed to major concentrations of credit risk, as its exposure is spread over a large number of counter parties and subscribers. The long term loans include a sub-ordinated loan of Rs 7,500,000 thousand (December 31, 2018: Rs 6,000,000 thousand) to the subsidiary-PTML and a loan of Rs 4,000,000 thousand to the subsidiary U-bank (December 31, 2018: 4,000,000). Impairment loss on trade debts and contract assets arising from contract with customers amounts to Rs 2,288,544 thousand (December 31, 2018: Rs 1,955,881 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 Short term | Rating Long term | Rating Agency |
|---|---|---|---|
| National Bank of Pakistan | A-1+ | AAA | PACRA |
| Bank Alfalah Limited | A-1+ | AA+ | PACRA |
| MCB Bank Limited | A-1+ | AAA | PACRA |
| Soneri Bank Limited | A-1+ | AA- | PACRA |
| Habib Metropolitan Bank Limited | A-1+ | AA+ | PACRA |
| The Bank of Punjab | A-1+ | AA | PACRA |
| Habib Bank Limited | A-1+ | AAA | VIS |
| Askari Bank Limited | A-1+ | AA+ | PACRA |
| Allied Bank Limited | A-1+ | AAA | PACRA |
| United Bank Limited | A-1+ | AAA | VIS |
| BankIslami Pakistan Limited | A-1 | A+ | PACRA |
| Bank Al-Habib Limited | A-1+ | AA+ | PACRA |
| Faysal Bank Limited | A-1+ | AA | PACRA |
| Citi Bank, N.A | P-1 | Aa3 | Moody's |
| Albaraka Bank (Pakistan) Limited | A-1 | A | PACRA |
| Mobilink Microfinance Bank Limited | A-1 | A | PACRA |
| Dubai Islamic Bank Pakistan Limited | A-1+ | AA | VIS |
| JS Bank Limited | A-1+ | AA- | PACRA |
| Sindh Bank Limited | A-1 | A+ | VIS |
| SME Bank Limited | B | CCC | PACRA |
| SilkBank Limited | A-2 | A- | VIS |
| Standard Chartered Bank (Pakistan) Limited | A-1+ | AAA | PACRA |
| Meezan Bank Limited | A-1+ | AA+ | VIS |
| The Bank of Khyber | A-1 | A | VIS |
| First Women Bank Limited | A-2 | A- | PACRA |
| Samba Bank Limited | A-1 | AA | VIS |
| U Microfinance Bank Limited | A-1 | A | VIS |
| Khushhali Microfinance Bank Limited | A-1 | A+ | VIS |
| Telenor Microfinance Bank Limited | A-1 | A+ | VIS |
| Mutual funds | | | |
| HBL Cash Management Fund | | AA(f) | VIS |
| ABL Cash Management Fund | | AA+(f) | VIS |
| UBL Cash Management Fund | | AA+(f) | 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
FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 2019:

| | Gross Carrying amount Rs '000 | Less than one year Rs '000 | One to five years Rs '000 | More than five years Rs '000 |
|---|---|---|---|---|
| Security deposits | 583,739 | 583,739 | - | - |
| Trade and other payables | 70,407,575 | 70,407,575 | - | - |
| Lease commitments | 1,425,733 | 280,712 | 1,054,321 | 90,700 |
| | 72,417,047 | 71,272,026 | 1,054,321 | 90,700 |

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

| | Gross 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 | - | - |

42.2 Fair value of financial instruments

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

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (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, 2019 are as follows:

| | | Level 1 Rs '000 | Level 2 Rs '000 | Level 3 Rs '000 | Total Rs '000 |
|---|---|---|---|---|---|
| Long term other investments | 2019 | - | - | 51,427 | 51,427 |
| Investment in mutual funds | 2019 | 6,906 | - | - | 6,906 |
| Long term other investments | 2018 | - | - | 83,900 | 83,900 |
| Investment in mutual funds | 2018 | 3,950,149 | - | - | 3,950,149 |

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

NOTES TO AND FORMING PART OF THE
# FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | FVOCI - equity instruments Rs '000 | FVTPL - equity instruments Rs '000 | Assets at amortised cost Rs '000 | Total Rs '000 |
|---|---|---|---|---|
| **42.3 Financial instruments by categories - 2019** | | | | |
| Financial assets as per statement of financial position | | | | |
| Long term other investments | 51,427 | - | - | 51,427 |
| Long term loans and advances | - | - | 12,387,056 | 12,387,056 |
| Trade debts and contract assets | - | - | 20,258,574 | 20,258,574 |
| Loans and advances | - | - | 922,344 | 922,344 |
| Receivable from the Government of Pakistan | - | - | 2,164,072 | 2,164,072 |
| Other receivables | - | - | 16,697,980 | 16,697,980 |
| Short term investments | - | 6,906 | - | 6,906 |
| Cash and bank balances | | | 4,167,524 | 4,167,524 |

| Financial liabilities as per statement of financial position | Amortized cost |
|---|---|
| Trade and other payables | 72,329,102 |
| Securities deposits | 583,739 |
| Unpaid / unclaimed dividend | 211,589 |
| Lease liability | 1,105,140 |

| | FVOCI - equity instruments Rs '000 | FVTPL - equity instruments Rs '000 | Assets at amortised cost Rs '000 | Total Rs '000 |
|---|---|---|---|---|
| **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 and contract assets | - | - | 16,657,916 | 16,657,916 |
| Loans and advances | - | - | 1,762,470 | 1,762,470 |
| Receivable from the Government of Pakistan | - | - | 2,164,072 | 2,164,072 |
| Other receivables | - | - | 14,842,839 | 14,842,839 |
| Short term investments | - | 3,950,149 | - | 3,950,149 |
| Cash and bank balances | | | 4,660,611 | 4,660,611 |

| 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 |

### 42.4 Capital risk management

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



NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

The Company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

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

### 43 Transactions with related parties

The Government of Pakistan and Etisalat International Pakistan (EIP), UAE are the majority shareholders of the Company. Additionally, the Company's subsidiaries Pak Telecom Mobile Limited, U Microfinance Bank Limited, DVCOM Data (Private) Limited, Smart Sky (Private) Limited, associate T.F. Pipes Limited, Directors, Chief Executive Officer, key management personnel and employee funds are also related parties of the Company. The remuneration of the Directors, Chief Executive Officer and Executives is given in note 39 to the financial statements. The amounts due from and due to these related parties are shown under respective receivables and payables. The Company had transactions with the following related parties during the year:

| 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 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 18 and 39 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 | Country of Incorporation | Basis of Association |
|---|---|---|
| - Holding Company | | |
| Etisalat International Pakistan | United Arab Emirates | Holding Company |
| - Associated Companies | | |
| Emirates Telecommunication | United Arab Emirates | Associate of the Holding Company |
| Etisalat - Afghanistan | Afghanistan | Associate of the Holding Company |
| Etisalat - Egypt | Egypt | Associate of the Holding Company |
| Etihad Etisalat Company (Mobily) | Kingdom of Saudi Arabia | Associate of the Holding Company |

| | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|
| Details of transactions with related parties | | |
| Shareholders | | |
| Technical services assistance fee | 2,536,214 | 2,383,565 |
| Subsidiaries | | |
| Sale of goods and services | 5,858,543 | 5,623,077 |
| Purchase of goods and services | 2,823,024 | 2,882,301 |
| Return on deposit | 8,986 | 4,532 |
| Mark up on long term loans | 1,314,567 | 406,361 |
| Associated undertakings | | |
| Sale of goods and services | 3,060,475 | 2,186,282 |
| Purchase of goods and services | 509,990 | 939,814 |
| Employees retirement benefits plans | 3,500,000 | 2,779,570 |
| Other related parties | | |
| Sale of goods and services | 1,913,582 | 1,789,345 |
| Charge under license obligations | 1,614,917 | 1,564,303 |

## 44 Offsetting of financial assets and liabilities

| | Gross Amounts subject to setoff Rs'000 | Offset Rs'000 | Net Amount Rs'000 | Amount not in scope or offsetting Rs'000 | Net as per statement of financial position Rs'000 |
|---|---|---|---|---|---|
| As at December 31, 2019 | | | | | |
| Trade debts | 14,335,367 | (6,709,298) | 7,626,068 | 20,285,727 | 27,911,795 |
| Trade creditors | (7,252,473) | 6,709,298 | (543,174) | (10,746,721) | (11,289,895) |
| As at December 31, 2018 | | | | | |
| Trade debts | 14,514,210 | (8,203,905) | 6,310,305 | 17,622,904 | 23,933,209 |
| Trade creditors | (9,352,869) | 8,203,905 | (1,148,964) | (11,084,413) | (12,233,377) |



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

## 45 Number of employees

| | 2019<br>(Number) | 2018<br>(Number) |
|---|---|---|
| Total number of persons employed at end of the year | 16,351 | 16,506 |
| Average number of employees during the year | 16,414 | 16,522 |

## 46 Corresponding figures

Prior year figure have been re-arranged and reclassified, wherever necessary, for better presentation and comparison. Reclassification of corresponding figures of the financial statements is given below :

Statement of financial position

| Reclassification from | Reclassification to | Rs '000 |
|---|---|---|
| Current Assets | Current liabilities | |
| Trade debts and contract assets | Trade and other payables | 479,393 |
| Current Assets | Current Assets | |
| Cash and bank balances | Prepayments and other receivables | 714,415 |

Statement of profit or loss

| | As previously reported Rs '000 | Reclassified Rs '000 | As reclassified Rs '000 |
|---|---|---|---|
| Revenue | 70,099,626 | 1,173,554 | 71,273,180 |
| Cost of services | 52,257,894 | 1,173,554<br>100,079 | 53,531,527 |
| Administrative and general expenses | 8,456,188 | (243,238)<br>(1,955,881) | 6,257,069 |
| Selling and marketing expenses | 2,871,420 | 143,159 | 3,014,579 |

Statement of cash flows

| Reclassification from | Reclassification to | Rs '000 |
|---|---|---|
| Cash generated from operations | Cash flows from investing activities | 2,251,475 |

## 47 Date of authorization for issue and final dividend

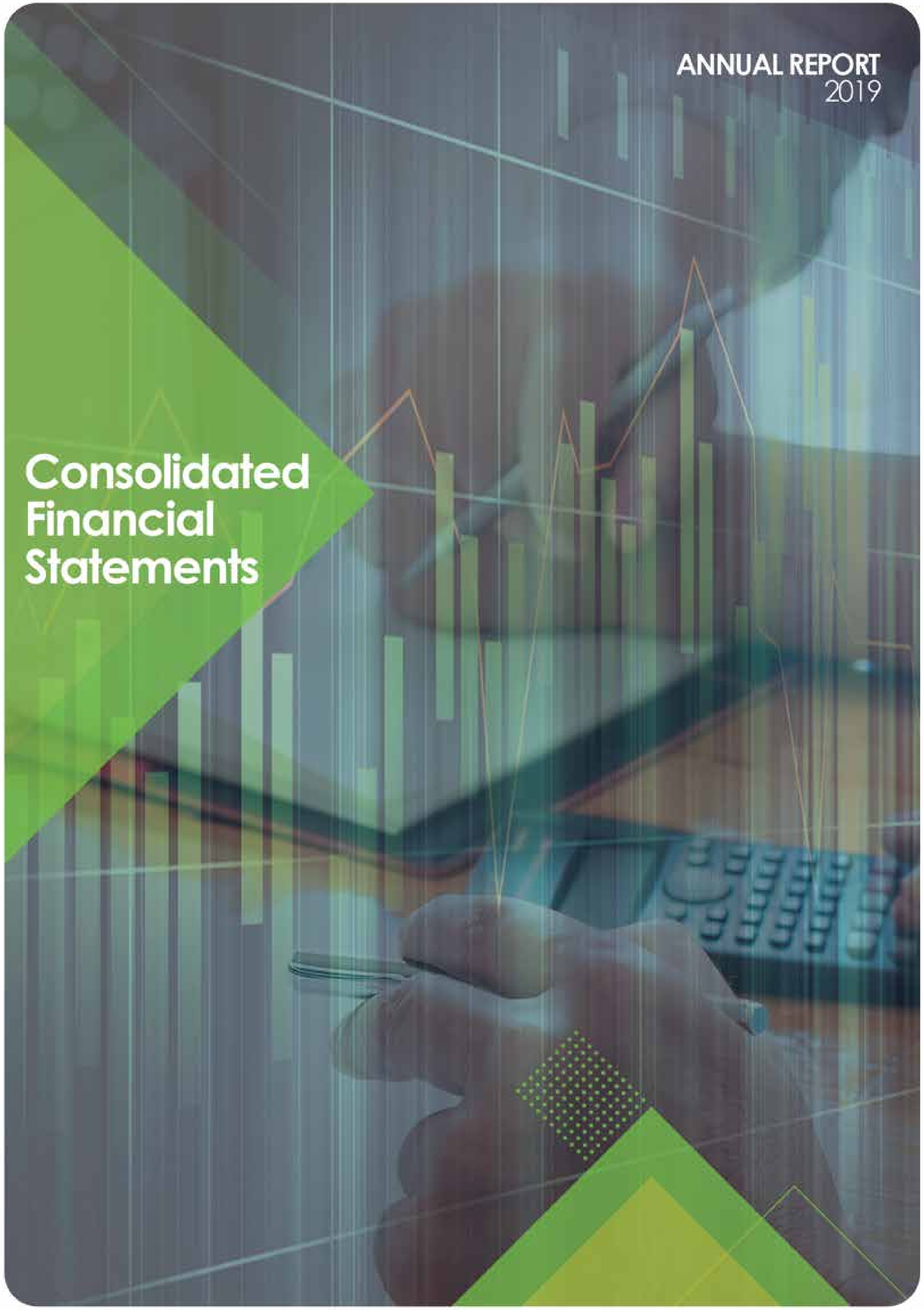
47.1 The Board of Directors in its meeting held on February 11, 2020 has recommended a final dividend of Re 0.5 per share for the year ended December 31, 2019, amounting to Rs 2,550,000 thousand for approval of the members in the forthcoming Annual General Meeting.

47.2 These financial statements were authorized for issue by the Board of Directors of the Company on February 11, 2020.

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

# NOTES





# 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 and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, 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 December 31, 2019, 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 Statements 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 matter relating to certain employees' rights under the PTCL pension scheme is 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<br><br>Refer notes 5.28 (a) and 34 to the consolidated financial statements.<br><br>The Group has reported revenue amounting to Rs. 129,543 million mainly from telecommunication services for the year ended December 31, 2019.<br><br>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.<br><br>We identified recognition of revenue as a key audit matter because 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. | Our audit procedures to assess the recognition of revenue, amongst others, included the following:<br><br>• 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;<br><br>• Comparing a sample of transactions comprising of various revenue streams recorded during the year with relevant underlying supporting documents and cash receipts;<br><br>• Comparing the amount of revenue recognised with relevant system generated reports and corresponding validation by the Group's revenue assurance function;<br><br>• Assessing the appropriateness of revenue recognition and relevant contract assets and liabilities for compliance with applicable financial reporting framework including their correct application during the year;<br><br>• 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<br><br>• 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<br><br>Refer notes 5.31 and 29 to the consolidated financial statements.<br><br>As at December 31, 2019, income tax recoverable is stated at Rs. 24,577 million.<br><br>The Group 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.<br><br>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:<br><br>• Consulting our tax specialist to assess the reasonableness of the Group's conclusions on recoverability of income tax refundable;<br><br>• Reviewing the status of significant pending tax matters, including the Group's assessment of the potential liabilities;<br><br>• Comparing refund applications filed for refund or tax relating to preceding years with the amounts recorded in the consolidated financial statements;<br><br>• Inspecting correspondence with tax authorities to identify any pending taxation matters relating to the years to which the refund relates;<br><br>• Testing computation of current income tax provision; and<br><br>• 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<br><br>Refer notes 5.17 (a) and 19 to the consolidated financial statements.<br><br>The Group has recorded additions to property, plant and equipment amounting to Rs. 39,461 million during the current year.<br><br>The Group continues to incur capital expenditure in connection with the expansion of its network coverage and improvements to network quality. | Our audit procedures in relation to the matter, amongst others, included the following:<br><br>• 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;<br><br>• Comparing, on sample basis, costs capitalised during the year with underlying supporting documentation;<br><br>• Assessing the nature of cost incurred meet the criteria for capitalisation under accounting framework; |





# INDEPENDENT AUDITORS' REPORT

## To the members of Pakistan Telecommunication Company Limited



| S. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | 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. | • 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<br><br>• Assessing whether the depreciation has been correctly computed from the date of capitalisation. |
| 4 | Recoverability of trade debts<br><br>Refer note 5.22 and 26 to the consolidated financial statements.<br><br>As at December 31, 2019, the Group's gross trade debtors were Rs. 29,844 million against which allowance for doubtful debts of Rs. 8,143 million were recorded.<br><br>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:<br><br>• Obtaining an understanding of and testing the design and implementation of management's key internal controls relating to credit control, debt collection and making allowance for doubtful debts;<br><br>• Agreeing, on a sample basis, the balances used in management's estimate of expected credit loss with the books of account of the Group;<br><br>• Testing the assumptions and estimates made by the management for the allowance for doubtful debts; and<br><br>• Evaluating that the allowance for doubtful debts is in accordance with the requirements of applicable financial reporting framework. |
| 5 | Leases<br><br>Refer note 5.2, note 10 and note 20 to the consolidated financial statements.<br><br>As at December 31, 2019, the Group has right of use assets of Rs. 20,176 million and lease liabilities of Rs. 19,753 million. | Our procedures in relation to leases amongst other included the following:<br><br>• Assessing the design, implementation and operating effectiveness of key internal controls over recording of right of use assets and corresponding lease liabilities; |

# INDEPENDENT AUDITORS' REPORT

## To the members of Pakistan Telecommunication Company Limited

| S. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | Leases were considered a key audit matter since due to the application of IFRS 16 'Leases' all lease contracts as a lessee under the scope of IFRS 16 are recognized as a right of use assets in the statement of financial position with a corresponding lease liability, thus enhancing the scope of lease contracts assessments and complexity. | • Assessing the appropriateness of accounting policy for recognition of right of use assets and lease liabilities for compliance with applicable financial reporting framework including its correct application during the year;<br>• Re-computing on sample basis lease liabilities and corresponding right of use assets at initial recognition and their subsequent measurement for the year ended December 31, 2019;<br>• Assessing whether the depreciation has been correctly computed;<br>• Vouching on sample basis repayments of lease liabilities; and<br>• Assessing adequacy of disclosure as per the requirement of the applicable financial reporting framework. |

### 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 December 31, 2019, 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.

### 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.



# INDEPENDENT AUDITORS' REPORT

## To the members of Pakistan Telecommunication Company Limited

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.

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 auditor's 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.

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

**KPMG Taseer Hadi & Co.**
Chartered Accountants

Islamabad
March 20, 2020

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| Equity | | | |
| Share capital and reserves | | | |
| Share capital | 6 | 51,000,000 | 51,000,000 |
| Revenue reserves | | | |
| Insurance reserve | | 3,172,624 | 2,985,696 |
| General reserve | | 27,497,072 | 27,497,072 |
| Unappropriated profit | | 1,492,423 | 1,535,145 |
| | | 32,162,119 | 32,017,913 |
| Statutory and other reserves | | 285,013 | 221,601 |
| Unrealized loss on investments measured at fair value through OCI | | (8,779) | (29) |
| | | 83,438,353 | 83,239,485 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long term loans from banks | 7 | 19,716,427 | 24,408,332 |
| Subordinated debt | 8 | 599,400 | 599,640 |
| Deposits from banking customers | 9 | 3,766,456 | 3,400,885 |
| Lease liabilities | 10 | 17,312,174 | 15,558 |
| Deferred income tax | 11 | 7,102,905 | 8,975,585 |
| Employees retirement benefits | 12 | 27,123,119 | 28,594,794 |
| Deferred government grants | 13 | 19,182,858 | 18,720,796 |
| Advances from customers | | 1,526,911 | 1,112,453 |
| Long term vendor liability | 14 | 25,709,208 | 26,951,860 |
| | | 122,039,458 | 112,779,903 |
| Current liabilities | | | |
| Trade and other payables | 15 | 87,830,054 | 81,544,420 |
| Deposits from banking customers | 9 | 18,958,369 | 17,133,725 |
| Interest accrued | | 1,658,615 | 1,226,312 |
| Short term running finance | 16 | 4,058,444 | 1,725,137 |
| Current portion of: | | | |
| Long term loans from banks | 7 | 11,300,239 | 6,676,667 |
| Lease liabilities | 10 | 2,440,869 | 3,287 |
| Long term vendor liability | 14 | 12,522,539 | 13,532,709 |
| Security deposits | 17 | 1,359,489 | 1,471,112 |
| Unpaid / unclaimed dividend | | 211,589 | 264,836 |
| | | 140,340,207 | 123,578,205 |
| Total equity and liabilities | | 345,818,018 | 319,597,593 |
| Contingencies and commitments | 18 | | |

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

Chief Financial Officer President & CEO Chairman




# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019


| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **Assets** | | | |
| Non-current assets | | | |
| Property, plant and equipment | 19 | 190,009,353 | 177,479,128 |
| Right of use assets | 20 | 20,176,320 | - |
| Intangible assets | 21 | 28,099,965 | 31,177,147 |
| | | 238,285,638 | 208,656,275 |
| Long term investments | 22 | 51,427 | 83,900 |
| Long term loans and advances | 23 | 890,600 | 706,390 |
| Long term loans to banking customers | 27 | 474,351 | 457,920 |
| Contract costs | 24 | 637,743 | 461,145 |
| | | 240,339,759 | 210,365,630 |
| Current assets | | | |
| Stock in trade, stores and spares | 25 | 5,642,513 | 6,281,620 |
| Trade debts and contract assets | 26 | 21,701,204 | 19,383,276 |
| Loans to banking customers | 27 | 20,899,728 | 16,561,918 |
| Loans and advances | 28 | 1,063,243 | 1,864,766 |
| Contract costs | 24 | 2,511,646 | 1,842,504 |
| Income tax recoverable | 29 | 24,577,280 | 23,767,451 |
| Receivable from the Government of Pakistan | 30 | 2,164,072 | 2,164,072 |
| Deposits, prepayments and other receivables | 31 | 10,671,218 | 11,724,765 |
| Short term investments | 32 | 9,076,445 | 17,198,237 |
| Cash and bank balances | 33 | 7,170,910 | 8,443,354 |
| | | 105,478,259 | 109,231,963 |
| Total assets | | 345,818,018 | 319,597,593 |

Chief Financial Officer President & CEO Chairman

CONSOLIDATED STATEMENT OF
# PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Revenue | 34 | 129,542,521 | 126,862,364 |
| Cost of services | 35 | (95,661,182) | (92,914,836) |
| Gross profit | | 33,881,339 | 33,947,528 |
| Administrative and general expenses | 36 | (17,027,411) | (15,412,101) |
| Selling and marketing expenses | 37 | (6,946,681) | (6,819,420) |
| Impairment loss on trade debts and contract assets | 38 | (3,225,473) | (2,256,420) |
| | | (27,199,565) | (24,487,941) |
| Operating profit | | 6,681,774 | 9,459,587 |
| Other income | 39 | 6,156,874 | 5,721,522 |
| Finance costs | 40 | (9,202,708) | (8,231,624) |
| Profit before tax | | 3,635,940 | 6,949,485 |
| Provision for income tax | 41 | (1,258,840) | (1,239,481) |
| Profit after tax | | 2,377,100 | 5,710,004 |

The annexed notes 1 to 53 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, 2019

| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| Profit for the year | 2,377,100 | 5,710,004 |
| Other comprehensive income for the year | | |
| Items that will not be reclassified to consolidated statement of profit or loss: | | |
| Remeasurement gain / (loss) on employees retirement benefits | 568,204 | (5,449,234) |
| Impairment loss on other investment | (32,473) | - |
| | 535,731 | (5,449,234) |
| Tax effect | (155,213) | 1,580,098 |
| | 380,518 | (3,869,136) |
| Items that may be subsequently reclassified to consolidated statement of profit or loss: | | |
| Loss on equity instrument arising during the year | (10,288) | (40) |
| Gain on disposal of investment transferred to income for the year | - | 28 |
| Tax effect | 1,538 | 11 |
| Unrealized loss on equity instrument - net of tax | (8,750) | (1) |
| Other comprehensive income for the year - net of tax | 371,768 | (3,869,137) |
| Total comprehensive income for the year | 2,748,868 | 1,840,867 |

The annexed notes 1 to 53 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, 2019

| | Note | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 43 | 51,299,821 | 41,084,781 |
| Employees retirement benefits paid | | (1,364,813) | (1,165,864) |
| Advances from customers | | 414,458 | (111,459) |
| Payment made to Pakistan Telecommunication Employees Trust (PTET) | | (3,500,000) | (2,779,570) |
| Finance costs - net | | 75,955 | (899,402) |
| Income tax paid | | (4,095,024) | (5,257,477) |
| Net cash inflows from operating activities | | 42,830,397 | 30,871,009 |
| **Cash flows from investing activities** | | | |
| Capital expenditure | | (40,217,682) | (36,931,047) |
| Acquisition of intangible assets | | (475,881) | (459,834) |
| Proceeds from disposal of property, plant and equipment | | 991,533 | 266,029 |
| Short term investments - net | | - | 5,080,779 |
| Additions to contract costs | | (4,647,275) | (3,461,489) |
| Long term loans and advances | | (206,987) | (319,885) |
| Return on long term loans and short term investments | | 769,834 | 883,015 |
| Government grants received | | 1,919,331 | 4,368,167 |
| Net cash outflows from investing activities | | (41,867,127) | (30,574,265) |
| **Cash flows from financing activities** | | | |
| Loans from banks - net | | (68,333) | 1,498,846 |
| Subordinated debt | | (240) | (360) |
| Finance cost paid on borrowings | | (5,832,563) | (2,951,987) |
| Customers deposits | | 2,190,215 | 9,713,119 |
| Vendor liability | | (2,252,822) | 1,859,853 |
| Lease liabilities - (repayments) / additions | | (4,123,823) | 8,700 |
| Dividend paid | | (2,603,247) | (5,045,351) |
| Net cash (outflows) / inflows from financing activities | | (12,690,813) | 5,082,820 |
| Net (decrease) / increase in cash and cash equivalents | | (11,727,543) | 5,379,564 |
| Cash and cash equivalents at beginning of the year | | 23,916,454 | 18,536,890 |
| Cash and cash equivalents at end of the year | 43.2 | 12,188,911 | 23,916,454 |

The annexed notes 1 to 53 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, 2019

| | Issued, subscribed and paid-up capital | | Revenue reserves | | | Statutory and other reserves | Unrealized loss on investments measured at fair value through OCI | Total |
|---|---|---|---|---|---|---|---|---|
| | Class "A" | Class "B" | Insurance reserve | General reserve | Unappropriated profit | | | |
| | (Rupees in '000) | | | | | | | |
| **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 |
| Total comprehensive income for the year | | | | | | | | |
| Profit for the year | - | - | - | - | 2,377,100 | - | - | 2,377,100 |
| Other comprehensive income - net of tax | - | - | - | - | 380,518 | - | (8,750) | 371,768 |
| | - | - | - | - | 2,757,618 | - | (8,750) | 2,748,868 |
| Distribution to owners of the Holding company | | | | | | | | |
| Interim dividend for the year ended December 31, 2019 - Re 0.50 per share | - | - | - | - | (2,550,000) | - | - | (2,550,000) |
| | - | - | - | - | (2,550,000) | - | - | (2,550,000) |
| Others | | | | | | | | |
| Transfer to insurance reserve | - | - | 186,928 | - | (186,928) | - | - | - |
| Transfer to statutory and other reserves | - | - | - | - | (63,412) | 63,412 | - | - |
| **Balance as at December 31, 2019** | 37,740,000 | 13,260,000 | 3,172,624 | 27,497,072 | 1,492,423 | 285,013 | (8,779) | 83,438,353 |

The annexed notes 1 to 53 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, 2019

## 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 (U Bank)

The Holding Company acquired 100% ownership of U Bank on August 30, 2012. U Bank's principal business is to assist in simulating progress, prosperity and social peace in society through creation of income generating opportunities for the small entrepreneurs under the Microfinance Institutions Ordinance, 2001. U Bank also provides branch less banking services. U Bank was incorporated on October 29, 2003 as a public limited company. The registered office of U Bank is situated at Jinnah Super Market, F-7 Markaz, Islamabad.

DVCOM Data (Private) Limited (DVCOM Data)

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

Smart Sky (Private) Limited (Smart Sky)

Smart Sky was incorporated in Pakistan on October 12, 2015 as a private limited company. Smart Sky is a wholly owned subsidiary of PTCL. The registered office of Smart Sky is located at PTCL Headquarters, G-8/4, Islamabad.

### 1.2 Activities of the Group

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



NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

## 2. Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

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

- Microfinance Institutions Ordinance, 2001 (the MFI Ordinance); and

- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP).

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, the requirements of the Companies Act, 2017, the Microfinance Ordinance, 2001, or the requirements of the said directives have been followed.

These financial statements are consolidated financial statements of the Group. In addition to these consolidated financial statements, the Holding Company and subsidiary companies (PTML, U Bank, DVCOM Data and Smart Sky) prepare separate statutory financial statements.

### 2.1 Standards, interpretations and amendments adopted during the year

The following published amendments to the existing standards 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, 2019.

| | |
|---|---|
| IFRS 16 'Leases' 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. | Effective for accounting period beginning on or after January 01, 2019. |

Detailed disclosure of the effect of IFRS 16 are given in the relevant notes to these financial statements.

The following standards, amendments and interpretation 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.

| | |
|---|---|
| IFRIC 23 'Uncertainty over Income Tax Treatments' clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires that the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. | Effective for accounting period beginning on or after January 01, 2019. |
| Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures. The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. | Effective for accounting period beginning on or after January 01, 2019. |
| Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement. The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. | Effective for accounting period beginning on or after January 01, 2019. |
| IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. | Effective for accounting period beginning on or after January 01, 2019. |
| IAS 23 'Borrowing Costs' - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. | Effective for accounting period beginning on or after January 01, 2019. |



NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Amendments to the following IFRS Standards as notified under the Companies Act, 2017 and interpretation there to 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. |
| IFRS 7 'Financial Instruments: Disclosures' Amendments regarding pre-replacement issues in the context of the IBOR reform | Effective from accounting period beginning on or after January 01, 2020. |
| IFRS 9 'Financial Instruments: Disclosures' Amendments regarding pre-replacement issues in the context of the IBOR reform | Effective from accounting period beginning on or after January 01, 2020. |
| IFRS 17, 'Insurance Contracts' | Effective from accounting period beginning on or after January 01, 2021. |
| IAS 1 'Presentation of Financial Statements' Amendments regarding the definition of materiality | 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. |
| IFRS 14 'Regulatory Deferral Accounts' | Effective from accounting period beginning on or after July 01, 2019. |

On 29 March 2018, the International Accounting Standards Board (IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRS and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

For U Bank

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 vide SBP circular 4 dated 23 October 2019. IFRS 9 replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP circular referred to above, the Banks/DFIs are required to have a parallel run of IFRS 9 from 1 January 2020. The Banks/DFIs are also required to prepare pro-forma financial statements which includes the impact of IFRS 9 from the year ended 31 December 2019. These proforma financial statements are being prepared and according to initial exercise to estimate the impairment required under expected credit loss model.

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

- IFRS 1 First -time Adoption of International Financial Reporting Standards
- IFRS 17 Insurance Contracts

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, lease liabilities and certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

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

(d) Provisions and contingent liabilities

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

(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.





NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

(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.

(i) Provision against loans to banking customers

U Bank maintains a provision against loans as per the requirements of the Prudential 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 costs comprise 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 acquirer's identifiable net assets. Acquisition costs incurred are expensed. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9, either in profit or loss or charged to other comprehensive income. If the contingent consideration is classified as equity, it is remeasured until it is finally settled within equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses on assets transferred are also eliminated and considered an impairment indicator of such assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

5.2 Changes in accounting polices

The Group has initially applied IFRS 16 'Leases' from January 01, 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group applied IFRS 16 using the modified retrospective approach, under which the Group has recognized right of use assets and lease liabilities at the date of initial recognition for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Group's incremental borrowing rate. The Group has chosen to measure the right of use assets at an amount equal to the lease liabilities adjusted by the amount of prepaid lease payments relating to the operating leases recognized in the statement of financial position as at January 01, 2019. Accordingly, no adjustment to equity has been made in these financial statements on adoption of the new policy and the comparative figures presented for 2018 have not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement contains a Lease'. The Group now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;

- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Group has the right to direct the use of the asset. The Group has this right when it has the decision - making rights that are most relevant to changing how and for what purpose the asset is used.

The impact of adoption of IFRS 16, on transition is disclosed in notes to the accounts.

The Group used the following practical expedient when applying IFRS 16, to leases previously classified as operating leases under IAS 17.

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- The use of a single discount rate to a portfolio of leases with reasonably similar risk characteristics.



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| | 2019<br>Rs '000 |
|---|---|
| Amounts recognized in profit or loss for the year under new policy | |
| Depreciation | 3,508,473 |
| Interest on lease liabilities | 1,982,152 |
| | 5,490,625 |

If IFRS 16 were not applicable, then rental cost of Rs 3,041,832 thousand and Rs 1,129,604 thousand would have been recognized in cost of services and administrative and general expenses respectively. As a result of adoption of IFRS 16, the profit before tax has decreased by Rs 1,319,189 thousand for the year ended December 31, 2019.

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 Holding Company 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, U Bank maintains statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of U Bank. 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, U Bank contributes 5% of annual profit after tax to the Depositors' Protection Fund for the purpose of providing security or guarantee to the persons depositing money in U Bank.

5.10 Cash reserve

In compliance with the requirements of the Regulation R-3A, U Bank maintains a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenure of less than 1 year) in a current account opened with the State Bank of Pakistan (SBP) or its agent.

5.11 Statutory liquidity requirement

In compliance with the requirements of the Regulation R-3B, U Bank maintains liquidity equivalent to at least 10% of its total demand liabilities and time liabilities with tenure of less than one year in the form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under Depositors' protection fund are excluded for the purposes of determining liquidity.

5.12 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 statement of profit or loss, over the period of the borrowings, using the effective interest method.

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

5.13 Deposits from banking customers

Deposits with U Bank are initially recorded at the amounts of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the consolidated statement of profit or loss over the period.





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5.14 Employees retirement benefits

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

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

PTCL

(a) PTCL Employees GPF Trust

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

(b) Defined benefit plans

The Holding Company provides the following defined benefits:

(i) Pension plans

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

(ii) Gratuity plan

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

iii) Medical benefits plan

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

(iv) Accumulated compensated absences

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

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(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, 2019. The present value of a defined benefit obligation is determined, by discounting the estimated future cash outflows, using the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized through other comprehensive income for the year except remeasurement gains and losses arising on compensated absences which are recognized in consolidated statement of profit or loss.

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 to the terms of the related liability.

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

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

(ii) Provident fund

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

U Bank

(i) Gratuity plan

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





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The liability recognized in the consolidated statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. Defined benefit obligation is based on actuarial valuation by independent actuary based on projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Pakistan rupee and have terms to maturity approximating to the terms of the related liability.

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

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

(ii) Provident fund

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

### 5.15 Government grants

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

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

### 5.16 Trade and other payables

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for the goods 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 consolidated statement of profit or loss during the year in which they are incurred.

Capital work in progress is stated at cost less impairment value, if any. It consists of expenditure incurred in respect of tangible and intangible fixed assets in the course of their construction and installation.

Depreciation on assets is calculated, using the straight line method, to allocate their cost over their estimated useful lives.

Depreciation on additions to property, plant and equipment, is charged from the month in which the relevant asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off. Impairment loss, if any, or its reversal, is also charged to consolidated statement of profit or loss for the year. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its estimated useful life.

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

(b) Intangible assets

(i) Goodwill

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

(ii) Licenses

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

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

(iii) Computer software

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

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

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

5.18 Impairment of non-financial assets

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

5.19 Long term loans

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





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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.

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.

5.23 Loans to banking customers

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

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

| | |
|---|---|
| Other assets especially mentioned | 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% (2018: 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 the profit or loss account in the period in which they occur.

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

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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.

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

(i) Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as 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.



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(iii) Fair value through profit or loss

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

#### 5.27.2 Recognition and measurement

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

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

#### 5.27.3 Subsequent measurement and gains and losses

| | | |
|---|---|---|
| (i) | Financial assets at amortized costs | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| (ii) | Financial assets at FVOCI | 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 gain and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| (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 recognises loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets other than U Bank. 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 amortised 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.

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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 consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in consolidated profit or loss. The financial liabilities of the Group include subordinated debt, long term loans from banks, long term vendor liability, long term security deposits, interest accrued, short term running finance and trade and other payables.

5.27.6 Derecognition

Financial assets

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

Financial liabilities

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

5.27.7 Derivative financial instruments

Derivative financial instruments are initially recognised 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.

5.27.9 Financial instruments - U Bank

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

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

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





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Financial assets

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

Financial liabilities

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

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

5.27.10 Investments

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

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

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

Held for trading

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

Held to maturity

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

Available for sale

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

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

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

NOTES TO AND FORMING PART OF THE
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5.28 (a) Revenue recognition

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

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

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

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

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

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

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

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





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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.

Transaction price allocated to the remaining performance obligations

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

Constraining of transaction price under pre-paid customer contracts

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

5.28 (b) Contract liabilities

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

5.28 (c) Contract assets

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.

5.28 (d) Contract costs

Contract cost comprise of incremental cost of acquiring the customers and is amortized over the life of the contract with customer. The typical length of a contract with customer is 16 to 18 months.

5.28 (e) U Bank revenue recognition

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

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

(ii) Income from investments

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.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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(iii) Fee, commission and brokerage income

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

(iv) Income on inter bank deposits

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

5.29 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 Taxation

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

(a) Current

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

(b) Deferred

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

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

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

(c) Group taxation

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

5.32 Operating segments

Operating segments are reported in a manner consistent with the internal reporting of the Group in note 49 to the consolidated financial statements.



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## 6. Share capital

6.1 Authorized share capital

| 2019 | 2018 | | 2019 | 2018 |
|---|---|---|---|---|
| (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

| 2019 | 2018 | | 2019 | 2018 |
|---|---|---|---|---|
| (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, 2019, 599,553 thousand (December 31, 2018: 599,547 thousand) "A" class ordinary shares had been exchanged for such vouchers.

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

7. Long term loans from banks

These represent secured loans from the following banks:

| | Annual mark-up rate | Repayment commencement date | | Repayment installments | | Outstanding loan balance | |
|---|---|---|---|---|---|---|---|
| | 3-Months KIBOR plus | Interest | Principal | Quarterly | Note | 2019 Rs '000 | 2018 Rs '000 |
| Allied Bank Limited | 0.25% | Jul. 2014 | Jul. 2017 | 12 | | 166,667 | 500,000 |
| United Bank Limited | 0.25% | Jul. 2014 | Jul. 2016 | 16 | | 200,000 | 575,000 |
| MCB Bank Limited | 0.25% | Jul. 2014 | Jul. 2017 | 12 | | 166,667 | 500,000 |
| MCB Bank Limited | 0.25% | Jul. 2014 | Jul. 2018 | 12 | | 2,000,000 | 3,333,333 |
| Faysal Bank Limited | 0.25% | Jul. 2014 | Jul. 2018 | 12 | | 1,000,000 | 1,666,667 |
| Bank Al-Habib Limited | 0.25% | Jul. 2014 | Jul. 2018 | 12 | | 500,000 | 833,333 |
| Bank Alfalah Limited | 0.25% | Jul. 2014 | Jul. 2018 | 12 | | 500,000 | 833,333 |
| Allied Bank Limited | 0.25% | Mar. 2015 | Mar. 2019 | 12 | | 1,333,333 | 2,000,000 |
| United Bank Limited | 0.25% | Mar. 2015 | Mar. 2019 | 12 | | 666,667 | 1,000,000 |
| Meezan Bank Limited | 0.25% | Aug. 2015 | Aug. 2019 | 12 | | 1,666,667 | 2,000,000 |
| Habib Bank Limited - Islamic Banking | 0.25% | Sep. 2015 | Sep. 2019 | 12 | | 1,666,667 | 2,000,000 |
| Dubai Islamic Bank Limited | 0.25% | Oct. 2015 | Oct. 2019 | 12 | | 916,667 | 1,000,000 |
| Habib Bank Limited - Islamic Banking | 0.25% | Mar. 2016 | Mar. 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% | Mar. 2018 | Mar. 2022 | 12 | | 1,000,000 | 1,000,000 |
| MCB Bank Limited | 0.24% | Mar. 2018 | Mar. 2022 | 12 | | 1,500,000 | 1,500,000 |
| United Bank Limited | 0.25% | Jul. 2014 | Jul. 2018 | 12 | | 500,000 | 833,333 |
| MCB Bank Limited | 0.25% | Apr. 2019 | Apr. 2023 | 12 | | 2,000,000 | - |
| Bank Islami Pakistan Limited | 0.50% | Mar. 2020 | Mar. 2024 | 12 | | 1,000,000 | - |
| Askari Bank Limited | 0.60% | Mar. 2020 | Mar. 2024 | 12 | | 2,000,000 | - |
| | | | | | 7.1 | 24,783,335 | 25,574,999 |
| | 6-Months KIBOR plus | | | Semi-annual | | | |
| Pak Oman Investment Co. Limited | 2.00% | Apr. 2016 | Apr. 2017 | 5 | | - | 100,000 |
| Bank Alfalah Limited | 1.50% | Sep. 2016 | Sep. 2017 | 5 | | - | 120,000 |
| United Bank Limited | 1.50% | Dec. 2016 | Dec. 2017 | 5 | | - | 40,000 |
| Allied Bank Limited | 1.10% | Sep. 2017 | Sep. 2018 | 6 | 7.2 | 750,000 | 1,250,000 |
| Faysal Bank Limited | 1.00% | Aug. 2018 | Aug. 2019 | 8 | 7.3 | 833,333 | 1,000,000 |
| Faysal Bank Limited - II | 0.75% | Jun. 2019 | Jun. 2020 | 6 | 7.4 | 999,998 | 1,000,000 |
| Allied Bank Limited - II | 0.95% | Jun. 2019 | Jun. 2020 | 6 | 7.5 | 2,000,000 | 2,000,000 |
| Bank of Punjab | 0.85% | Mar. 2019 | Sep. 2019 | 4 | 7.6 | 150,000 | - |
| State Bank of Pakistan (LOC) | -1.00% | Jun. 2019 | Jun. 2022 | | 7.7 | 1,500,000 | - |
| | | | | | | 6,233,331 | 5,510,000 |
| | | | | | | 31,016,666 | 31,084,999 |
| Current portion | | | | | | (11,300,239) | (6,676,667) |
| | | | | | | 19,716,427 | 24,408,332 |



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7.1 These loans are secured by way of first charge ranking pari passu by way of hypothecation over all present and future movable equipment and other assets (excluding land, building and licenses) of PTML. Three months KIBOR stands at 13.55% at December 31, 2019 (December 31, 2018:10.55%).

7.2 This represents outstanding balance of the term finance facility under syndicate financing through Allied Bank Limited of Rs 1,500,000 thousand. These are secured against first pari passu charge over all present and future assets of U Bank with 25% margin. In accordance with the agreement entered into with the Allied Bank Limited, U Bank was required to maintain certain ratios, which exceeded the required threshold as at the year end.

7.3 This represents term finance loan of Rs 1,000,000 thousand which is secured against first pari passu charge over book debts, advances and receivable of U Bank with 25% margin and Microfinance Credit Guarantee Facility (MCGF) from State Bank of Pakistan at 25%.

7.4 This represents term finance loan of Rs 1,000,000 thousand which is secured against first pari passu charge over book debts, advances and receivables of U Bank with 25% margin. Initial disbursement on ranking charge was upgraded to first pari passu within 90 days from the date of offer letter dated December 21, 2018.

7.5 This represents term finance facility under syndicate financing through Allied Bank Limited of Rs 2,000,000 thousand which is secured against first pari passu charge over all present and future assets excluding land and building of U Bank but not limited to advances and investments beyond CRR and SLR requirements of U Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to first pari passu with in 120 days of first disbursement. In accordance with the agreement entered into with the Allied Bank Limited, U Bank was required to maintain certain ratios, which exceeded the required threshold as at the year end.

7.6 This represents term finance loan of Rs 200,000 thousand from Bank of Punjab which is secured against first pari passu charge on book debts, advances and receivables of U Bank with 25% margin.

7.7 This represents unsecured term finance loan of Rs 1,500,000 thousand for a tenure of five years. Mark-up is payable at every half-year end i.e. June 30th and December 31st, while payment of principal will be made in the last four quarters of the loan period or in bullet form. The loan is provided against the target stated by SBP that the loan should be disbursed to 60% female borrower, U Bank should disburse 25,000 loans and that all loans disbursed should meet the E&S guidelines issued by SBP.

8. Subordinated debt

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

| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| **9. Deposits from banking customers** | | |
| Fixed deposits | 14,836,423 | 12,243,826 |
| Saving deposits | 5,505,887 | 6,208,686 |
| Current deposits | 2,382,515 | 2,082,098 |
| | 22,724,825 | 20,534,610 |
| Current portion | (18,958,369) | (17,133,725) |
| | 3,766,456 | 3,400,885 |

| | January 01, 2019 Rs '000 |
|---|---|
| **10. Lease liabilities** | |
| Lease liabilities | |
| Lease commitments | 29,080,433 |
| Discounted using the incremental borrowing rate | 19,193,624 |

When measuring the lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using an estimated incremental borrowing rate of 10%. Estimated incremental borrowing rate for U Bank is 14.07%.

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| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Contractual maturity of lease commitments | | | |
| - Within one year | | 4,234,353 | 5,306 |
| - Between 2 and 5 years | | 16,655,575 | 18,933 |
| - After 5 years | | 7,094,753 | - |
| Total undiscounted lease commitments | | 27,984,681 | 24,239 |
| Discounted lease liability using the incremental borrowing rate | | 19,753,043 | 18,845 |
| Current portion shown under current liabilities | | (2,440,869) | (3,287) |
| Due after 12 months | | 17,312,174 | 15,558 |

## 11. Deferred income tax

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Deferred tax liability / (asset) relating to: | | | |
| Accelerated tax depreciation | | 12,031,107 | 12,348,368 |
| Accelerated tax amortization | | 1,705,458 | 1,416,281 |
| Provision for stock in trade, stores and spares | | (508,215) | (474,227) |
| Impairment loss on trade debts | | (2,420,540) | (2,231,693) |
| ROU assets / lease liabilities | | (390,325) | - |
| Contract costs | | 464,950 | - |
| Liabilities claimable on payment | | (3,338,913) | (2,067,104) |
| Others | | (440,617) | (16,040) |
| | | 7,102,905 | 8,975,585 |
| **Movement during the year** | | | |
| Balance at the beginning of the year | | 8,975,585 | 10,634,558 |
| Charge / (reversal) for the year in respect of: | | | |
| Accelerated tax depreciation | | (317,261) | (1,687,679) |
| Accelerated tax amortization | | 289,177 | 590,582 |
| Provision for stock in trade, stores and spares | | (33,988) | (80,415) |
| Impairment loss on trade debts | | (188,847) | 398,163 |
| ROU assets / lease liabilities | | (390,325) | - |
| Contract cost | | 464,950 | - |
| Liabilities claimable on payment | | (1,271,809) | (524,593) |
| Others | | (412,483) | (348,546) |
| | | (1,860,586) | (1,652,488) |
| Tax reversal in OCI | | (12,094) | (6,485) |
| Balance at the end of the year | | 7,102,905 | 8,975,585 |

## 12. Employees retirement benefits

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Liabilities for pension obligations | | | |
| Funded - PTCL | 12.1 | 4,135,611 | 6,415,222 |
| Unfunded - PTCL | 12.1 | 6,290,701 | 5,510,435 |
| | | 10,426,312 | 11,925,657 |
| Gratuity funded - PTCL, PTML and U Bank | 12.1 | 218,783 | 338,356 |
| Accumulated compensated absences - PTCL | 12.1 | 1,513,696 | 1,503,324 |
| Post retirement medical facility - PTCL | 12.1 | 11,193,005 | 11,108,005 |
| Benevolent grants - PTCL | 12.1 | 3,771,323 | 3,719,452 |
| | | 27,123,119 | 28,594,794 |



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12.1 The latest actuarial valuations of the Group's defined benefit plans, were conducted at December 31, 2019 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 | | | |
| | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
| a) **The amounts recognized in the consolidated statement of financial position:** | | | | | | | | | | | | | | |
| Present value of defined benefit obligations | 119,000,260 | 115,539,324 | 6,290,701 | 5,510,435 | 2,355,944 | 2,144,171 | 1,513,696 | 1,503,324 | 11,193,005 | 11,108,005 | 3,771,323 | 3,719,452 | 144,124,929 | 139,524,711 |
| Fair value of plan assets - note 12.3 | (114,864,649) | (109,124,102) | - | - | (2,137,161) | (1,805,815) | - | - | - | - | - | - | (117,001,810) | (110,929,917) |
| Liability at end of the year - note 12.2 | 4,135,611 | 6,415,222 | 6,290,701 | 5,510,435 | 218,783 | 338,356 | 1,513,696 | 1,503,324 | 11,193,005 | 11,108,005 | 3,771,323 | 3,719,452 | 27,123,119 | 28,594,794 |
| b) **Changes in the present value of defined benefit obligations:** | | | | | | | | | | | | | | |
| Balance at beginning 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 |
| Current service cost | 751,696 | 790,444 | 293,660 | 261,546 | 296,816 | 261,857 | 76,126 | 80,234 | 78,335 | 75,639 | 39,242 | 39,150 | 1,535,875 | 1,508,870 |
| Interest expense | 11,134,053 | 10,785,606 | 549,293 | 459,459 | 193,153 | 167,539 | 132,977 | 131,467 | 1,070,149 | 1,060,317 | 359,300 | 347,789 | 13,438,925 | 12,952,177 |
| Actuarial gain on accumulated compensated absences | - | - | - | - | - | - | (147,114) | (138,274) | - | - | - | - | (147,114) | (138,274) |
| | 11,885,749 | 11,576,050 | 842,953 | 721,005 | 489,969 | 429,396 | 61,989 | 73,427 | 1,148,484 | 1,135,956 | 398,542 | 386,939 | 14,827,686 | 14,322,773 |
| Remeasurements: | | | | | | | | | | | | | | |
| (Gain) / loss due to experience adjustments | (27,222) | 278,405 | (27,680) | 211,394 | (110,043) | (9,061) | - | - | (250,451) | (295,049) | (93,773) | (23,497) | (509,169) | 162,192 |
| Benefits paid | (8,397,591) | (8,342,388) | (35,007) | (33,102) | (168,153) | (143,806) | (51,617) | (61,700) | (813,033) | (672,145) | (252,898) | (243,760) | (9,718,299) | (9,496,901) |
| Balance at end of the year | 119,000,260 | 115,539,324 | 6,290,701 | 5,510,435 | 2,355,944 | 2,144,171 | 1,513,696 | 1,503,324 | 11,193,005 | 11,108,005 | 3,771,323 | 3,719,452 | 144,124,929 | 139,524,711 |

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| | Pension | | | | Gratuity | | Accumulated compensated absences | | Post-retirement medical facility | | Benevolent grants | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Funded | | Unfunded | | Funded | | Unfunded | | Unfunded | | Unfunded | | | |
| | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
| c) Charge for the year | | | | | | | | | | | | | | |
| Profit or loss: | | | | | | | | | | | | | | |
| Current service cost | 751,696 | 790,444 | 293,660 | 261,546 | 296,816 | 261,857 | 76,126 | 80,234 | 78,335 | 75,639 | 39,242 | 39,150 | 1,535,875 | 1,508,870 |
| Net interest expense | 466,522 | 138,978 | 549,293 | 459,459 | 19,154 | 11,374 | 132,977 | 131,467 | 1,070,149 | 1,060,317 | 359,300 | 347,789 | 2,597,395 | 2,149,384 |
| Actuarial gain on accumulated compensated absences | - | - | - | - | - | - | (147,114) | (138,274) | - | - | - | - | (147,114) | (138,274) |
| Contribution from deputationists / employees | (6,116) | (3,341) | - | - | - | - | - | - | - | - | (18,698) | (18,955) | (24,814) | (22,296) |
| | 1,212,102 | 926,081 | 842,953 | 721,005 | 315,970 | 273,231 | 61,989 | 73,427 | 1,148,484 | 1,135,956 | 379,844 | 367,984 | 3,961,342 | 3,497,684 |
| Other comprehensive income | | | | | | | | | | | | | | |
| Remeasurements: | | | | | | | | | | | | | | |
| (Gain) / loss on remeasurement of assets | 29,393 | 5,207,395 | - | - | (88,428) | 79,647 | - | - | - | - | - | - | (59,035) | 5,287,042 |
| (Gain) / loss due to experience adjustments | (27,222) | 278,405 | (27,680) | 211,394 | (110,043) | (9,061) | - | - | (250,451) | (295,049) | (93,773) | (23,497) | (509,169) | 162,192 |
| | 2,171 | 5,485,800 | (27,680) | 211,394 | (198,471) | 70,586 | - | - | (250,451) | (295,049) | (93,773) | (23,497) | (568,204) | 5,449,234 |
| | 1,214,273 | 6,411,881 | 815,273 | 932,399 | 117,499 | 343,817 | 61,989 | 73,427 | 898,033 | 840,907 | 286,071 | 344,487 | 3,393,138 | 8,946,918 |
| 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 14% | 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% | 8% to 13% | 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% | 2.00% | | |
| Average duration of obligation | 21 years | 21 years | 30 years | 30 years | 6 - 21 years | 6 - 17.2 years | 6 to 7 years | 6 to 7 years | 23 years | 23 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 | | | |



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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.

12.3 Changes in the fair value of plan assets

| | Defined benefit pension plan - funded | | Defined benefit gratuity plan - funded | | Total plan assets | |
|---|---|---|---|---|---|---|
| | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
| Balance at beginning of the year | 109,124,102 | 109,247,687 | 1,805,815 | 1,698,684 | 110,929,917 | 110,946,371 |
| Expected return on plan assets | 10,667,531 | 10,646,628 | 173,999 | 156,165 | 10,841,530 | 10,802,793 |
| Total payments made to members on behalf of fund | - | - | 99,028 | 81,629 | 99,028 | 81,629 |
| (Loss) / gain on remeasurement of assets | (29,393) | (5,207,395) | 88,429 | (79,647) | 59,036 | (5,287,042) |
| Contributions made by the Group during the year | 3,500,000 | 2,779,570 | 138,043 | 92,790 | 3,638,043 | 2,872,360 |
| Benefits paid | (8,397,591) | (8,342,388) | (168,153) | (143,806) | (8,565,744) | (8,486,194) |
| Balance at end of the year | 114,864,649 | 109,124,102 | 2,137,161 | 1,805,815 | 117,001,810 | 110,929,917 |

12.4 Plan assets for funded defined benefit - pension plan comprise:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Rs '000 | Percentage | Rs '000 | Percentage |
| Debt instruments - unquoted | | | | |
| - Special saving accounts | 1,454,738 | 1.27 | 71,944,191 | 65.93 |
| - Defence saving certificates | 21,738,969 | 18.92 | 2,183,794 | 2.00 |
| - Regular income certificates | 56,508,685 | 49.19 | - | - |
| - Pakistan investment bonds | 3,051,718 | 2.66 | 3,048,762 | 2.79 |
| | 82,754,110 | 72.04 | 77,176,747 | 70.72 |
| Cash and cash equivalents | | | | |
| - Term deposits | 14,000,000 | 12.18 | 13,531,573 | 12.40 |
| - Equity securities | 994,291 | 0.87 | 1,237,541 | 1.13 |
| - Sukuks | 1,351,810 | 1.18 | 1,226,970 | 1.12 |
| - PIBs floating | 999,050 | 0.87 | 680,960 | 0.62 |
| - Term finance certificates | - | - | 81,000 | 0.07 |
| - Treasury bills | 606,392 | 0.53 | - | - |
| - Commercial papers | 116,094 | 0.10 | - | - |
| - Cash and bank balances | 1,740,572 | 1.52 | 4,356,373 | 3.99 |
| | 19,808,209 | 17.25 | 21,114,417 | 19.33 |
| Investment property | | | | |
| - Telecom tower | 7,291,287 | 6.34 | 7,291,027 | 6.68 |
| - Telehouse | 1,893,822 | 1.65 | 1,886,122 | 1.73 |
| | 9,185,109 | 7.99 | 9,177,149 | 8.41 |
| Fixed assets | 7,802 | 0.01 | 6,346 | 0.01 |
| Other assets | 4,340,180 | 3.78 | 3,022,750 | 2.77 |
| | 116,095,410 | 101.07 | 110,497,409 | 101.24 |
| Liabilities | | | | |
| - Staff retirement benefits | (62,867) | (0.05) | (53,660) | (0.05) |
| - Amount due to PTCL | (94) | - | (2,777) | - |
| - Accrued & other liabilities | (830,300) | (0.73) | (130,504) | (0.12) |
| - Provision for zakat | (337,500) | (0.29) | (1,186,366) | (1.07) |
| | (1,230,761) | (1.07) | (1,373,307) | (1.24) |
| | 114,864,649 | 100.00 | 109,124,102 | 100.00 |

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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12.5 Plan assets for funded defined benefit - gratuity plan comprise:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Rs '000 | Percentage | Rs '000 | Percentage |
| Units of mutual funds | 107,396 | 5.03 | 752,591 | 41.67 |
| Term deposit receipts | 1,231,026 | 57.60 | 967,114 | 53.56 |
| Fixed deposit receipts | 100,000 | 4.67 | - | - |
| Other assets | 4,407 | 0.21 | 1,686 | 0.09 |
| Bank balances | 694,332 | 32.49 | 84,424 | 4.68 |
| | 2,137,161 | 100.00 | 1,805,815 | 100.00 |

12.6 The expected contributions in the next financial year to be paid to the funded pension plan and funded gratuity plan by the Group are Rs 4,135,611 thousand and Rs 218,783 thousand respectively.

12.7 Sensitivity analysis

The calculations of the defined benefit obligations are sensitive to the significant actuarial assumptions set out in note 12.1 (d). The table below summarizes how the defined benefit obligations at the end of the reporting period would have increased / (decreased) as a result of change in the respective assumptions.

| | Impact on defined benefit obligation | |
|---|---|---|
| | 1% increase in assumption | 1% decrease in assumption |
| | Rs '000 | Rs '000 |
| Future salary / medical cost | | |
| Pension - funded | 1,453,742 | (1,338,674) |
| Pension - unfunded | 645,583 | (570,099) |
| Gratuity - funded | 223,505 | (196,604) |
| Accumulated compensated absences - unfunded | 147,641 | (130,846) |
| Post-retirement medical facility - unfunded | 1,373,852 | (1,136,852) |
| Discount rate | | |
| Pension - funded | (8,986,375) | 10,575,914 |
| Pension - unfunded | (926,890) | 1,169,029 |
| Gratuity - funded | (191,323) | 221,119 |
| Accumulated compensated absences - unfunded | (128,614) | 147,641 |
| Post-retirement medical facility - unfunded | (1,271,345) | 1,564,637 |
| Benevolent grants - unfunded | (25,482) | 31,202 |
| Future pension | | |
| Pension - funded | 9,034,711 | (7,760,639) |
| Pension - unfunded | 477,178 | (400,508) |
| Benevolent grants | | |
| Benevolent grants - unfunded | 33,646 | (35,842) |

| Expected mortality rates | Increase by 1 year | Decrease by 1 year |
|---|---|---|
| | Rs '000 | Rs '000 |
| Pension - funded | (2,732,337) | 2,715,879 |
| Pension - unfunded | (81,050) | 78,874 |
| Gratuity - funded | (20,440) | 19,888 |
| Accumulated compensated absences - unfunded | (19,505) | 18,978 |
| Post-retirement medical facility - unfunded | (311,084) | 312,273 |
| Benevolent grants - unfunded | (104,816) | 105,215 |



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

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

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **13. Deferred government grants** | | | |
| Balance at beginning of the year | | 18,720,796 | 15,619,006 |
| Received during the year | | 1,919,331 | 4,368,167 |
| | | 20,640,127 | 19,987,173 |
| Income recognized during the year | 39 | (1,457,269) | (1,266,377) |
| Balance at end of the year | | 19,182,858 | 18,720,796 |

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.

## 14. Long term vendor liability

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

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Obligation under acceptance of bills of exchange | 14.1 | 26,277,095 | 35,259,954 |
| Other accrued liabilities | | 11,954,652 | 5,224,615 |
| | | 38,231,747 | 40,484,569 |
| Current portion | | (12,522,539) | (13,532,709) |
| | | 25,709,208 | 26,951,860 |

14.1 These include liability of Rs 17,869,598 thousand (December 31, 2018: Rs 16,916,356 thousand) carrying interest in the range of 7.99% to 13.76% per annum (December 31, 2018: 6.43% to 9.34% per annum).

## 15. Trade and other payables

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Trade creditors | 15.1 | 12,670,240 | 14,975,397 |
| Accrued and other liabilities | 15.2 | 35,022,799 | 33,700,163 |
| Technical services assistance fee | | 21,297,281 | 16,763,367 |
| Advances from customers / contract liability | | 9,834,302 | 8,985,753 |
| Retention money / payable to contractors and suppliers | 15.3 | 6,761,684 | 6,000,635 |
| Income tax collected from subscribers / deducted at source | | 1,012,664 | 736,425 |
| Sales tax payable | | 1,203,214 | 345,385 |
| Payable to employees' provident fund | | 27,870 | 37,295 |
| | 15.4 | 87,830,054 | 81,544,420 |

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| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| 15.1 Trade creditors include payable to the following related parties: | | | |
| Etisalat - UAE | | 840,617 | 776,306 |
| Etisalat's subsidiaries and associates | | 178,626 | 108,459 |
| Emirates data clearing house | | 4,971 | 3,478 |
| Telecom Foundation | | 64,019 | 57,649 |
| TF Pipes Limited | | 4,630 | 4,271 |
| GoP related entities | | 1,301,247 | 1,208,447 |
| 15.2 Accrued and other liabilities comprise: | | | |
| Accrued liability for operational expenses | | 9,529,099 | 8,694,012 |
| Amount withheld on account of provincial levies (sub judice) for ICH operations | 15.2.1 | 12,110,803 | 12,110,803 |
| Accrual for Government / regulatory expenses | | 10,312,860 | 9,598,305 |
| Accrued wages | | 1,537,485 | 1,467,811 |
| Others | | 1,532,552 | 1,829,232 |
| | | 35,022,799 | 33,700,163 |

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

15.3 This includes payable to the following related party:

| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| TF Pipes Limited | 3,055 | 2,751 |

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

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **16. Short term running finance** | | | |
| PTML | 16.1 | 3,558,444 | 1,225,137 |
| U Bank | 16.2 | 500,000 | 500,000 |
| | | 4,058,444 | 1,725,137 |

16.1 Short term running finance facilities available under mark-up arrangements with banks amount to Rs 4,400,000 thousand (December 31, 2018: Rs 3,150,000 thousand), out of which the amount availed at the year end was Rs 3,397,000 (December 31, 2018: Rs nil). The excess of the closing book balance over the amount of facility availed represents book overdrawn as at the year end. 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.

16.2 This represents running finance facility through National Bank of Pakistan Limited of Rs 500,000 thousand carrying markup of 3-months KIBOR plus 0.75% per annum (December 31, 2018: 3-months KIBOR plus 0.75%). This is secured against first pari passu charge on all the current and future book debts, advances and receivables of U Bank.





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| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **17. Security deposits** | | | |
| Utilizable in business | 17.1 | 633,534 | 776,851 |
| Others | 17.2 | 725,955 | 694,261 |
| | | 1,359,489 | 1,471,112 |

17.1 These represent utilizable interest free security deposits received from distributors, franchisees and customers for services to be provided and are refundable / adjustable on termination of their relationship with the Group. The amount is being fully utilized for the purpose of the Group's business in accordance with the requirements of section 217 of the Companies Act, 2017.

17.2 These security deposits are received from customers for services to be provided and are refundable / adjustable on termination of their relationship with the Group. These are non-interest bearing. The Group has adjusted / paid an amount of Rs 96 thousand (December 31, 2018: Rs 108 thousand) to its customers during the year against their balances. Amount of these security deposits has been kept in a separate bank account.

## 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 November 2012 to December 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, taxes and other charges amounting to Rs 1,685,884 thousand against which the Holding Company has filed an appeal before the Customs Appellate Tribunal.

Income Tax

18.5 For the tax years 2007, 2009, 2010 and 2011 to 2018, 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

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the disallowances is Rs 19,282,749 thousand. Appeals on the remaining outstanding items are pending adjudication before ATIR. Reference in respect of 2007 is subjudice before Honorable Islamabad High Court. Stay has been obtained in all cases from different fora.

18.6 For the Tax Year 2020, Taxation officer objected to the quarterly advance tax calculation submitted by the Holding Company based on group taxation and raised demand amounting to Rs 2,855,907 thousand despite that the Holding company had filed option for group taxation within prescribed time. The Holding company obtained stay order from Honorable Islamabad High Court against any coercive measures. Later the Securities and Exchange Commission also issued Group Designation Letter for PTCL Group.

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 June 12, 2015 the Apex Court decided the case in the interest of pensioners. On July 13, 2015, Review Petition was filed in Supreme Court of Pakistan against the Judgment of June 12, 2015.

The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by the Holding Company, PTET and the Federal Government (collectively, the Review Petitioners) vide the order dated May 17, 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2) CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. However, PTET has implemented the Apex court decision dated 12 June 2015 to the extent of 343 pensioners who were the petitioners in the main case. Some of the interveners (pensioners) seeking the same relief as allowed vide order dated June 12, 2015 have been directed by the Apex Court to approach the appropriate forum on May 10, 2018. 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 1,362 cases (December 31, 2018: 1,677) against the Holding Company involving Regulatory, Telecom operators, Employees and Subscribers. Because of number of cases and their uncertain nature, it is not possible to quantify their financial impact. Management and legal advisors of the Holding Company are of the view that the outcome of these cases is expected to be favorable and liability, if any, arising out on the settlement is not likely to be material.

PTML

Indirect Taxes

18.10 The Federal Board of Revenue (FBR) has raised multiple Federal Excise Duty (FED) demands by assessing the PTML's payments of technical services fee to Etisalat as fee for "Franchise Services", for the periods from July 2006 till December 2015 and 2017. PTML is contesting such assessments and demands before the Commissioner Inland Revenue (Appeals) [CIR-A], Appellate Tribunal Inland Revenue (ATIR) and the Islamabad High Court (IHC). Management contends that payments of technical services fee are outside the ambit of the Federal Excise Act, 2005 and lack the "franchiser-franchisee" arrangement, essential for the payments to be considered franchise services fee. Against the demands created by FBR, PTML has paid Rs 501,541 thousand in prior years under protest, being carried as receivable from taxation authorities as reflected in these consolidated financial statements. Overall exposure on this issue is Rs 2,113,000 thousand (December 31, 2018: Rs 1,913,000 thousand).





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18.11 The tax authorities in April 2012 showed intent to charge FED on payment of interconnect charges by telecom operators. PTML and other 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 was 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 petitioned the IHC to seek the correct interpretation of the law on the matter. The IHC passed its judgment in favour of the petitioners in the main appeal and the ensuing intra-court appeal by FBR. FBR has now filed constitutional petition before the SC on the matter.

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 disallowing advance income tax paid by PTML on import of telecommunication equipment, on the premise that the same was final tax and could not be adjusted against normal tax liability. The earliest case was instituted in December 2011. PTML contends that these demands are not based on sound taxation principles: PTML's telecommunication services have been subject to normal tax since inception and the imported equipment is used in-house for provision of those services, not sold as commercial imports. On the PTML's tax references filed before the IHC against the unfavourable order of the ATIR, the IHC remanded the cases back to ATIR for fresh hearing. The tax authorities responded by filing constitutional petition before the Supreme Court (SC), on which the 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 assessments proceedings under section 122(5A) 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.

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.

18.15 Bank guarantees and bid bonds of Group issued in favour of:

| | | Note | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|---|---|
| | Universal Service Fund (USF) against government grants | | 11,046,095 | 11,510,895 |
| | Pakistan Telecommunication Authority against 3G and 2G Licenses | | 582,563 | 537,204 |
| | Others | | 2,957,130 | 2,742,050 |
| | | | 14,585,788 | 14,790,149 |
| 18.16 | Commitments | | | |
| 18.16.1 | Standby letter of guarantee | 18.16.2 | 9,600 | 7,425 |
| | Letter of credit for purchase of stock | | 156,539 | 60,922 |
| | Contracts for capital expenditure | | 14,974,269 | 10,129,879 |
| | | | 15,140,408 | 10,198,226 |

18.16.2 This represents letter of guarantee issued on behalf of U Bank to China Union Pay International Company Limited for interbank settlements.

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| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **19. Property, plant and equipment** | | | |
| Operating fixed assets | 19.1 | 168,066,793 | 156,293,468 |
| Capital work in progress | 19.6 | 21,942,560 | 21,185,660 |
| | | 190,009,353 | 177,479,128 |

19.1 Operating fixed assets

| | Land: Freehold - note 19.2 | Land: Leasehold | Buildings on: Freehold Land | Buildings on: Leasehold Land | Lines and wires | Apparatus, plant and equipment | Office equipment | Computer and electrical equipment | Furniture and fittings | Vehicles: Owned | Vehicles: Leased | Submarine cables | Leased Network and allied systems | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 |
| **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 | | | | | | | | | | | | | | |
| 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 |
| **Movement during 2019** | | | | | | | | | | | | | | |
| Additions | - | 10,563 | 205,115 | 140,306 | 7,688,096 | 28,708,238 | 199,216 | 1,764,336 | 361,163 | 211,837 | - | 171,912 | - | 39,460,782 |
| Disposals - note 19.3 | | | | | | | | | | | | | | |
| Cost | (2,250) | - | - | 141 | (3,478,703) | (1,924,255) | (2,282) | (643,859) | (10,711) | (89,998) | - | - | - | (6,151,917) |
| Accumulated depreciation | - | - | - | (124) | 3,475,874 | 1,721,789 | 2,273 | 628,110 | 10,711 | 86,109 | - | - | - | 5,924,742 |
| | (2,250) | - | - | 17 | (2,829) | (202,466) | (9) | (15,749) | - | (3,889) | - | - | - | (227,175) |
| Transfers during the year | | | | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | - | - | (26,363) | - | - | (26,363) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | 8,950 | - | - | 8,950 |
| | - | - | - | - | - | - | - | - | - | - | (17,413) | - | - | (17,413) |
| Depreciation charge for the year - note 19.4 | - | (3,714) | (323,346) | (137,654) | (3,522,010) | (20,538,642) | (186,609) | (1,220,920) | (74,326) | (293,051) | (7,923) | (1,134,674) | - | (27,442,869) |
| Net book value | 1,650,684 | 61,181 | 7,086,332 | 838,537 | 31,958,444 | 113,780,858 | 1,349,621 | 2,333,310 | 755,998 | 712,942 | - | 7,538,886 | - | 168,066,793 |
| **As at December 31, 2019** | | | | | | | | | | | | | | |
| Cost | 1,650,684 | 100,589 | 13,081,916 | 2,935,097 | 140,962,427 | 403,456,376 | 2,746,649 | 12,581,242 | 1,453,206 | 3,315,752 | - | 18,291,641 | 153,889 | 600,729,468 |
| Accumulated depreciation and impairment | - | (39,408) | (5,995,584) | (2,096,560) | (109,003,983) | (289,675,518) | (1,397,028) | (10,247,932) | (697,208) | (2,602,810) | - | (10,752,755) | (153,889) | (432,662,675) |
| Net book value | 1,650,684 | 61,181 | 7,086,332 | 838,537 | 31,958,444 | 113,780,858 | 1,349,621 | 2,333,310 | 755,998 | 712,942 | - | 7,538,886 | - | 168,066,793 |
| 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 paragraph VI.1 sub clause (ii) of the 4th Schedule to the Companies Act, 2017.Therefore , this information / record is available for inspection by the members at the registered office of the Holding Company, i.e. PTCL Headquarters , Sector G-8/4, Islamabad upon request.

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 | 21,108 | 9,674 | 11,434 | - | (11,434) | Written off | Damaged | |
| Motor Vehicle | 4,595 | 3,217 | 1,378 | 600 | (778) | Company Policy | Adnan Shahid | Company's employees |
| | 5,310 | 4,779 | 531 | 600 | 69 | Company Policy | Syed Mazhar Hussain | Company's employees |
| | 4,335 | 3,485 | 850 | - | (850) | Written off | Theft case | |
| | 14,240 | 11,481 | 2,759 | 1,200 | (1,559) | | | |
| Freehold land | 1,000 | - | 1,000 | 1,000 | - | Auction | M. Iqbal | Third party vendor |
| | 1,250 | - | 1,250 | 1,250 | - | Auction | Tariq Malik | Third party vendor |
| | 2,250 | - | 2,250 | 2,250 | - | | | |
| Computer and electrical equipment | 574,134 | 561,673 | 12,461 | 2,545 | (9,916) | Auction | Misc. buyers | Third party vendor |
| | 6,394 | 4,888 | 1,506 | 1,571 | 65 | Employee Sale | Misc. buyers | Company's employees |
| | 17,396 | 15,780 | 1,616 | 1,844 | 228 | Insurance | EFU General Insurance Co. | Third party vendor |
| | 597,924 | 582,341 | 15,583 | 5,960 | (9,623) | | | |
| Network and allied | 1,350,006 | 1,193,522 | 156,484 | 70,987 | (85,497) | Auction | Misc. buyers | Third party vendor |
| | 31,665 | 23,788 | 7,877 | 8,859 | 982 | Insurance | EFU General Insurance Co. | Third party vendor |
| | 122,155 | 95,950 | 26,205 | 15,039 | (11,166) | Insurance | EFU General Insurance Co. | Third party vendor |
| | 1,503,826 | 1,313,260 | 190,566 | 94,885 | (95,681) | | | |
| Aggregate of others having net book value not exceeding Rs 500,000 | 4,012,569 | 4,007,986 | 4,583 | 887,238 | 882,655 | Auction, Insurance and Employee Sale | Various buyers | |
| | 6,151,917 | 5,924,742 | 227,175 | 991,533 | 764,358 | | | |

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **19.4 The depreciation charge for the year has been allocated as follows:** | | | |
| Cost of services | 35 | 25,937,935 | 26,984,259 |
| Administrative and general expenses | 36 | 1,391,900 | 1,231,552 |
| Selling and marketing expenses | 37 | 113,034 | 105,757 |
| | | 27,442,869 | 28,321,568 |

19.5 In 2018, the carrying amounts of certain items of apparatus, plant and equipment and lines and wires were reduced to their recoverable amount through recognition of an impairment loss of Rs 739,646 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 equipments classified in apparatus, plant and equipment.

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **19.6 Capital work in progress** | | | |
| Buildings | | 881,797 | 719,882 |
| Lines and wires | | 7,147,047 | 5,338,033 |
| Apparatus, plant and equipment | | 10,561,519 | 9,634,287 |
| Others | | 3,352,197 | 5,493,458 |
| | 19.6.1 | 21,942,560 | 21,185,660 |

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| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| 19.6.1 Movement during the year | | |
| Balance at beginning of the year | 21,185,660 | 12,583,996 |
| Additions during the year | 39,886,146 | 36,843,096 |
| Transfers during the year to: | | |
| - Operating fixed assets | (38,704,972) | (27,813,894) |
| - Intangibles | (424,274) | (427,538) |
| Balance at end of the year | 21,942,560 | 21,185,660 |

This includes Rs 12,131,888 thousand (December 31, 2018: Rs 10,858,984 thousand) spent on transformation of network exchanges and Rs 2,998,379 thousand (December 31, 2018: Rs 2,098,869 thousand), in respect of direct overheads relating to development of assets.

## 20. Right of use (ROU) assets

Right of use assets have been measured at the amount equal to the lease liabilities, adjusted by the amount of prepaid lease payments relating to the leases recognized in the consolidated statement of financial position as at January 01, 2019.

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Present value of the future lease payments | | 19,193,624 | - |
| Prepayments reclassified as right of use assets | | 1,791,511 | - |
| ROU assets as at January 1, 2019 | | 20,985,135 | - |
| Movement during the year: | | | |
| Balance as at January 01, 2019 | | 20,985,135 | - |
| Additions | | 2,769,311 | - |
| Lease modifications during the year | | (69,653) | - |
| Depreciation for the year | 20.1 | (3,508,473) | - |
| Balance as at December 31, 2019 | | 20,176,320 | - |

20.1 Depreciation charge for the year is allocated as follows:

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Cost of services | 35 | 3,021,105 | - |
| Administrative and general expenses | 36 | 487,368 | - |
| | | 3,508,473 | - |

## 21. Intangible assets

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Goodwill on acquisition of U Bank | 21.1 | 78,790 | 78,790 |
| Goodwill on acquisition of DVCOM Data | 21.1 | 1,191,102 | 1,191,102 |
| Other intangible assets | 21.2 | 26,830,073 | 29,907,255 |
| | | 28,099,965 | 31,177,147 |

### 21.1 Goodwill

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

The key assumption used in the estimation of the recoverable amount is the discount rate which is assumed at 16%.

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





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

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

| | Note | Licenses and spectrum Rs '000 | Computer software Rs '000 | Total Rs '000 |
|---|---|---|---|---|
| 21.2 Other intangible assets | | | | |
| 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 the year 2018 | | | | |
| Opening net book value | | 31,712,380 | 1,182,035 | 32,894,415 |
| Additions | | - | 459,834 | 459,834 |
| Amortization charge for the year | | (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 | | 28,733,484 | 1,173,771 | 29,907,255 |
| Movement during the year 2019 | | | | |
| Opening net book value | | 28,733,484 | 1,173,771 | 29,907,255 |
| Additions | | - | 475,881 | 475,881 |
| Amortization charge for the year | 21.8 | (2,976,816) | (533,963) | (3,510,779) |
| Impairment | | - | (42,284) | (42,284) |
| Closing net book value | | 25,756,668 | 1,073,405 | 26,830,073 |
| As at December 31, 2019 | | | | |
| Cost | | 44,908,714 | 5,664,925 | 50,573,639 |
| Accumulated amortization | | (19,152,046) | (4,549,236) | (23,701,282) |
| Accumulated impairment | | - | (42,284) | (42,284) |
| Net book value | 21.3 | 25,756,668 | 1,073,405 | 26,830,073 |
| Amortization rate per annum (%) | | 4 - 10 | 6.67 - 33.33 | |

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| 21.3 Breakup of the net book value as at the year end is as follows: | | | |
| Licenses and spectrum - PTCL | | | |
| WLL spectrum | 21.4 | 850,214 | 1,029,213 |
| Telecom | 21.4 | 9,972 | 19,945 |
| WLL and LDI License | 21.5 | 111,628 | 125,023 |
| IPTV | 21.6 | 25,283 | 28,983 |
| 2G & 3G Licenses - PTML | 21.7 | 24,023,590 | 26,641,668 |
| WLL licenses- DVCOM Data | | 735,980 | 888,252 |
| Licenses - U Bank | | - | 400 |
| | | 25,756,667 | 28,733,484 |
| Computer software | | 1,073,406 | 1,173,771 |
| | | 26,830,073 | 29,907,255 |

21.4 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.

21.5 PTA has issued a license under section 5 of the Azad Jammu and Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 1996, the Northern Areas Telecommunication (Re-organization) Act, 2005 and the Northern Areas Telecommunication (Re-organization) (Adaptation and Enforcement) Order 2006, to the Holding Company to establish, maintain and operate a telecommunication system in Azad Jammu and Kashmir (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.

21.6 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.

21.7 (i) PTML acquired a license for 3G cellular operations throughout Pakistan excluding AJK 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 acquisition.

(ii) PTML's license for 2G cellular operations throughout Pakistan excluding AJK 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 acquisition.

(iii) PTML acquired a license for 2G cellular operations in AJK and GB in June 2006 at a fee of USD 10,000 thousand. The term of the license is 15 years from the date of its acquisition.

| | Note | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|---|
| 21.8 The amortization and impairment charge for the year has been allocated as follows: | | | |
| Cost of services | 35 | 3,222,151 | 3,185,187 |
| Administrative and general expenses | 36 | 330,912 | 261,807 |
| | | 3,553,063 | 3,446,994 |
| **22. Long term investments** | | | |
| Investment in associate | 22.1 | - | |
| - | | | |
| Other investments | 22.2 | 51,427 | 83,900 |
| | | 51,427 | 83,900 |

22.1 Investment in associate - unquoted

As on December 31, 2019 the Group holds 1,658,520 (December 31, 2018: 1,658,520) ordinary shares in TF Pipes Limited with its registered office situated in Islamabad, Pakistan. The Group's share holding in TF Pipes Limited constitutes 40% (December 31, 2018: 40%) total ordinary shares of TF Pipes Limited. TF Pipes Limited is treated as an associate due to the Group's significant influence over it on account of holding 40% voting rights.



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| | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|
| Reconciliation of carrying amount : | | |
| Balance at the beginning of the year | - | 9,700 |
| Impairment of Investment | - | (9,700) |
| Group's share of post acquisition loss for the year | - | - |
| Balance at the end of the year | - | - |

The following table summarizes the financial information and performance of TF Pipes Limited as included in its audited financial statements for the year ended June 30, 2018. Audit of TF Pipes Limited for the year ended June 30, 2019 is still outstanding.

| | 2018<br>Rs '000 | 2017<br>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 | - | - |
| 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 |

| | Note | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|---|
| 22.2 Other investments | | | |
| Fair value through other comprehensive income - unquoted | | | |
| Thuraya Satellite Telecommunication Company - Dubai, UAE | | | |
| 3,670,000 (December 31, 2018: 3,670,000) | | | |
| ordinary shares of AED 1 each | | 63,900 | 63,900 |
| Less: accumulated impairment loss on investment | | (32,473) | - |
| | | 31,427 | 63,900 |
| Alcatel - Lucent Pakistan Limited - Islamabad, Pakistan | | | |
| 2,000,000 (December 31, 2018: 2,000,000) | | | |
| ordinary shares of Rs 10 each | | 20,000 | 20,000 |
| | | 51,427 | 83,900 |
| **23. Long-term loans and advances - considered good** | | | |
| Loans to employees - secured | | | |
| PTCL | 23.1 | 1,291,664 | 985,444 |
| PTML | 23.2 | 19,717 | 36,131 |
| | 23.3 | 1,311,381 | 1,021,575 |
| Imputed interest | | (228,766) | (206,996) |
| | | 1,082,615 | 814,579 |
| Others | | 58,618 | 74,333 |
| | | 1,141,233 | 888,912 |
| Current portion shown under current assets | | | |
| Loans to employees - secured | 28 | (250,633) | (182,522) |
| | | 890,600 | 706,390 |

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23.1 These loans and advances are for house building and purchase of vehicles and motor cycles. These loans are recoverable in equal monthly installments spread over a period of 5 to 10 years and are secured against retirement benefits of the employees.

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

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

| | As at January 1, 2019 | Disbursements | Repayments | As at December 31, 2019 |
|---|---|---|---|---|
| | Rs '000 | Rs '000 | Rs '000 | Rs '000 |
| Executives* | 129,554 | 124,097 | (57,712) | 195,939 |
| Other employees | 892,021 | 455,845 | (232,424) | 1,115,442 |
| | 1,021,575 | 579,942 | (290,136) | 1,311,381 |

| | As at January 1, 2018 | Disbursements | Repayments | As at December 31, 2018 |
|---|---|---|---|---|
| | 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 |

Loans to employees include loans given to key management personnel of Rs 80,985 thousand (December 31, 2018: Rs 35,863 thousand). The maximum aggregate amount of loans to key management personnel outstanding at any time during the year was Rs 94,790 thousand (December 31, 2018: Rs 53,689 thousand).

* Executives as defined in the Fourth Schedule of the Companies Act, 2017.

List of key management personnel having outstanding balances of loans up till December 31, 2019 are as under:

| No. | Names of Employees | No. | Names of Employees |
|---|---|---|---|
| 1 | Mr. Muhammad Shehzad Yousuf | 15 | Mr. Abdul Zahir Achakzai |
| 2 | Mr. Muhammad Umar Ilyas | 16 | Mr. Aamer Ejaz |
| 3 | Mr. Syed Muhammad Imran Ali | 17 | Mr. Mubashir Naseer Ch. |
| 4 | Ms. Zahida Awan | 18 | Mr. Syed Shahzad Shah |
| 5 | Mr. Muhammad Amer Shafique | 19 | Mr. Mudassar Hafeez Dar |
| 6 | Mr. Muhammad Javed Aslam | 20 | Mr. Rehan Ahmed Qureshi |
| 7 | Mr. Mohammad Nadeem Khan | 21 | Mr. Asad Amjad Butt |
| 8 | Mr. Moqeem Ul Haque | 22 | Mr. Sohail Akbar |
| 9 | Mr. Muhammad Basharat Qureshi | 23 | Mr. Khurram Shiraz |
| 10 | Mr. Syed Mazhar Hussain | 24 | Mr. Syed Muhammad Irfan |
| 11 | Mr. Zain Ul Abideen | 25 | Mr. Atif Ishaque |
| 12 | Mr. Wajeeh Anwer | 26 | Mr. Shahbaz khan |
| 13 | Mr. Imran Sardar | 27 | Mr. Qanit Khalil Ullah |
| 14 | Mr. Mateen Malik | 28 | Mr. Shehryar Azam |

### 24. Contract costs

Contract costs, the incremental costs for obtaining new subscribers, are recoverable and are, therefore, capitalized. These costs are amortized over the expected average customer life. There was no impairment loss on contract costs capitalized.

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| Cost to obtain a contract | | 1,313,858 | 1,042,252 |
| Cost to fulfill a contract | | 1,835,531 | 1,261,397 |
| | | 3,149,389 | 2,303,649 |
| Current maturity of contract costs | | (2,511,646) | (1,842,504) |
| | | 637,743 | 461,145 |
| Movement during the year | | | |
| Balance at the beginning of the year | | 2,303,649 | 1,546,113 |
| Capitalization during the year | | 4,647,275 | 3,461,489 |
| | | 6,950,924 | 5,007,602 |
| Amortization during the year | 35 | (3,801,535) | (2,703,953) |
| Balance at end of the year | | 3,149,389 | 2,303,649 |





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| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **25. Stock in trade, stores and spares** | | | |
| Stores and spares | 25.1 | 5,335,121 | 6,067,575 |
| Stock in trade | 25.2 | 307,392 | 214,045 |
| | | 5,642,513 | 6,281,620 |
| **25.1 Stores and spares** | | 6,590,871 | 7,342,604 |
| Provision for obsolescence | 25.1.1 | (1,255,750) | (1,275,029) |
| | | 5,335,121 | 6,067,575 |
| **25.1.1 Provision for obsolescence** | | | |
| Balance at beginning of the year | | 1,275,029 | 1,265,754 |
| Provision during the year | 35.3 | 14,292 | 9,275 |
| | | 1,289,321 | 1,275,029 |
| Provision written-off during the year | | (33,571) | - |
| Balance at end of the year | | 1,255,750 | 1,275,029 |
| **25.2 Stock in trade** | | | |
| SIM cards | | 166,990 | 110,786 |
| Mobile phones and accessories | | 93,105 | 90,460 |
| Scratch cards | | 76,834 | 48,955 |
| ATM cards | | 8,472 | 7,569 |
| | | 345,401 | 257,770 |
| Provision for slow moving stock against mobile phones and accessories | 25.2.1 | (38,009) | (43,725) |
| | | 307,392 | 214,045 |
| **25.2.1 Provision for slow moving stock against mobile phones and accessories** | | | |
| Balance at beginning of the year | | 43,725 | 46,952 |
| Reversal during the year | | (5,716) | (3,227) |
| Balance at end of the year | | 38,009 | 43,725 |
| **26. Trade debts and contract assets** | | | |
| Trade debts | | | |
| - Secured | 26.1 | 481,386 | 615,064 |
| - Unsecured | | 15,817,988 | 13,319,535 |
| Contract assets | | 5,401,830 | 5,448,677 |
| | | 21,701,204 | 19,383,276 |
| Domestic | | | |
| Considered good | 26.2 | 13,633,285 | 14,679,566 |
| Considered doubtful | | 8,085,792 | 7,578,055 |
| | | 21,719,077 | 22,257,621 |
| International | | | |
| Considered good | 26.2 | 8,067,919 | 4,703,711 |
| Considered doubtful | | 57,475 | 57,475 |
| | | 8,125,394 | 4,761,186 |
| Accumulated impairment loss on trade debts and contract assets | 26.3 | (8,143,267) | (7,635,531) |
| | 26.4 | 21,701,204 | 19,383,276 |

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26.1 These are secured against customer and dealer deposits aggregating to Rs 631,914 thousand (December 31, 2018: Rs 767,558 thousand). The normal credit period of debtors is not more than one month.

26.2 These include amounts due from the following related parties:

| | Maximum aggregate amount Rs '000 | Up to 6 months Rs '000 | More than 6 months Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|---|
| Etisalat - UAE | 6,345,606 | 1,720,504 | 4,625,102 | 6,345,606 | 3,004,763 |
| Etisalat - Afghanistan | 294,934 | 94,976 | 199,958 | 294,934 | 63,262 |
| Etihad Etisalat Company | 30,837 | 30,837 | - | 30,837 | 14,316 |
| Etisalat's subsidiaries and associates | 5,233 | 5,233 | - | 5,233 | 1,003 |
| GoP related entities | 1,701,958 | 1,572,972 | - | 1,572,972 | 1,392,971 |
| | 8,378,568 | 3,424,522 | 4,825,060 | 8,249,582 | 4,476,315 |

| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| **26.3 Accumulated impairment loss on trade debts and contract assets** | | |
| Balance at beginning of the year | 7,635,531 | 8,486,594 |
| Impairment loss for the year | 2,418,352 | 1,996,706 |
| Recovery of DSCs | 129,455 | 160,982 |
| | 2,547,807 | 2,157,688 |
| | 10,183,338 | 10,644,282 |
| Write off against provision | (2,040,071) | (3,008,751) |
| Balance at end of the year | 8,143,267 | 7,635,531 |

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

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **27. Loans to banking customers** | | | |
| Loans to banking customers | | 21,882,307 | 17,225,244 |
| Accumulated impairment loss on non-performing loans to banking customers | 27.1 | (508,228) | (205,406) |
| | | 21,374,079 | 17,019,838 |
| Long term portion shown under non-current assets | | (474,351) | (457,920) |
| | | 20,899,728 | 16,561,918 |
| **27.1 Accumulated impairment loss on non-performing loans to banking customers** | | | |
| Balance at the beginning of the year | | 205,406 | 94,355 |
| Impairment loss for the year | 38 | 838,456 | 259,714 |
| Loans written-off during the year | | (535,634) | (148,663) |
| | | 508,228 | 205,406 |
| **28. Loans and advances** | | | |
| Loans | | | |
| Current portion of long term loans to employees - secured | 23 | 250,633 | 182,522 |
| Advances - considered good | | | |
| Advances to employees | 28.1 | 68,151 | 35,354 |
| Advances to suppliers and contractors | 28.2 | 733,740 | 1,625,842 |
| Others | | 10,719 | 21,048 |
| | | 812,610 | 1,682,244 |
| | | 1,063,243 | 1,864,766 |



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28.1 These include advances to executives and key management personnel amounting to Rs 4,661 thousand (December 31, 2018: Rs 1,869 thousand) and Rs 783 thousand (December 31, 2018: Rs 307 thousand) respectively.

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| 28.2 These include amounts due from the following related parties: | | | |
| TF Pipes Limited | | 26,774 | 27,095 |
| Pakistan MNP Database (Guarantee) Limited | | 18,050 | 15,650 |
| **29. Income tax recoverable** | | | |
| Balance at beginning of the year | | 23,767,451 | 19,828,319 |
| Current tax charge for the year - P&L | 41 | (3,119,426) | (2,892,071) |
| Tax credit / (charge) on re-measurement losses - OCI | | (165,770) | 1,573,712 |
| | | (3,285,196) | (1,318,359) |
| Tax paid during the year | | 4,095,025 | 5,257,491 |
| Balance at end of the year | | 24,577,280 | 23,767,451 |

## 30. Receivable from the Government of Pakistan (GoP)

This represents the balance amount receivable from the Government of Pakistan, on account of its agreed share in the Voluntary Separation Scheme, offered to the Holding Company's employees during the year ended June 30, 2008.

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **31. Deposits, prepayments and other receivables** | | | |
| Deposits | | 239,631 | 202,395 |
| Prepayments | | | |
| - Pakistan Telecommunication Authority - a related party | | 54,199 | 43,130 |
| - Prepaid rent and others | 31.1 | 772,992 | 2,493,868 |
| | | 827,191 | 2,536,998 |
| Other receivables | | | |
| Due from related parties | 31.2 | 183,877 | 302,417 |
| Accrued interest receivable | 31.3 | 3,016,890 | 1,826,626 |
| Federal Excise Duty (FED) | 31.4 | 3,479,135 | 3,868,300 |
| Forward exchange contracts | | - | 345,772 |
| Others - net of provision | 31.5 | 2,924,494 | 2,642,257 |
| | | 10,671,218 | 11,724,765 |

31.1 This includes prepaid rent of Rs Nil (December 31, 2018: Rs. 89,836 thousand) paid to Pakistan Telecommunication Employees Trust, a related party of the Group.

| | | Maximum aggregate amount Rs '000 | Up to 6 months Rs '000 | More than 6 months Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|---|---|
| 31.2 | Etisalat - UAE | 71,305 | - | 71,305 | 71,305 | 71,305 |
| | Pakistan Telecommunication Employees Trust | 11,175 | 94 | - | 94 | 2,777 |
| | PTCL employees GPF Trust | 138,465 | 107,454 | - | 107,454 | - |
| | USF Grants | 235,748 | - | 5,024 | 5,024 | 228,335 |
| | | 456,693 | 107,548 | 76,329 | 183,877 | 302,417 |

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

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| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 31.4 | Federal Excise Duty | 31.4.1 | 3,945,311 | 4,334,476 |
| | Provision for doubtful amount | | (466,176) | (466,176) |
| | | | 3,479,135 | 3,868,300 |

31.4.1 This includes payments under protest on account of FED on interconnect charges. Since, the Honorable Islamabad High Court has decided the case in favor of the Holding Company, tax department has filed reference in the Honorable Supreme Court.

31.5 (i) This includes receivable from executives and key management personnel amounting to Rs 4,786 thousand (December 31, 2018: Rs 3,206 thousand) and Rs 834 thousand (December 31, 2018: Rs 162 thousand) respectively.

(ii) This includes amount receivable from SBP in respect of insurance premium paid by U Bank for livestock and crop loans under AC&MFD circular no. 01 of 2013 dated 1 November 2013.

(iii) This includes federal excise duty on technical service fee of Rs 501,541 thousand (December 31, 2018: Rs. 501,541 thousand) paid by PTML to the taxation authority under protest.

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 32. | **Short term investments** | | | |
| | Amortized cost | | | |
| | Market treasury bills | | - | 980,221 |
| | Term deposit receipts | 32.1 | 2,100,000 | 9,900,000 |
| | Fair value through Profit or Loss | | | |
| | Money market funds | 32.2 | - | 400,043 |
| | Units of mutual fund | | 6,906 | 3,950,149 |
| | | | 6,906 | 4,350,192 |
| | Fair value through Other Comprehensive Income | | | |
| | Market treasury bills | 32.3 | 6,969,539 | 1,967,824 |
| | | | 9,076,445 | 17,198,237 |

32.1 Term deposit receipts carry interest at the rate of 14.5% (December 31, 2018: 10.75% to 13%) per annum.

32.2 This represents investment in nil units (December 31, 2018: 39,146 thousand units) of ABL cash fund. Net asset value of these units as at December 31, 2019 was nil (December 31, 2018: Rs 10.218 per unit).

32.3 This represents market treasury bills having yield of 13.10% to 13.42% (December 31, 2018: 10.28%) maturing in November 2020. Treasury bills are marketable instruments and are readily convertible to known amount of cash and are subject to an insignificant risk of change in value.

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 33. | **Cash and bank balances** | | | |
| | Cash in hand | | 745,393 | 892,602 |
| | Balances with banks: | | | |
| | Local currency | | | |
| | Current account maintained with SBP | 33.1 | 1,097,602 | 904,261 |
| | Current accounts | 33.2 | 1,114,250 | 1,280,209 |
| | Saving accounts | 33.3 | 3,139,180 | 2,548,828 |
| | | | 5,351,032 | 4,733,298 |
| | Foreign currency | | | |
| | Current accounts (USD 4,490 thousand: December 31, 2018: USD 16,746 thousand) | | 708,816 | 2,318,748 |
| | Saving accounts (USD 1,914 thousand: December 31, 2018: USD 3,254 thousand, Euro 400 thousand: December 31, 2018: Euro 289 thousand) | | 365,669 | 498,706 |
| | | | 1,074,485 | 2,817,454 |
| | | 33.4 | 7,170,910 | 8,443,354 |



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33.1 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% (2018: 5%) of U Bank's time and demand deposits with tenure of less than 1 year. This also includes Rs 59,667 thousand (December 31, 2018: Rs 44,729 thousand) maintained with SBP under Depositors' Protection Fund.

33.2 This includes Rs 9,600 thousand (December 31, 2018: Rs 7,425 thousand) placed under lien with a bank in respect of standby letter of guarantee issued to China Union Pay International.

33.3 These carry mark-up ranging between 3.6% to 14.9% per annum (December 31, 2018: 3% to 12.15%).

33.4 Bank balance includes Rs 147,092 thousand (December 31, 2018: Rs 15,343 thousand) carrying profit at the rate of 7% per annum (December 31, 2018: 2.4% to 4%) from Shariah arrangements.

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 34. | **Revenue** | | | |
| | Broadband & IPTV | | 28,039,514 | 26,774,445 |
| | Cellular and other wireless services | | 54,695,905 | 55,560,763 |
| | Fixed line voice services | | 11,347,008 | 13,045,010 |
| | Revenue from retail customers | | 94,082,427 | 95,380,218 |
| | Corporate and wholesale | | 20,736,577 | 17,850,691 |
| | International | | 7,950,901 | 9,049,164 |
| | Banking | | 6,772,616 | 4,582,291 |
| | Total Revenue | 34.1 | 129,542,521 | 126,862,364 |

34.1 Revenue is net of trade discount amounting to Rs 2,069,066 thousand (December 31, 2018: Rs. 2,035,840 thousand) and Federal Excise Duty / Sales tax amounting to Rs 16,612,366 thousand (December 31, 2018: Rs 12,896,614 thousand).

| | | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|---|
| 35. | **Cost of services** | | | |
| | Staff cost | 35.1 | 12,764,773 | 11,899,824 |
| | Outsourced staff cost | | 1,218,098 | 1,045,957 |
| | Security cost | | 1,371,409 | 1,367,842 |
| | Interconnect cost | | 6,597,266 | 7,660,671 |
| | Foreign operators cost and satellite charges | | 7,404,796 | 8,030,130 |
| | Fuel and power cost | | 11,890,052 | 10,003,634 |
| | Cost of devices sold | | 1,096,059 | 1,573,933 |
| | Amortization of contract costs | 24 | 3,801,535 | 2,703,953 |
| | Rent, rates and taxes | | 17,080 | 3,196,289 |
| | Repairs & maintenance and IT cost | | 9,973,721 | 8,942,502 |
| | Depreciation on property, plant and equipment | 19.4 | 25,937,935 | 26,984,259 |
| | Depreciation on ROU assets | 20 | 3,021,105 | - |
| | Amortization and impairment of intangible assets | 21.8 | 3,222,151 | 3,185,187 |
| | Impairment on property, plant and equipment | 19.5 | - | 739,646 |
| | Annual license fee and regulatory charges | 35.2 | 2,853,437 | 2,796,605 |
| | Markup / interest expense - U Bank | | 2,522,009 | 1,202,004 |
| | Others | 35.3 | 1,969,756 | 1,582,400 |
| | | | 95,661,182 | 92,914,836 |

35.1 This includes Rs 2,998,831 thousand (December 31, 2018: Rs 2,891,918 thousand) in respect of employees retirement benefits.

35.2 This represents the Group's contribution to the National Information Communication Technology Research and Development Fund (National ICT R&D Fund), Universal Service Fund (USF), annual license fee and other regulatory charges, in accordance with the terms and conditions of its license to provide telecommunication services.

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35.3 This includes provision for obsolete stores of Rs 14,292 thousand (December 31, 2018: Rs 9,275 thousand).

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **36. Administrative and general expenses** | | | |
| Staff cost | 36.1 | 5,056,409 | 4,415,738 |
| Outsourced staff cost | | 1,293,364 | 1,246,232 |
| Technical services assistance fee | 36.2 | 4,533,988 | 4,415,614 |
| Fuel and power cost | | 463,498 | 345,064 |
| Rent, rates and taxes | | 420,529 | 755,070 |
| Repairs & maintenance | | 917,104 | 785,615 |
| Travelling and conveyance | | 479,904 | 428,024 |
| Legal and professional charges | 36.3 | 736,597 | 537,181 |
| Billing expenses | | 369,855 | 466,761 |
| Depreciation on property, plant and equipment | 19.4 | 1,391,900 | 1,231,552 |
| Depreciation on ROU assets | 20.1 | 487,368 | - |
| Amortization of intangible assets | 21.8 | 330,912 | 261,807 |
| Other expenses | 36.4 | 545,983 | 523,443 |
| | | 17,027,411 | 15,412,101 |

36.1 This includes Rs 640,650 thousand (December 31, 2018: Rs 414,159 thousand) in respect of employees retirement benefits.

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

| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| 36.3 This includes auditors' remuneration as follows: | | |
| Statutory audit, including half yearly review | 9,848 | 9,800 |
| Out of pocket expenses | 870 | 870 |
| Other services | 3,898 | 5,206 |
| | 14,616 | 15,876 |
| 36.4 (i) Other expenses include following donations in excess of Rs 1,000 thousand: | | |
| Name of Donees | | |
| Indus Resource Centre | 4,505 | - |
| Pakistan Red Crescent society | 4,200 | - |
| World Wildlife Fund | 500 | 2,950 |
| | 9,205 | 2,950 |

(ii) Other expenses include impairment of investment in TF Pipes Limited amounting to Rs nil (December 31, 2018: Rs 9,700 thousand).

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **37. Selling and marketing expenses** | | | |
| Staff cost | 37.1 | 2,494,261 | 2,303,544 |
| Outsourced staff cost | | 374,744 | 321,305 |
| Sales and distribution charges | | 679,592 | 677,356 |
| Advertisement and publicity | | 3,133,452 | 3,356,000 |
| Depreciation on property, plant and equipment | 19.4 | 113,034 | 105,757 |
| Others | | 151,598 | 55,458 |
| | | 6,946,681 | 6,819,420 |

37.1 This includes Rs 460,674 thousand (December 31, 2018: Rs 333,234 thousand) in respect of employees retirement benefits.



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| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **38. Impairment loss on trade debts and contract assets** | | | |
| Impairment loss on: | | | |
| Trade debts and contract assets | | 2,387,017 | 1,996,706 |
| Loans to banking customers | 27.1 | 838,456 | 259,714 |
| | | 3,225,473 | 2,256,420 |
| **39. Other income** | | | |
| Income from financial assets: | | | |
| Return on bank deposits | 39.1 | 1,552,525 | 1,043,292 |
| Interest on investment in Government securities | | 301,360 | 93,753 |
| Late payment surcharge from subscribers on overdue bills | | 283,288 | 280,251 |
| Gain on fair value remeasurement of forward exchange contracts | | - | 189,981 |
| Gain on mutual funds (FVTPL) | | 93,337 | 238,552 |
| Gain on disposal of investments | | 23,164 | 8,328 |
| Others | | 44,779 | 18,967 |
| | | 2,298,453 | 1,873,124 |
| Income from non-financial assets: | | | |
| Gain on disposal of property, plant and equipment | | 764,358 | 103,164 |
| Write-back of liabilities | | 272,465 | 1,580,167 |
| Government grants recognized | 39.2 | 1,447,720 | 1,236,141 |
| Pre-deposit works income | | 195,638 | 272,612 |
| Rental income | | 638,948 | 81,055 |
| Others | | 539,292 | 575,259 |
| | | 3,858,421 | 3,848,398 |
| | | 6,156,874 | 5,721,522 |

39.1 Return on bank deposits includes Rs 1,327 thousand (December 31, 2018: Rs 227 thousand) earned from Shariah arrangements.

39.2 This amount is net of operating expenditure subsidy of Rs 9,549 thousand (December 31, 2018: Rs 30,236 thousand).

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **40. Finance costs** | | | |
| Interest on: | | | |
| Long term loans from banks | | 3,716,028 | 2,404,494 |
| Long term vendor liability | | 1,977,714 | 998,249 |
| Lease liabilities | | 1,982,152 | - |
| License fee | 40.1 | - | 475,000 |
| Employee loans - imputed interest | | 22,777 | 46,929 |
| Exchange loss | | 1,008,868 | 3,983,805 |
| Bank and other charges | | 495,169 | 323,147 |
| | | 9,202,708 | 8,231,624 |

40.1 This represents Group's share of late payment fee on DVCOM Data's WLL license.

| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| **41. Provision for income tax** | | | |
| Charge / (credit) for the year | | | |
| Current | 29 | 3,119,426 | 2,892,071 |
| Deferred | 11 | (1,860,586) | (1,652,590) |
| | | 1,258,840 | 1,239,481 |

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41.1 Reconciliation of effective tax rate:

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

| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| Profit before tax | 3,635,940 | 6,949,485 |
| | Percentage | Percentage |
| Applicable tax rate | 29.00 | 29.00 |
| Reversal of turnover tax of prior period | - | (11.43) |
| Impact of change in tax rate | - | (5.12) |
| Income chargeable tax at lower rate | (1.27) | 0.33 |
| Tax effect of amounts that are not deductible for tax purposes | 8.37 | 5.06 |
| Other | (1.48) | - |
| | 5.62 | (11.16) |
| Average effective tax rate charged to the consolidated statement of profit or loss | 34.62 | 17.84 |

### 42. Non-funded financing facilities

The Holding Company has non-funded financing facilities available with banks, which include facilities to avail letters of credit and letters of guarantee. The aggregate facilities of Rs 20,800,000 thousand (December 31, 2018: Rs 19,800,000 thousand) and Rs 15,800,000 thousand (December 31, 2018: Rs 17,800,000 thousand) are available for letters of credit and letters of guarantee respectively, out of which the facilities availed at the year end are Rs 3,749,818 thousand (December 31, 2018: Rs 4,162,650 thousand) and Rs 6,604,514 thousand (December 31, 2018: Rs 9,210,000 thousand) respectively. The letter of guarantee facility is secured by a hypothecation charge over certain assets of the Holding Company, amounting to Rs 34,717,667 thousand (December 31, 2018: Rs 29,968,000 thousand).





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| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| **43. Cash generated from operations** | | |
| Profit before tax | 3,635,940 | 6,949,485 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation and impairment of property, plant and equipment | 27,442,869 | 29,061,214 |
| Depreciation of right of use assets | 3,508,473 | - |
| Amortization and impairment of intangible assets | 3,553,063 | 3,446,994 |
| Amortization of contract costs | 3,801,535 | 2,703,953 |
| Provision for obsolete stores and spares | 14,292 | 9,275 |
| Impairment loss on trade debts and contract assets | 2,387,017 | 1,996,706 |
| Reversal of provision for slow moving stock against mobile phones | (5,716) | (3,227) |
| Impairment in investment | - | 9,700 |
| Impairment loss on non performing loans to banking customers | 838,456 | 259,714 |
| Employees retirement benefits | 3,961,342 | 3,489,849 |
| Gain on disposal of property, plant and equipment | (764,358) | (103,164) |
| Return on bank deposits and Government securities | (1,853,885) | (1,137,045) |
| Gain on disposal of investments measured at fair value through profit or loss (FVTPL) | (116,501) | (316,540) |
| Government grants recognized as income | (1,457,269) | (1,266,377) |
| Finance cost | 6,188,911 | 4,054,303 |
| Imputed interest on loans and advances | 22,777 | 46,929 |
| Imputed interest on lease liabilities | 1,982,152 | (4,088) |
| | 53,139,098 | 49,197,681 |
| Effect on cash flow due to working capital changes: | | |
| (Increase) / decrease in current assets: | | |
| Stock in trade, stores and spares | 630,531 | (2,460,497) |
| Trade debts and contract assets | (4,704,945) | (4,094,994) |
| Loans to banking customers | (5,192,697) | (6,465,480) |
| Loans and advances | 801,523 | (475,781) |
| Deposits, prepayments and other receivables | 452,300 | (1,500,381) |
| | (8,013,288) | (14,997,133) |
| Increase / (decrease) in current liabilities: | | |
| Trade and other payables | 6,285,634 | 6,858,383 |
| Security deposits | (111,623) | 25,850 |
| | 6,174,011 | 6,884,233 |
| | 51,299,821 | 41,084,781 |

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

| | Liabilities | | | | | | | Equity | |
|---|---|---|---|---|---|---|---|---|---|
| | Sub-ordinated loan | Loans from banks | Vendor liability | Lease liabilities | 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 December 31, 2018 | 599,640 | 31,084,999 | 40,484,569 | 18,845 | 20,534,610 | 264,836 | 1,226,312 | 32,017,913 | 126,231,724 |
| Changes from financing cashflows | | | | | | | | | |
| Draw-downs / additions | - | 7,300,000 | 11,558,995 | - | 2,190,215 | - | - | - | 21,049,210 |
| Repayments | (240) | (7,368,333) | (13,811,817) | (4,123,823) | - | (2,603,247) | (5,832,563) | - | (33,740,023) |
| | (240) | (68,333) | (2,252,822) | (4,123,823) | 2,190,215 | (2,603,247) | (5,832,563) | | (12,690,813) |
| Other changes | | | | | | | | | |
| Interest cost on lease liabilities | - | - | - | 1,982,152 | - | - | - | - | 1,982,152 |
| Depreciation of ROU assets | - | - | - | 3,508,473 | - | - | - | - | 3,508,473 |
| Liability related changes | - | - | - | 18,367,396 | - | 2,550,000 | 6,264,866 | - | 27,182,262 |
| | - | - | - | 23,858,021 | - | 2,550,000 | 6,264,866 | - | 32,672,887 |
| Total equity related changes | - | - | - | - | - | - | - | 144,206 | 144,206 |
| Balance at December 31, 2019 | 599,400 | 31,016,666 | 38,231,747 | 19,753,043 | 22,724,825 | 211,589 | 1,658,615 | 32,162,119 | 146,358,004 |
| Balance at December 31, 2017 | 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 cashflows | | | | | | | | | |
| Draw-downs / additions | - | 5,650,513 | 9,692,218 | - | 9,713,120 | 5,100,000 | 723,216 | - | 30,879,067 |
| Repayments | (360) | (4,151,667) | (7,832,365) | (18,788) | - | (5,045,351) | - | - | (17,048,531) |
| | (360) | 1,498,846 | 1,859,853 | (18,788) | 9,713,120 | 54,649 | 723,216 | | 13,830,536 |
| Other changes | | | | | | | | | |
| Interest cost on lease liabilities | - | - | - | 640 | - | - | - | - | 640 |
| Liability related changes | - | - | - | 484 | - | - | - | - | 484 |
| Lease facility availed | - | - | - | 26,363 | - | - | - | - | 26,363 |
| | - | - | - | 27,487 | - | - | - | - | 27,487 |
| Total equity related changes | - | - | - | - | - | - | - | (3,395,896) | (3,395,896) |
| Balance at December 31, 2018 | 599,640 | 31,084,999 | 40,484,569 | 18,845 | 20,534,610 | 264,836 | 1,226,312 | 32,017,913 | 126,231,724 |





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| | Note | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|---|
| 43.2 Cash and cash equivalents | | | |
| Short term investments | 32 | 9,076,445 | 17,198,237 |
| Cash and bank balances | 33 | 7,170,910 | 8,443,354 |
| Short term running finance | 16 | (4,058,444) | (1,725,137) |
| | | 12,188,911 | 23,916,454 |

## 44. Remuneration of Directors, Chief Executive Officer and executives

The aggregate amount charged in the consolidated financial statements for remuneration, including all benefits, to the Chairman, Chief Executive Officer and Executives of the Group is as follows:

| | Chairman | | Chief Executive Officer | | Executives | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Key Management Personnel | | Other executives | |
| | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 | 2019 Rs '000 | 2018 Rs '000 |
| Managerial remuneration | - | - | 172,617 | 196,544 | 506,688 | 587,758 | 1,292,680 | 1,063,321 |
| Honorarium | 300 | 300 | - | - | - | - | - | - |
| Retirement benefits | - | - | - | 21,263 | 56,794 | 56,062 | 141,347 | 110,821 |
| Housing | - | - | 36,962 | 11,047 | 223,268 | 231,999 | 491,620 | 403,110 |
| Utilities | - | - | - | - | 57,175 | 39,413 | 86,197 | 71,046 |
| | 300 | 300 | 209,579 | 228,854 | 843,925 | 915,232 | 2,011,844 | 1,648,298 |
| Bonus paid | - | - | 510,170 | 61,280 | 135,776 | 133,627 | 225,753 | 195,120 |
| | 300 | 300 | 719,749 | 290,134 | 979,701 | 1,048,859 | 2,237,597 | 1,843,418 |
| Number of persons | 1 | 1 | 2 | 1 | 76 | 75 | 493 | 411 |

The Group also provides free medical and limited residential telephone facilities, to all its executives, including the Chief Executive Officer. The Chairman is entitled to free transport and a limited residential telephone facility, whereas, the Directors of the Group are provided only with limited telephone facilities. Certain executives are also provided with the Group maintained cars. The aggregate amount charged in the consolidated financial statements for the year as fee paid to 14 non-executive directors (December 31, 2018: 13 non-executive directors) is Rs 144,264 thousand (December 31, 2018: Rs 95,310 thousand) for attending the Board of Directors, and its sub-committee meetings.

## 45. Rates of exchange

Assets in US dollars have been translated into Rupees at USD 1 = Rs 154.85 (December 31, 2018: USD 1 = Rs 138.60), while liabilities in US dollars have been translated into Rupees at USD 1 = Rs 155.35 (December 31, 2018: USD 1 = Rs 139.10).

## 46. Financial risk management

### 46.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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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), Euro (EUR), British Pound (GBP) and Chinese Yuan (CNY). Currently, the Group's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Group's exposure to currency risk is as follows:

| | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|
| USD | | |
| Trade and other payables | (6,516,476) | (4,381,787) |
| Long term vendor liability | (10,785,816) | (18,343,534) |
| Trade debts | 7,618,640 | 4,811,775 |
| Cash and bank balances | 1,005,127 | 2,815,827 |
| Net exposure | (8,678,525) | (15,097,719) |
| EUR | | |
| Trade and other payables | (72,204) | (55,307) |
| Trade debts | 150,190 | 88,777 |
| Cash and bank balances | 69,358 | 45,874 |
| Net exposure | 147,344 | 79,344 |
| AED | | |
| Trade and other payables | (2,985) | (73,556) |
| GBP | | |
| Trade and other payables | (8,604) | (7,432) |
| CNY | | |
| Vendor liability | (5,848,666) | - |

| | 2019 | 2018 |
|---|---|---|
| The following significant exchange rates were applied during the year: | | |
| Rupees per USD | | |
| Average rate | 149.82 | 122.42 |
| Reporting date rate | | |
| Assets | 154.85 | 138.60 |
| Liabilities | 155.35 | 139.10 |
| Rupees per EUR | | |
| Average rate | 167.54 | 144.06 |
| Reporting date rate | | |
| Assets | 173.48 | 158.52 |
| Liabilities | 174.05 | 159.10 |
| Rupees per AED | | |
| Average rate | 40.79 | 33.34 |
| Reporting date rate | 42.30 | 37.87 |
| Rupees per GBP | | |
| Average rate | 190.99 | 161.73 |
| Reporting date rate | 202.93 | 175.26 |
| Rupees per CNY | | |
| Average rate | 21.24 | 18.77 |
| Reporting date rate | 22.38 | 20.21 |

If the functional currency, at the reporting date, had fluctuated by 5% against the USD, AED, EUR, GBP and CNY with all other variables held constant, the impact on profit after taxation for the year would have been Rs 510,828 thousand (December 31, 2018: Rs 538,727 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.



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(ii) Other price risk

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

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

Financial assets include investments of Rs 6,976,445 thousand (December 31, 2018: Rs 6,318,016 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 247,664 thousand (December 31, 2018: Rs 217,972 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 :

| | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|
| Financial assets | | |
| Fixed rate instruments: | | |
| Staff loans | 1,311,381 | 1,021,575 |
| Short term investments | 9,076,445 | 17,198,237 |
| Bank balances - savings accounts | 3,504,849 | 3,047,534 |
| Market treasury bills | - | 980,221 |
| | 13,892,675 | 22,247,567 |
| Floating rate instruments: | | |
| Loans to banking customers | 21,374,079 | 17,019,838 |
| | 35,266,754 | 39,267,405 |
| Financial liabilities | | |
| Fixed rate instruments: | | |
| Deposits from banking customers | 22,724,825 | 20,534,610 |
| Floating rate instruments: | | |
| Long term loans from banks | 31,016,666 | 31,084,999 |
| Lease liabilities | 19,753,043 | 18,845 |
| Long term vendor liability | 17,869,598 | 16,916,356 |
| Short term running finance | 4,058,444 | 1,725,137 |
| | 72,697,751 | 49,745,337 |
| | 95,422,576 | 70,279,947 |

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.

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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 364,398 thousand (December 31, 2018: Rs 225,806 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:

| | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|
| Long term loans and advances | 1,141,233 | 888,912 |
| Trade debts and contract assets | 21,701,204 | 19,383,276 |
| Loans to banking customers | 20,899,728 | 16,561,918 |
| Loans and advances | 812,610 | 1,682,244 |
| Deposits and other receivables | 6,364,892 | 5,319,467 |
| Short term investments | 9,076,445 | 17,198,237 |
| Bank balances | 6,425,517 | 7,550,752 |
| | 66,421,629 | 68,584,806 |

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 | A-1+ | AAA | PACRA |
| Bank Alfalah Limited | A-1+ | AA+ | PACRA |
| MCB Bank Limited | A-1+ | AAA | PACRA |
| Soneri Bank Limited | A-1+ | AA- | PACRA |
| Habib Metropolitan Bank Limited | A-1+ | AA+ | PACRA |
| The Bank of Punjab | A-1+ | AA | PACRA |
| Habib Bank Limited | A-1+ | AAA | VIS |
| Askari Bank Limited | A-1+ | AA+ | PACRA |
| Allied Bank Limited | A-1+ | AAA | PACRA |
| United Bank Limited | A-1+ | AAA | VIS |
| Bank Islami Pakistan Limited | A-1 | A+ | PACRA |
| Bank Al-Habib Limited | A-1+ | AA+ | PACRA |
| Faysal Bank Limited | A-1+ | AA | PACRA |
| Citi Bank, N.A | P-1 | Aa3 | Moody's |
| Albaraka Bank (Pakistan) Limited | A-1 | A | PACRA |
| Mobilink Microfinance Bank Limited | A-1 | A | PACRA |
| Dubai Islamic Bank Pakistan Limited | A-1+ | AA | VIS |
| JS Bank Limited | A-1+ | AA- | PACRA |
| Sindh Bank Limited | A-1 | A+ | VIS |
| SME Bank Limited | B | CCC | PACRA |
| Silk Bank Limited | A-2 | A- | VIS |
| Standard Chartered Bank (Pakistan) Limited | A-1+ | AAA | PACRA |
| Meezan Bank Limited | A-1+ | AA+ | VIS |
| | | | |
| The Bank of Khyber | A-1 | A | VIS |
| First Women Bank Limited | A-2 | A- | PACRA |
| Samba Bank Limited | A-1 | AA | VIS |
| U Microfinance Bank Limited | A-1 | A | VIS |
| Khushhali Microfinance Bank Limited | A-1 | A+ | VIS |
| Telenor Microfinance Bank Limited | A-1 | A+ | VIS |
| NRSP Microfinance Bank Limited | A-1 | A | PACRA |
| | | | |
| Mutual Funds | | | |
| - HBL Cash Management Fund | - | AA(f) | VIS |
| - ABL Cash Management Fund | - | AA+(f) | VIS |
| - UBL Cash Management Fund | - | AA+(f) | PACRA |
| - MCB Cash Management Optimizer Fund | - | AA+(f) | PACRA |

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.

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The following are the contractual maturities of the Group's financial liabilities:

| As at December 31, 2019 | Gross 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 | 31,016,666 | 11,300,239 | 16,799,760 | 2,916,667 |
| Lease liabilities | 27,984,681 | 4,234,353 | 16,655,575 | 7,094,753 |
| Security deposits | 1,359,489 | 580,116 | - | 779,373 |
| Long term vendor liability | 38,231,747 | 12,522,539 | 25,709,208 | - |
| Trade and other payables | 76,983,088 | 76,983,088 | - | - |
| Interest accrued | 1,658,615 | 1,658,615 | - | - |
| Short term running finance | 4,058,444 | 4,058,444 | - | - |
| Deposits from banking customers | 22,724,825 | 18,958,369 | 3,766,456 | - |
| | 204,017,555 | 130,295,763 | 62,930,999 | 10,790,793 |
| **As at December 31, 2018** | | | | |
| Long term loans from banks | 31,084,999 | 6,676,667 | 23,575,332 | 833,000 |
| Lease liabilities | 24,239 | 5,306 | 18,933 | - |
| 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 | 71,822,242 | 71,822,242 | - | - |
| Interest accrued | 1,226,312 | 1,226,312 | - | - |
| Short term running finance | 1,725,137 | 1,725,137 | - | - |
| Deposits from banking customers | 20,534,610 | 17,133,725 | 3,400,885 | - |
| | 168,373,220 | 112,697,514 | 53,947,010 | 1,728,696 |

### 46.2 Fair value of financial instruments

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

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

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

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

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

Details of the Group's assets / (liabilities) fair value hierarchy as at December 31 are as follows:

| | | Level 1 Rs '000 | Level 2 Rs '000 | Level 3 Rs '000 | Total Rs '000 |
|---|---|---|---|---|---|
| Long term other investments | 2019 | | | 51,427 | 51,427 |
| Market Treasury Bills | 2019 | - | 6,969,539 | - | 6,969,539 |
| Investment in mutual funds | 2019 | 6,906 | - | - | 6,906 |
| Forward exchange contracts | 2019 | - | (344,909) | - | (344,909) |
| 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 |





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### 46.3 Financial instruments by categories - 2019

| | FVOCI - equity instruments Rs '000 | FVTPL - equity instruments Rs '000 | FVOCI - 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 | 51,427 | - | - | - | 51,427 |
| Debt securities- treasury bills | - | - | 6,969,539 | - | 6,969,539 |
| Long term loans and advances | - | - | - | 890,600 | 890,600 |
| Trade debts | - | - | - | 21,701,204 | 21,701,204 |
| Loans to banking customers | - | - | - | 21,374,079 | 21,374,079 |
| Loans and advances | - | - | - | 1,063,243 | 1,063,243 |
| Receivable from the Govt. of Pakistan | - | - | - | 2,164,072 | 2,164,072 |
| Other receivables | - | - | - | 6,364,892 | 6,364,892 |
| Short term investments | - | 6,906 | - | 2,100,000 | 2,106,906 |
| Cash and bank balances | - | - | - | 7,170,910 | 7,170,910 |

| Financial liabilities as per consolidated statement of financial position | Amortized cost |
|---|---|
| Loans from Banks | 31,016,666 |
| Subordinated debts | 599,400 |
| Vendor liability | 38,231,747 |
| Trade and other payables | 76,983,088 |
| Security deposits | 1,359,489 |
| Dividend payable | 211,589 |
| Lease liabilities | 19,753,043 |
| Interest accrued | 1,658,615 |
| Short term running finance | 4,058,444 |

### Financial instruments by categories - 2018

| | FVOCI - equity instruments Rs '000 | FVTPL - equity instruments Rs '000 | FVOCI - 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 | - | - | - | 19,383,276 | 19,383,276 |
| 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 | - | - | - | 5,319,467 | 5,319,467 |
| Short term investments | - | 4,350,192 | - | 9,900,000 | 14,250,192 |
| Cash and bank balances | - | - | - | 8,443,354 | 8,443,354 |

| Financial liabilities as per consolidated statement of financial position | Amortized cost |
|---|---|
| Loans from banks | 31,084,999 |
| Subordinated debts | 599,640 |
| Vendor liability | 40,484,569 |
| Trade and other payables | 71,822,242 |
| Security deposits | 1,471,112 |
| Dividend payable | 264,836 |
| Lease liabilities | 18,845 |
| Interest accrued | 1,226,312 |
| Short term running finance | 1,725,137 |

46.4 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.

| | 2019<br>Rs '000 | 2018<br>Rs '000 |
|---|---|---|
| **47. Employees' Provident Funds** | | |
| Details of the Group's employees provident funds are given below: | | |
| Total assets | 5,478,755 | 4,825,744 |
| Cost of investments made | 4,717,728 | 4,373,166 |
| Percentage of investments made | 86.1% | 90.6% |
| Fair value of investments | 5,070,718 | 3,910,517 |

| Break up of investments - at cost | 2019 | | 2018 | |
|---|---|---|---|---|
| | Rs '000 | Percentage | Rs '000 | Percentage |
| Mutual funds | 725,000 | 15.37 | 1,100,000 | 25.15 |
| Pakistan Investment Bonds | 875,000 | 18.55 | 875,000 | 20.01 |
| Term Finance Certificate | 424,000 | 8.99 | 224,000 | 5.12 |
| Term Deposit Receipts | 2,507,650 | 53.15 | 2,025,707 | 46.33 |
| Interest bearing accounts | 186,078 | 3.94 | 148,459 | 3.39 |
| | 4,717,728 | 100.00 | 4,373,166 | 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.



NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

## 48. Transactions with related parties

The Government of Pakistan and Etisalat International Pakistan (EIP), UAE are the majority shareholders of the Group. Additionally, the Group's associate T.F. Pipes Limited, directors, chief executive, key management personnel and employees retirement benefits funds are also related parties of the Group. The remuneration of the directors, chief executive and executives is given in note 44 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 Holding 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 |
| 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 |
| U Bank - Employees Provident Fund | Not applicable |
| U Bank - Employees Gratuity Fund | Not applicable |
| **Other related parties** | |
| Pakistan Telecommunication Authority | Not applicable |
| Universal Service Fund - The Government of Pakistan | Not applicable |
| National ICT R&D Fund | Not applicable |
| Pakistan Electronic Media Regularity Authority | Not applicable |

Chief Executive, directors and key management personnel

The Group also has transactions with Chief Executive Officer, directors and other key management personnel which are disclosed in note 23 and 44 to these financial statements.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

| Names | Country of Incorporation | Basis of Association |
|---|---|---|
| **Holding Company** | | |
| Etisalat International Pakistan | United Arab Emirates | Holding Company |
| **Associated Companies** | | |
| Emirates Telecommunication Corporation | United Arab Emirates | Associate of the Holding Company |
| Etisalat - Afghanistan | Afghanistan | Associate of the Holding Company |
| Etisalat - Egypt | Egypt | Associate of the Holding Company |
| Etihad Etisalat Company (Mobily) | Kingdom of Saudi Arabia | Associate of the Holding Company |

Details of Transactions with related parties

| | 2019 Rs '000 | 2018 Rs '000 |
|---|---|---|
| **Shareholders** | | |
| Technical services assistance fee | 4,533,988 | 4,415,614 |
| **Associates** | | |
| Sale of goods and services | 3,439,430 | 2,311,703 |
| Purchase of goods and services | 733,592 | 1,143,350 |
| Expenses reimbursed to Pakistan MNP Database (Guarantee) Limited | 33,700 | 26,550 |
| Rentals paid to Pakistan Telecommunication Employees Trust (PTET) | 570,462 | 533,142 |
| **Employees retirement benefit plan** | | |
| Contribution to PTET | 3,500,000 | 2,779,570 |
| **Other related parties** | | |
| Sales of goods and services | 1,913,582 | 1,789,345 |
| Charge under license obligations | 1,614,917 | 1,564,303 |

## 49. Operating segment information

49.1 Management has determined the operating segments based on the information that is presented to the Board of Directors for allocation of resources and assessment of performance. The Group is organised into 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.

49.2 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.



NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

49.3 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, 2019** | | | | |
| Segment revenue | 69,432,842 | 60,576,633 | 6,772,986 | 136,782,461 |
| Inter - segment revenue | (5,321,061) | (1,918,509) | (370) | (7,239,940) |
| Revenue from external customers | 64,111,781 | 58,658,124 | 6,772,616 | 129,542,521 |
| Segment results | 6,162,935 | (4,039,483) | 253,648 | 2,377,100 |
| **Year ended December 31, 2018** | | | | |
| Segment revenue | 68,203,783 | 61,074,230 | 4,582,653 | 133,860,666 |
| Inter - segment revenue | (5,153,395) | (1,844,545) | (362) | (6,998,302) |
| Revenue from external customers | 63,050,388 | 59,229,685 | 4,582,291 | 126,862,364 |
| Segment results | 7,012,502 | (1,849,557) | 547,059 | 5,710,004 |

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, 2019** | | | | |
| Segment assets | 163,930,675 | 141,970,492 | 39,916,851 | 345,818,018 |
| Segments liabilities | 115,589,748 | 114,456,180 | 32,333,737 | 262,379,665 |
| **As at December 31, 2018** | | | | |
| Segment assets | 153,833,305 | 130,956,046 | 34,808,242 | 319,597,593 |
| Segments liabilities | 108,346,409 | 100,141,609 | 27,870,090 | 236,358,108 |

49.4 Other segment information is as follows:

| | Wireline Rs '000 | Wireless Rs '000 | Banking Rs '000 | Total Rs '000 |
|---|---|---|---|---|
| **Year ended December 31, 2019** | | | | |
| Depreciation | 13,788,458 | 13,458,119 | 196,292 | 27,442,869 |
| Amortization | 438,247 | 3,090,948 | 23,868 | 3,553,063 |
| Finance cost | (34,242) | 8,364,494 | 872,456 | 9,202,708 |
| Interest income | 873,254 | (413,057) | 1,393,688 | 1,853,885 |
| Income tax expense | 2,894,473 | (1,686,484) | 50,851 | 1,258,840 |
| **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 | 492,221 | 8,231,624 |
| 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 |

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

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

## 50. Number of employees

| | 2019 Number | 2018 Number |
|---|---|---|
| Total number of persons employed at year end | 20,075 | 19,567 |
| Average number of employees during the year | 19,899 | 19,313 |

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

### 51. Offsetting of financial assets and liabilities

| | Gross amounts subject to offsetting 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, 2019** | | | | | |
| Trade debts | 13,084,598 | (5,287,007) | 7,797,591 | 22,046,880 | 29,844,471 |
| Trade creditors | (6,482,518) | 5,287,007 | (1,195,511) | (11,474,729) | (12,670,240) |
| **As at December 31, 2018** | | | | | |
| Trade debts | 12,995,896 | (6,527,197) | 6,468,699 | 20,550,108 | 27,018,807 |
| Trade creditors | (7,929,630) | 6,527,197 | (1,402,433) | (13,572,964) | (14,975,397) |

### 52. Corresponding figures

Prior year figures have been re-arranged and reclassified, wherever necessary, for better presentation and comparison. Reclassification of corresponding figures of the financial statements is given below :

Consolidated Statement of Financial Position

| Reclassification From | Reclassification To | Rs '000 |
|---|---|---|
| Current Assets | Current Liabilties | |
| Trade debts and contract assets | Trade and other payables | 479,393 |
| Current Assets | Current Assets | |
| Cash and Bank balances | Prepayments and other receivables | 714,415 |
| Income tax recoverable | Deposits, prepayments and other receivables | 23,898 |
| Current assets | Non-current assets | |
| Loans to banking customers | Loans to banking customers | 457,920 |
| Current liabilities | Current liabilities | |
| Long term loans from banks | Short term running finance | 500,000 |
| Trade and other payables | Interest accrued | 260,151 |

| Consolidated Statement of profit or loss | As previously reported Rs '000 | Reclassified Rs '000 | As reclassified Rs '000 |
|---|---|---|---|
| Revenue | 126,160,386 | 701,978 | 126,862,364 |
| Cost of services | 91,788,250 | 701,978<br>894,215<br>(469,607) | 92,914,836 |
| Administrative and general expenses | 18,646,757 | (894,215)<br>(84,021)<br>(2,256,420) | 15,412,101 |
| Selling and marketing expenses | 6,735,399 | 84,021 | 6,819,420 |
| Impairment loss on trade debts and contract assets | - | 2,256,420 | 2,256,420 |
| Finance costs | 7,762,017 | 469,607 | 8,231,624 |

Consolidated Statement of Cash flows

| Reclassification from | Reclassification to | Rs '000 |
|---|---|---|
| Cash generated from operations | Cash flows from investing activities | 3,461,489 |





## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

### 53. Date of authorization for issue and final dividend

53.1 The board of directors of the Holding Company in its meeting held on February 11, 2020 has recommended a final dividend of Re 0.5 per share for the year ended December 31, 2019, amounting to Rs 2,550,000 thousand for approval of the members in forthcoming Annual General Meeting of the Holding Company.

53.2 These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on February 11, 2020.

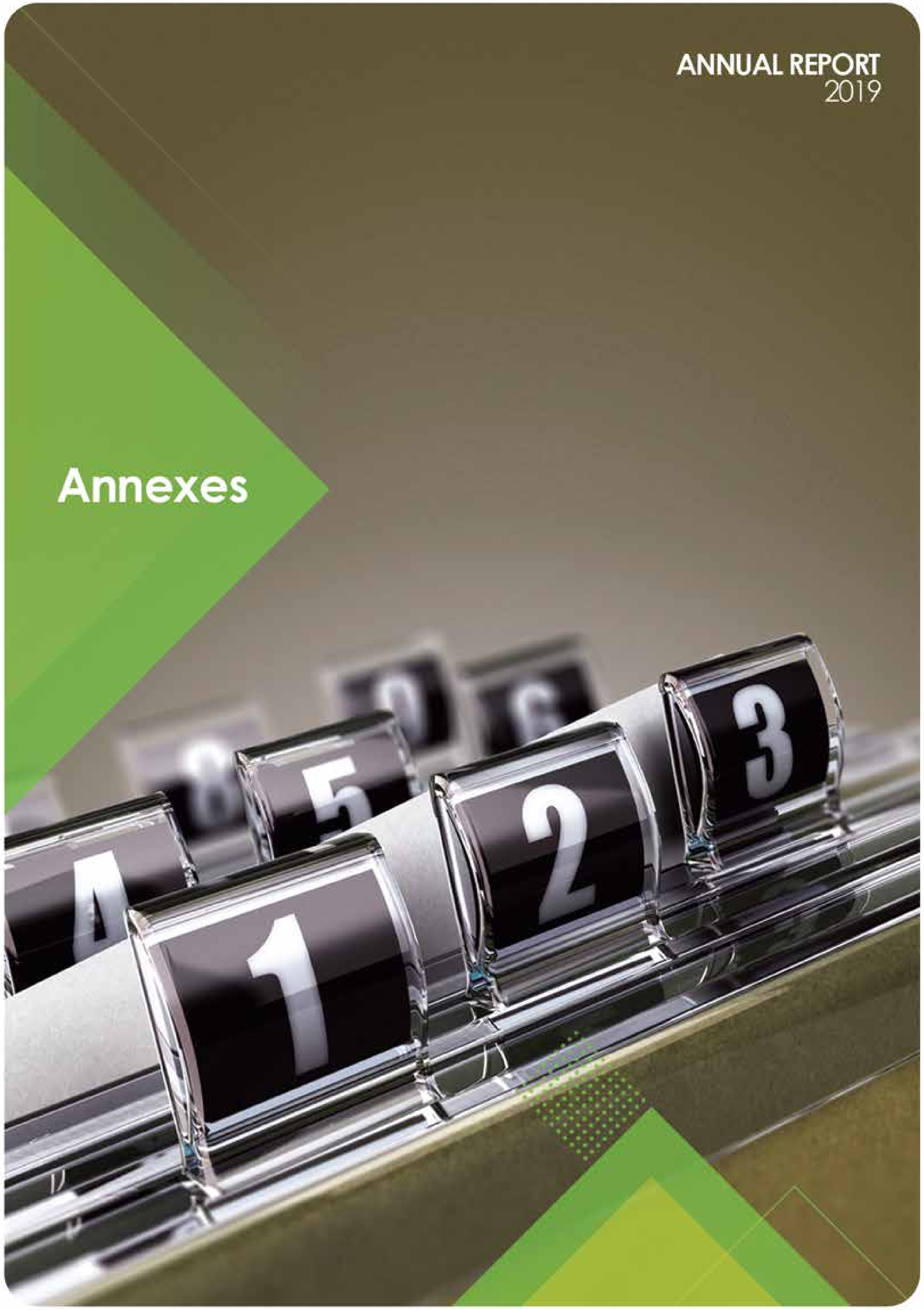
Chief Financial Officer

President & CEO

Chairman

# NOTES






# Annexes

# PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2019

| No. of shareholders | Shareholdings From | Shareholdings To | Total shares held |
|---|---|---|---|
| 24,683 | 1 | 100 | 2,435,476 |
| 8,744 | 101 | 500 | 2,695,454 |
| 2,832 | 501 | 1,000 | 2,503,360 |
| 3,310 | 1,001 | 5,000 | 9,058,383 |
| 1,042 | 5,001 | 10,000 | 8,652,276 |
| 384 | 10,001 | 15,000 | 4,975,115 |
| 277 | 15,001 | 20,000 | 5,105,050 |
| 198 | 20,001 | 25,000 | 4,706,796 |
| 110 | 25,001 | 30,000 | 3,124,356 |
| 71 | 30,001 | 35,000 | 2,361,700 |
| 68 | 35,001 | 40,000 | 2,638,010 |
| 34 | 40,001 | 45,000 | 1,458,491 |
| 118 | 45,001 | 50,000 | 5,819,108 |
| 26 | 50,001 | 55,000 | 1,386,003 |
| 39 | 55,001 | 60,000 | 2,284,000 |
| 22 | 60,001 | 65,000 | 1,394,279 |
| 22 | 65,001 | 70,000 | 1,518,974 |
| 29 | 70,001 | 75,000 | 2,143,000 |
| 27 | 75,001 | 80,000 | 2,131,100 |
| 7 | 80,001 | 85,000 | 590,000 |
| 17 | 85,001 | 90,000 | 1,503,306 |
| 11 | 90,001 | 95,000 | 1,023,500 |
| 73 | 95,001 | 100,000 | 7,275,464 |
| 12 | 100,001 | 105,000 | 1,230,000 |
| 14 | 105,001 | 110,000 | 1,516,000 |
| 4 | 110,001 | 115,000 | 454,500 |
| 7 | 115,001 | 120,000 | 830,500 |
| 11 | 120,001 | 125,000 | 1,361,106 |
| 6 | 125,001 | 130,000 | 776,600 |
| 12 | 130,001 | 135,000 | 1,597,510 |
| 4 | 135,001 | 140,000 | 556,000 |
| 8 | 140,001 | 145,000 | 1,143,017 |
| 22 | 145,001 | 150,000 | 3,287,528 |
| 4 | 150,001 | 155,000 | 603,403 |
| 7 | 155,001 | 160,000 | 1,111,500 |
| 5 | 160,001 | 165,000 | 810,500 |
| 2 | 165,001 | 170,000 | 340,000 |
| 1 | 170,001 | 175,000 | 174,500 |
| 3 | 175,001 | 180,000 | 528,100 |
| 2 | 180,001 | 185,000 | 364,117 |
| 5 | 185,001 | 190,000 | 941,500 |
| 1 | 190,001 | 195,000 | 193,500 |
| 28 | 195,001 | 200,000 | 5,598,100 |
| 1 | 200,001 | 205,000 | 205,000 |
| 7 | 205,001 | 210,000 | 1,463,500 |
| 4 | 210,001 | 215,000 | 854,500 |
| 4 | 215,001 | 220,000 | 872,501 |
| 3 | 220,001 | 225,000 | 669,000 |
| 3 | 235,001 | 240,000 | 712,000 |
| 1 | 240,001 | 245,000 | 245,000 |
| 7 | 245,001 | 250,000 | 1,750,000 |
| 3 | 250,001 | 255,000 | 754,300 |
| 1 | 255,001 | 260,000 | 255,500 |
| 1 | 260,001 | 265,000 | 264,500 |
| 2 | 265,001 | 270,000 | 536,500 |





PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2019

| No. of shareholders | Shareholdings From | Shareholdings To | Total shares held |
|---|---|---|---|
| 2 | 270,001 | 275,000 | 549,000 |
| 1 | 275,001 | 280,000 | 277,000 |
| 2 | 280,001 | 285,000 | 565,200 |
| 1 | 285,001 | 290,000 | 287,500 |
| 10 | 295,001 | 300,000 | 2,992,000 |
| 3 | 300,001 | 305,000 | 901,500 |
| 2 | 305,001 | 310,000 | 619,500 |
| 2 | 310,001 | 315,000 | 624,000 |
| 1 | 315,001 | 320,000 | 319,500 |
| 2 | 320,001 | 325,000 | 645,500 |
| 3 | 325,001 | 330,000 | 981,732 |
| 1 | 330,001 | 335,000 | 335,000 |
| 1 | 335,001 | 340,000 | 337,500 |
| 3 | 345,001 | 350,000 | 1,049,000 |
| 2 | 350,001 | 355,000 | 708,900 |
| 1 | 355,001 | 360,000 | 360,000 |
| 1 | 360,001 | 365,000 | 362,500 |
| 1 | 365,001 | 370,000 | 367,500 |
| 2 | 380,001 | 385,000 | 764,884 |
| 2 | 385,001 | 390,000 | 773,073 |
| 1 | 390,001 | 395,000 | 390,500 |
| 7 | 395,001 | 400,000 | 2,799,000 |
| 1 | 405,001 | 410,000 | 410,000 |
| 3 | 420,001 | 425,000 | 1,268,500 |
| 1 | 430,001 | 435,000 | 432,500 |
| 1 | 435,001 | 440,000 | 439,000 |
| 2 | 445,001 | 450,000 | 898,500 |
| 2 | 475,001 | 480,000 | 959,000 |
| 1 | 490,001 | 495,000 | 492,500 |
| 9 | 495,001 | 500,000 | 4,500,000 |
| 1 | 500,001 | 505,000 | 502,000 |
| 1 | 505,001 | 510,000 | 509,877 |
| 2 | 520,001 | 525,000 | 1,050,000 |
| 1 | 550,001 | 555,000 | 550,500 |
| 1 | 570,001 | 575,000 | 575,000 |
| 1 | 575,001 | 580,000 | 578,000 |
| 2 | 595,001 | 600,000 | 1,200,000 |
| 1 | 605,001 | 610,000 | 608,000 |
| 1 | 630,001 | 635,000 | 630,500 |
| 1 | 650,001 | 655,000 | 653,000 |
| 1 | 660,001 | 665,000 | 663,000 |
| 1 | 690,001 | 695,000 | 690,400 |
| 5 | 695,001 | 700,000 | 3,499,000 |
| 2 | 705,001 | 710,000 | 1,415,000 |
| 1 | 730,001 | 735,000 | 735,000 |
| 2 | 745,001 | 750,000 | 1,500,000 |
| 1 | 770,001 | 775,000 | 775,000 |
| 1 | 785,001 | 790,000 | 787,000 |
| 1 | 795,001 | 800,000 | 800,000 |
| 1 | 805,001 | 810,000 | 805,500 |
| 1 | 835,001 | 840,000 | 838,000 |
| 1 | 965,001 | 970,000 | 965,400 |
| 4 | 995,001 | 1,000,000 | 4,000,000 |
| 1 | 1,000,001 | 1,005,000 | 1,005,000 |
| 1 | 1,070,001 | 1,075,000 | 1,074,000 |

# PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2019

| No. of shareholders | Shareholdings From | Shareholdings To | Total shares held |
|---|---|---|---|
| 1 | 1,080,001 | 1,085,000 | 1,083,103 |
| 2 | 1,095,001 | 1,100,000 | 2,200,000 |
| 1 | 1,145,001 | 1,150,000 | 1,145,700 |
| 1 | 1,170,001 | 1,175,000 | 1,174,000 |
| 2 | 1,195,001 | 1,200,000 | 2,395,292 |
| 1 | 1,265,001 | 1,270,000 | 1,266,500 |
| 1 | 1,270,001 | 1,275,000 | 1,272,000 |
| 1 | 1,300,001 | 1,305,000 | 1,304,000 |
| 1 | 1,325,001 | 1,330,000 | 1,326,000 |
| 1 | 1,395,001 | 1,400,000 | 1,397,500 |
| 3 | 1,495,001 | 1,500,000 | 4,498,500 |
| 1 | 1,525,001 | 1,530,000 | 1,526,000 |
| 1 | 1,535,001 | 1,540,000 | 1,536,400 |
| 1 | 1,640,001 | 1,645,000 | 1,643,000 |
| 1 | 1,720,001 | 1,725,000 | 1,723,500 |
| 2 | 1,995,001 | 2,000,000 | 4,000,000 |
| 1 | 2,090,001 | 2,095,000 | 2,095,000 |
| 1 | 2,095,001 | 2,100,000 | 2,100,000 |
| 2 | 2,195,001 | 2,200,000 | 4,400,000 |
| 1 | 2,245,001 | 2,250,000 | 2,250,000 |
| 1 | 2,390,001 | 2,395,000 | 2,394,000 |
| 1 | 2,435,001 | 2,440,000 | 2,439,884 |
| 1 | 2,470,001 | 2,475,000 | 2,475,000 |
| 1 | 2,495,001 | 2,500,000 | 2,500,000 |
| 1 | 2,535,001 | 2,540,000 | 2,540,000 |
| 1 | 2,615,001 | 2,620,000 | 2,617,562 |
| 1 | 2,950,001 | 2,955,000 | 2,955,000 |
| 2 | 2,995,001 | 3,000,000 | 6,000,000 |
| 1 | 3,055,001 | 3,060,000 | 3,057,500 |
| 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 | 3,660,001 | 3,665,000 | 3,664,500 |
| 1 | 3,895,001 | 3,900,000 | 3,900,000 |
| 3 | 3,995,001 | 4,000,000 | 12,000,000 |
| 1 | 4,495,001 | 4,500,000 | 4,500,000 |
| 1 | 4,745,001 | 4,750,000 | 4,750,000 |
| 1 | 5,110,001 | 5,115,000 | 5,113,100 |
| 1 | 5,495,001 | 5,500,000 | 5,500,000 |
| 1 | 5,655,001 | 5,660,000 | 5,660,000 |
| 1 | 5,660,001 | 5,665,000 | 5,662,000 |
| 1 | 5,765,001 | 5,770,000 | 5,767,000 |
| 1 | 6,305,001 | 6,310,000 | 6,306,500 |
| 1 | 6,515,001 | 6,520,000 | 6,518,500 |
| 1 | 6,545,001 | 6,550,000 | 6,549,000 |
| 1 | 7,490,001 | 7,495,000 | 7,493,000 |
| 1 | 8,395,001 | 8,400,000 | 8,398,000 |
| 1 | 8,655,001 | 8,660,000 | 8,658,000 |
| 1 | 10,005,001 | 10,010,000 | 10,006,500 |
| 1 | 11,995,001 | 12,000,000 | 12,000,000 |
| 1 | 16,225,001 | 16,230,000 | 16,227,500 |
| 1 | 21,840,001 | 21,845,000 | 21,840,500 |
| 1 | 26,750,001 | 26,755,000 | 26,754,500 |
| 1 | 29,610,001 | 29,615,000 | 29,613,500 |
| 1 | 34,360,001 | 34,365,000 | 34,361,854 |






# PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2019


| No. of shareholders | Shareholdings From | Shareholdings To | Total shares held |
|---|---|---|---|
| 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 |
| 42,516 | | | 5,100,000,000 |

## CATEGORIES OF SHAREHOLDING

AS AT DECEMBER 31, 2019

| S. No. | Categories of Shareholders | No. of Shareholders | Shares Held | Percentage |
|---|---|---|---|---|
| 1 | Directors, Chief Executive Officer, and their spouses and minor children | 10 | 5,009 | 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 | 2 | 3,000 | 0.00 |
| 5 | Banks, Development Financial Institutions, Non Banking Financial Institutions | 19 | 105,082,587 | 2.06 |
| 6 | Insurance Companies | 18 | 71,564,936 | 1.40 |
| 7 | Modarabas and Mutual Funds | 30 | 20,984,243 | 0.41 |
| 8 | Share holders holding 10% | 4 | 4,497,067,993 | 88.18 |
| 9 | General Public : | | | |
| | a. local | 41,986 | 205,133,373 | 4.02 |
| | b .Foreign | 195 | 128,900 | 0.00 |
| 10 | Others | 252 | 200,029,959 | 3.92 |
| | Total (excluding : shareholders holding 10%) | 42,516 | 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, 2019. However, the Chairman had purchased 1,000 PTCL ordinary shares in December, 2019. The Chairman holds total 5,000 PTCL ordinary shares as at December 31, 2019.



## INFORMATION OF SHAREHOLDERS

AS AT DECEMBER 31, 2019

| 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 ABL ISLAMIC PENSION FUND - EQUITY SUB FUND | 1 | 80,000 |
| | CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND | 1 | 100,000 |
| | CDC - TRUSTEE ABL STOCK FUND | 1 | 2,394,000 |
| | CDC - TRUSTEE AKD INDEX TRACKER FUND | 1 | 140,017 |
| | CDC - TRUSTEE AKD OPPORTUNITY FUND | 1 | 750,000 |
| | CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND | 1 | 2,095,000 |
| | CDC - TRUSTEE ATLAS STOCK MARKET FUND | 1 | 73,000 |
| | CDC - TRUSTEE FIRST HABIB STOCK FUND | 1 | 130,000 |
| | CDC - TRUSTEE GOLDEN ARROW STOCK FUND | 1 | 1,498,500 |
| | CDC - TRUSTEE MEEZAN ISLAMIC FUND | 1 | 800,000 |
| | CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND | 1 | 208,000 |
| | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 1 | 2,439,884 |
| | CDC - TRUSTEE NBP BALANCED FUND | 1 | 480,000 |
| | CDC - TRUSTEE NBP ISLAMIC REGULAR INCOME FUND | 1 | 492,500 |
| | CDC - TRUSTEE NBP SARMAYA IZAFA FUND | 1 | 699,000 |
| | CDC - TRUSTEE NIT STATE ENTERPRISE FUND | 1 | 1,083,103 |
| | CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND | 1 | 3,384,139 |
| | CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND | 1 | 131,500 |
| | CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND | 1 | 100,500 |
| | MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND | 1 | 1,200,000 |
| | MCBFSL - TRUSTEE AKD ISLAMIC STOCK FUND | 1 | 1,100,000 |
| | MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND | 1 | 600,000 |
| | TOTAL >> | 22 | 19,979,143 |
| iii. | Directors and their spouses and minor children | | |
| | MR. ABDULRAHIM A. AL NOORYANI | 1 | 1 |
| | MR. SERKAN OKANDAN | 1 | 1 |
| | MR. HESHAM ABDULLA QASSIM AL QASSIM | 1 | 1 |
| | MR. HATEM DOWIDAR | 1 | 1 |
| | MR. KHALIFA AL FORAH AL SHAMSI | 1 | 1 |
| | MR. RIZWAN MALIK | 1 | 1 |
| | MR. NAVEED KAMRAN BALOCH | 1 | 1 |
| | MR. SHOAIB AHMAD SIDDIQUI | 2 | 5,001 |
| | SYED SHABAHAT ALI SHAH | 1 | 1 |
| | TOTAL >> | 10 | 5,009 |

# INFORMATION AS REQUIRED UNDER
# CODE OF CORPORATE GOVERNANCE
AS AT DECEMBER 31, 2019

| S. No. | Shareholder's category | Number of shareholders | Number of shares held |
|---|---|---|---|
| iv. | Executives | | |
| | TOTAL >> | - | - |
| v. | Public Sector Companies and Corporations | | |
| | TOTAL >> | 4 | 113,627,274 |
| vi. | Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds | | |
| | TOTAL >> | 50 | 127,621,126 |
| vii. | Shareholders holding five percent or more voting Rights in the Listed Company (name wise details) | | |
| | ETISALAT INTERNATIONAL PAKISTAN (LLC) - FIRST CDC ACCOUNT | 1 | 918,190,476 |
| | ETISALAT INTERNATIONAL PAKISTAN (LLC) SECOND CDC ACCOUNT | 1 | 407,809,524 |
| | PRESIDENT OF PAKISTAN | 1 | 2,974,680,002 |
| | PRESIDENT OF PAKISTAN | 1 | 196,387,991 |
| | TOTAL >> | 4 | 4,497,067,993 |





# NOTICE OF THE
# TWENTY FIFTH ANNUAL GENERAL MEETING

Notice is hereby given that the twenty fifth Annual General Meeting (the 'meeting') of Pakistan Telecommunication Company Limited (the 'Company') will be held on Thursday, May 28, 2020 at 10:30 a.m. at S.A. Siddiqui Auditorium, PTCL Headquarters, Sector G-8/4, Islamabad, to transact the following business:

1. To confirm minutes of the 24th Annual General Meeting held on April 25, 2019.
2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2019, together with the Auditors' and Directors' reports.
3. To approve the final cash dividend of 5% (Re. 0.50 per Ordinary Share) for the year ended December 31, 2019. This is in addition to the interim cash dividend of 5% (Re. 0.50 per Ordinary Share) earlier declared and has already been paid to the shareholders for the year ended December 31, 2019.
4. To appoint Auditors for the financial year ending December 31, 2020 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: April 20, 2020

Notes:
1. Participation in the Annual General Meeting

A. Coronavirus Contingency Planning for the Annual General Meeting
In compliance with the Securities and Exchange Commission of Pakistan (the 'Commission') Circular No. EMD/MIS-C/82/2012 dated March 17, 2020, the Members are encouraged to attend the AGM through video-link or by consolidating their attendance through proxies. The Members who are willing to attend and participate at the AGM through video-link are required to register their particulars by sending an email at company.secretary@ptcl.net.pk. Such Members are requested to register by providing their credentials i.e. Name, Folio Number, Scanned copy of CNIC (both sides), Cell Phone Number and Number of Shares held in their name through email with subject 'Registration for PTCL's AGM'. Video link and login details will be shared with only those Members whose emails, containing all the required particulars, are received at the given email address before 05:00 p.m. on May 26, 2020. The Members can also provide their comments and suggestions related to the agenda items of the AGM on WhatsApp Number +923340052699 and at email address: company.secretary@ptcl.net.pk.

The Company will follow the best practices and comply with the instructions of the Government and the Commission to ensure protective measures are in place for wellbeing of its Members.

# NOTICE OF THE TWENTY FIFTH ANNUAL GENERAL MEETING

B. 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 May 19, 2020 to May 28, 2020 (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 May 18, 2020 will be treated in time for the purpose of payment of final dividend to the transferees and to attend the Annual General 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 FIFTH 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 Register Folio No. _______________hereby opt for

video conference facility at ___________.

Signature of member

# NOTICE OF THE
# TWENTY FIFTH 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: 30%

All shareholders whose names are not entered into the Active Tax-pavers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of future cash dividend otherwise tax on their cash dividend will be deducted as per the rates prescribed by the authority.

(ii) For any further query / problem / information, the investors may contact Company's Share Registrar FAMCO Associates (Pvt.) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi (Ph. # +92-21- 34380101 and +92-21-34380102. 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

ptcl

I / We ______________________________

of ______________________________

being a member of **Pakistan Telecommunication Company Limited,** and a holder of ______________

Ordinary Shares as per Share Register Folio No. ______________ and / or CDC Participant 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 Fifth Annual General Meeting of the Company to be held on Thursday, May 28, 2020 at 10:30 a.m. and at any adjournment thereof.

Signed this ______________ day of ______________ 2020.

Five Rupees Revenue stamp

For beneficial owners as per CDC List.

| **1. Witness** | **2. Witness** |
|---|---|
| ______________ Signature | ______________ Signature |
| Name ______________ | Name ______________ |
| Address ______________ | Address ______________ |
| CNIC No. ☐☐☐☐☐-☐☐☐☐☐☐☐-☐ | CNIC No. ☐☐☐☐☐-☐☐☐☐☐☐☐-☐ |
| or Passport 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 ____________________

بحثیت 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 تا کہ وہ میری جگہ اور

میری طرف سے کمپنی کے 25 ویں سالانہ اجلاس عام، جو بتاریخ 28 مئی 2020ء بروز جمعرات بوقت 10:30 بجے صبح منعقد ہورہا ہے یا اس کے ملتوی شدہ اجلاس میں شرکت کرسکیں اور ووٹ ڈال سکیں۔

مورخہ: ____________________

جگہ برائے 5 روپے
کے رسیدی ٹکٹ
اور اُن پر حصے دار کے
درج شدہ (رجسٹرڈ) دستخط

## گواہان:

| 1. | 2. |
|---|---|
| دستخط: ____________________ | دستخط: ____________________ |
| نام گواہ: ____________________ | نام گواہ: ____________________ |
| پتہ: ____________________ | پتہ: ____________________ |
| ____________________ | ____________________ |
| ____________________ | ____________________ |
| شناختی کارڈ/پاسپورٹ نمبر: ____________________ | 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-44000پاکستان

Pakistan Telecommunication Company Limited
PTCL Headquarters, Sector G-8/4, Islamabad, Pakistan