



CONNECTING PAKISTAN



1st Quarter
Report 2020

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Board of Directors

Chairman PTCL Board

Shoaib Ahmad Siddiqui

Members PTCL Board

Abdulrahim A. Al Nooryani

Naveed Kamran Baloch

Rizwan Malik

Hatem Dowidar

Syed Shabahat Ali Shah

Serkan Okandan

Hesham Al Qassim

Khalifa Al Shamsi

Corporate Information

Management

Rashid Naseer Khan
President & Chief Executive Officer

Mohammad Nadeem Khan
Group Chief Financial Officer

Syed Mazhar Hussain
Chief Human Resource Officer

Zahida Awan
Group Chief Legal Officer

Naveed Khalid Butt
Group Chief Regulatory Officer

Moqeen UI 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 Auditor

Company Secretary

Saima Akbar Khattak

Legal Advisor

Zahida Awan
Group Chief Legal Officer

Bankers

Conventional

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Citibank N.A.
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 Taraqati Bank Limited
Mobilink 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

Auditors

KMPG Taseer Hadi & Co.
Chartered Accountants

Share Registrar

FAMCO Associates (Pvt.) Limited
8-F, Next to Hotel Faran, Nursery,
Block-6, P.E.C.H.S., Shahra-e-Faisal,
Karachi
Tel: +92-21- 34380101-2
Fax: +92-21-34380106
e-mail: info.shares@famco.com.pk

Directors' Review

The Directors of Pakistan Telecommunication Company Limited (PTCL) are pleased to present to the shareholders, the un-audited financial statements of the Company for the three months period ended 31st March 2020.

Covid-19 pandemic has created global shockwaves and its effects have changed the landscape of every perceptible area of ordinary life. PTCL stands with the nation in this tough time and continues to provide seamless connectivity across Pakistan. Our frontline teams, equipped with all protective gears, are at the forefront to serve our customers nationwide. The Company has enabled more than 1,200 contact center agents with 'work from home' facilities to ensure that due social distancing is maintained, while serving the connectivity needs of our customers. To ensure continuity of essential services for our valued customers, certain customer service centers have also been kept open. Our sales and customer care teams are constantly in touch with our corporate customers to cater, not only, to their existing requirements, but to also address any new customer needs emanating from Covid-19 pandemic.

During the period under review, PTCL Group's revenue of Rs 31.8 billion is lower by 5% as compared to the same period of last year. This decline is mainly as a result of certain regulatory changes that have affected Ufone's topline. UBank, a microfinance banking subsidiary of PTCL, continued its growth momentum and has achieved a 44% growth in its quarterly revenue over last year as a result of increase in its customer loan portfolio through its branch network expansion. The Group's operating profit and bottom line have deteriorated over last year due to rupee devaluation, increase in interest rates, higher power tariffs and the effects of Covid-19 pandemic.

PTCL posted revenue of Rs 17.7 billion for the quarter. In line with its ambition to be a customer centric organization, PTCL is focusing on uplifting customer experience by various initiatives. This, coupled with PTCL's improved and upgraded network infrastructure, will enable the Company to be a service provider of choice for its customers.

Corporate and Wholesale businesses continued their growth momentum and have achieved an 8% overall revenue growth year-on-year (YoY). This has been possible through PTCL's leading market position in IP Bandwidth and its strong presence in Managed Services, Cloud and other ICT services segments. Similarly, international revenue has also shown 5% growth as compared to same period of last year. Wireless revenue for the quarter has shown a 3% YoY revenue growth as a result of a renewed business focus on this segment. In addition to increased spend on wireless customer acquisition, PTCL focused on rationalization of its wireless data products to make them competitive with the products offered by the cellular operators. Despite growth in the above segments, shrinkage in other segments has meant a like-for-like stable revenue in Q-1 2020.

PTCL's Operating and Net Profit after Tax for the quarter have declined as compared to last year due to increase in operating costs. However, increase in non-operating income on account of gain on sale of obsolete assets that had become redundant as a result of upgradation of legacy exchanges and fiberization of access network and higher income on investments due to higher interest rates, has helped lessen the gap at the bottom-line level with comparative period.

Being a national company, PTCL also proactively supported Coronavirus affected families in Sukkur through a special package comprising of ration, medicines and protective gears. The Company is playing its part by being socially responsible during the on-going global crisis.

PTCL, in collaboration with International Rescue Committee (IRC) and the Government of Pakistan, launched awareness campaign on Covid-19 to ensure that verified information is available on PTCL digital mediums for general public consumption. For their ease and convenience, PTCL is facilitating its customers with online channels such as PTCL website, Touch App, online banking, mobile financial services, etc. so they can avail PTCL services while observing the recommended social distancing.

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

Rashid Khan

Rashid Naseer Khan
President & Chief Executive Officer

Shoaib Ahmad Siddiqui

Shoaib Ahmad Siddiqui
Chairman, Board of Directors PTCL

ڈائریکٹرز کا جائزہ

پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) کے بورڈ آف ڈائریکٹرز 31 مارچ 2020 کو ختم ہونے والی سہ ماہی کیلئے کمپنی کے غیر آڈٹ شدہ مالی حسابات شیئر ہولڈرز کو پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کوویڈ 19 کی وبا کی وجہ سے پوری دنیا متاثر ہوئی ہے اور اس سے پیدا ہونے والی صورت حال نے زندگی کا نقشہ بدل کر رکھ دیا ہے۔ اس مشکل وقت میں بھی پی ٹی سی ایل اپنی قوم کے شانہ بہ شانہ کھڑا ہے اور ملک بھر میں راہٹوں کی روانی کو یقینی بنا رہا ہے۔ ہمارے ورکرز ملک کے کونے کونے میں حفاظتی اقدامات کے ساتھ اپنے فرائض سرانجام دے رہے ہیں۔ کمپنی نے 1200 کنٹیکٹ سنٹر ایجنٹس کو گھر سے کام کرنے کی سہولت فراہم کی تاکہ سماجی دوری کو یقینی بنانے کے ساتھ ساتھ ہمارے صارفین کی ضروریات کو بھی پورا کیا جاسکے۔ ہمارے معزز صارفین کیلئے ضروری سروسز کے تسلسل کو برقرار رکھنے کیلئے کچھ کسٹمر سروس سنٹرز کو کھلا بھی رکھا گیا۔ ہماری سیلز اور کسٹمر کیئر ٹیمز نے مسلسل اپنے کارپوریٹ کسٹمرز کے ساتھ راہٹوں کو برقرار رکھا تاکہ نہ صرف ان کی موجودہ ضروریات کو پورا کیا جاسکے بلکہ کوویڈ 19 کی وبا کی صورت حال کے پیش نظر صارفین کی نئی ضروریات کو بھی پورا کیا جائے۔

زیر جائزہ مدت میں پی ٹی سی ایل کی گروپ آمدن 31.8 ارب روپے رہی جو کہ گزشتہ سال کے اسی دورانیے کی نسبت 5 فیصد کم ہے۔ یہ کمی کچھ ریگولیٹری تبدیلیوں کا نتیجہ ہے جس نے یون فون کی ٹاپ لائن کو متاثر کیا۔ یو بینک جو پی ٹی سی ایل کے ماتحت ایک مائیکرو فنانس بینکنگ ادارہ ہے، نے اپنی ترقی کا سفر جاری رکھا اور اپنے برانچ نیٹ ورک میں توسیع کے ذریعے کسٹمر لون میں اضافے کے نتیجے میں گزشتہ سال کی نسبت سہ ماہی آمدن میں 44 فیصد اضافہ حاصل کیا۔ روپے کی قدر میں کمی، شرح سود میں اضافہ، بجلی کے نرخوں میں اضافہ اور کوویڈ 19 کی وبا کے اثرات کی وجہ سے گروپ کے آپریٹنگ اور خالص منافع میں گزشتہ برس کی نسبت کمی ہوئی ہے۔

زیر جائزہ سہ ماہی میں پی ٹی سی ایل کی آمدن 17.7 ارب روپے رہی۔ صارفین کی ضروریات کو اولین ترجیح دینے والی کمپنی ہونے کے عزم کے تحت پی ٹی سی ایل مختلف اقدامات کے ذریعے صارفین کے تجربے کو بہتر بنانے کی طرف توجہ مرکوز کئے ہوئے ہے۔ ان اقدامات اور پی ٹی سی ایل کے پہلے سے بہتر اور اپ گریڈ نیٹ ورک انفراسٹرکچر کی بدولت پی ٹی سی ایل صارفین کی پہلی ترجیح بننے میں کامیاب ہو سکا۔

کارپوریٹ اور ہول سیل برنس نے ترقی کا سفر جاری رکھا اور سال بہ سال کی بنیاد پر مجموعی آمدن میں 8 فیصد اضافہ حاصل کیا۔ یہ پی ٹی سی ایل کی آئی پی بینڈ وڈ تھا اور اس کی مینیجڈ سروسز، کلاؤڈ اور دیگر آئی سی ٹی سروسز سیکمینٹس میں نمایاں مقام کی بدولت ممکن ہوا۔ اسی طرح بین الاقوامی آمدن میں بھی گزشتہ سال کی اسی مدت کے مقابلے میں 5 فیصد اضافہ ہوا۔ اس سہ ماہی میں وائرلیس آمدن میں تجدیدی کاروباری

توجہ کے نتیجے میں سال بہ سال کی نسبت 3 فیصد اضافہ ہوا۔ وائرلیس کسٹمر کے حصول کیلئے اضافی اخراجات کے ساتھ ساتھ پی ٹی سی ایل نے سیلولر آپریٹرز کی جانب سے پیش کی جانے والی پراڈکٹس کے مقابلے میں اپنی وائرلیس ڈیٹا پراڈکٹس کو صارفین کیلئے پرکشش بنانے پر بھی توجہ مرکوز رکھی۔ مندرجہ بالا سیکمینٹس میں ترقی کے باوجود دیگر سیکمینٹس میں کمی سے 2020 کی پہلی سہ ماہی میں آمدن قدرے مستحکم رہی۔

سہ ماہی کیلئے پی ٹی سی ایل کے آپریٹنگ منافع اور بعد از ٹیکس منافع میں گزشتہ سال کی نسبت آپریٹنگ اخراجات میں اضافے کی وجہ سے کمی کا سامنا رہا۔ تاہم ایکس چینج کی اپ گریڈیشن اور ایکسس نیٹ ورک کی فائبرائزیشن کے نتیجے میں ناکارہ سامان کی فروخت اور ہائر ریٹس کہ وجہ سے سرمایہ کاری پر زائد آمدن کے نتیجے میں گزشتہ سال کی نسبت خالص منافع میں فرق کو کم کرنے میں مدد ملی۔

قومی ادارہ ہونے کے ناطے پی ٹی سی ایل نے سکھر میں کورونا وائرس سے متاثر ہونے والے خاندانوں تک راشن، ادویات اور حفاظتی سامان پہنچایا۔ عالمی وبا کی اس صورت حال میں پی ٹی سی ایل اپنی سماجی ذمہ داری بھی نبھا رہا ہے۔

پی ٹی سی ایل نے انٹرنیشنل ریسکیو کمیٹی (آئی آر سی) اور حکومت پاکستان کے اشتراک سے کوویڈ 19 کی وبا سے متعلق آگاہی کے فروغ کیلئے مہم کا آغاز کیا تاکہ پی ٹی سی ایل کے ڈیجیٹل میڈیمز پر عوام الناس کیلئے مصدقہ معلومات کی فراہمی کو یقینی بنایا جاسکے۔ اپنے صارفین کی آسانی کیلئے پی ٹی سی ایل آن لائن چینل جیسا کہ پی ٹی سی ایل ویب سائٹ، ٹچ ایپ، آن لائن بینکنگ، موبائل فنانشل سروسز وغیرہ فراہم کرتا ہے تاکہ صارفین سماجی دوری کو برقرار رکھتے ہوئے پی ٹی سی ایل کی سروسز سے مستفید ہو سکیں۔

پی ٹی سی ایل کی مینجمنٹ اور ملازمین مناسب قیمت پر معیاری سروسز کی فراہمی کے ذریعے صارفین کا اولین انتخاب بننے اور اپنے شیئر ہولڈرز کیلئے ویلیو میں اضافے کے سلسلے میں پرعزم ہیں۔

منشیہ
شعیب احمد صدیقی

چیئر مین، بورڈ آف ڈائریکٹرز پی ٹی سی ایل

Rashid Khan
راشد نصیر خان

پریزیڈنٹ اینڈ چیف ایگزیکٹو آفیسر

اسلام آباد: 09 اپریل 2020

Optel

**CONDENSED INTERIM
FINANCIAL STATEMENTS**
FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2020 (UN-AUDITED)

AS AT MARCH 31, 2020 (UN-AUDITED)

Contingencies and commitments 12

The annexed notes 1 to 21 are an integral part of these condensed interim financial statements.



Chief Financial Officer

Rashid Khan

President & CEO

Amir

Chairman



Chief Financial Officer

Rashid Khan

President & CEO

[Signature]

Chairman

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	Note	Three months ended	
		March 31, 2020 Rs '000	March 31, 2019 Rs '000
Revenue	13	17,691,692	17,864,813
Cost of services		(14,267,597)	(13,135,713)
Gross profit		3,424,095	4,729,100
Administrative and general expenses		(1,656,520)	(1,552,048)
Selling and marketing expenses		(809,354)	(745,992)
Impairment loss on trade debts and contract assets		(666,859)	(442,000)
		(3,132,733)	(2,740,040)
Operating profit		291,362	1,989,060
Other income	14	1,548,377	1,007,077
Finance costs		(84,391)	(82,483)
Profit before tax		1,755,348	2,913,654
Provision for income tax		(544,158)	(903,233)
Profit for the period		1,211,190	2,010,421
Earnings per share - basic and diluted (Rupees)		0.24	0.39

The annexed notes 1 to 21 are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	Three months ended	
	March 31, 2020 Rs '000	March 31, 2019 Rs '000
Profit for the period	1,211,190	2,010,421
Other comprehensive income for the period	-	-
Total comprehensive income for the period	1,211,190	2,010,421

The annexed notes 1 to 21 are an integral part of these condensed interim financial statements.



Chief Financial Officer



President & CEO



Chairman



Chief Financial Officer



President & CEO



Chairman

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

		Three months ended	
	Note	March 31, 2020 Rs '000	March 31, 2019 Rs '000 (Restated)
Cash flows from operating activities			
Cash generated from operations	15	3,473,437	4,880,537
Employees retirement benefits paid		(298,370)	(273,334)
Advances from customers		(35,114)	(21,509)
Income tax paid		(277,155)	(300,700)
Net cash inflow from operating activities		2,862,798	4,284,994
Cash flows from investing activities			
Capital expenditure		(2,243,079)	(4,301,972)
Proceeds from disposal of property, plant and equipment		444,775	36,237
Addition to contract costs		(590,973)	(603,609)
Long term loans and advances		(83,989)	(150,415)
Advance against purchase of shares		(1,000,000)	-
Return on long term loan to subsidiaries		263,624	154,493
Return on short term investments		112,618	145,100
Government grants received		459,895	-
Net cash outflow from investing activities		(2,637,129)	(4,720,166)
Cash flows from financing activities			
Dividend paid		(564)	(54,855)
Lease liabilities		(77,353)	(45,653)
Net cash outflow from financing activities		(77,917)	(100,508)
Net increase / (decrease) in cash and cash equivalents		147,752	(535,680)
Cash and cash equivalents at the beginning of the period		4,174,430	9,590,981
Cash and cash equivalents at the end of the period	16	4,322,182	9,055,301

The annexed notes 1 to 21 are an integral part of these condensed interim financial statements.

Chief Financial Officer

President & CEO

Chairman

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	Issued, subscribed and paid-up capital			Revenue reserves			Total
	Class "A"	Class "B"		Insurance reserve	General reserve	Unappropriated profit	
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 period							
Profit for the three months period ended March 31, 2019	-	-		-	-	2,010,421	2,010,421
Other comprehensive income for the period	-	-		-	-	2,010,421	2,010,421
Transfer to insurance reserve	-	-		186,928	-	(186,928)	-
Balance as at March 31, 2019	37,740,000	13,260,000		3,172,624	27,497,072	3,912,076	85,581,772
Total comprehensive income for the period							
Profit for the nine months period ended December 31, 2019	-	-		-	-	4,336,814	4,336,814
Other comprehensive income for the period	-	-		-	-	382,793	382,793
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)
Balance as at December 31, 2019	37,740,000	13,260,000		3,172,624	27,497,072	6,081,683	87,751,379
Total comprehensive income for the period							
Profit for the three months period ended March 31, 2020	-	-		-	-	1,211,190	1,211,190
Other comprehensive income for the period	-	-		-	-	1,211,190	1,211,190
Balance as at March 31, 2020	37,740,000	13,260,000		3,172,624	27,497,072	7,292,873	88,962,569

The annexed notes 1 to 21 are an integral part of these condensed interim financial statements.

Chief Financial Officer

President & CEO

Chairman

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

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.

During the quarter ended 31 March 2020, the COVID-19 pandemic emerged which impacted the economy in general. At this stage, the management believes that this event may impact the operations and financials of the Company in subsequent periods; however, since the situation is still developing and changing rapidly, the assessment of potential impact cannot be ascertained.

2. Statement of compliance

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

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

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

3. Basis of preparation

These condensed interim financial statements do not include all of the information required in the annual financial statements prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements. These condensed interim financial statements should be read in conjunction with the Company's latest annual financial statements as at and for the year ended December 31, 2019.

4. Critical accounting estimates and judgements

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

Estimates and judgments made by the management in the preparation of this condensed interim financial statements are the same as those used in the preparation of audited financial statements of the Company for the year ended December 31, 2019.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

5. Significant accounting policies

The accounting policies and the methods of computations adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's audited financial statements for the year ended December 31, 2019.

	Note	March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
6. Trade and other payables			
Trade creditors	6.1	9,164,665	11,289,895
Accrued and other liabilities		28,698,362	27,657,593
Technical services assistance fee		22,409,585	21,297,281
Advances from customers / contract liabilities		5,686,506	5,932,578
Retention money / payable to contractors and suppliers		7,131,651	6,761,684
Income tax collected / deducted at source		666,675	718,313
Payable to subsidiaries on account of group taxation		3,401,122	3,401,122
Sales tax payable		1,404,716	1,203,214
		78,563,282	78,261,680
6.1 Accrued and other liabilities			
Accrued liability for operational expenses		6,441,165	5,484,769
Amount withheld on account of provincial levies(Sub-judice) for ICH operations		12,110,803	12,110,803
Accrual for Government / regulatory expenses		9,204,501	8,305,315
Accrued wages		428,162	1,160,504
Others		513,731	596,202
		28,698,362	27,657,593
7. Property, plant and equipment			
Operating fixed assets	7.1	103,376,032	103,626,162
Capital work-in-progress	7.3	11,764,275	13,093,646
		115,140,307	116,719,808
		March 31, 2020 (Un-Audited) Rs '000	March 31, 2019 (Un-Audited) Rs '000
7.1 Operating fixed assets			
Opening net book value		103,626,162	91,947,710
Additions during three months period	7.2	3,572,450	3,819,877
		107,198,612	95,767,587
Disposals during the period - at net book value		(2,171)	(2,076)
Depreciation charge for the period		(3,820,409)	(3,465,047)
		(3,822,580)	(3,467,123)
Closing net book value		103,376,032	92,300,464
7.2 Detail of additions during the period:			
Buildings on freehold land		70,950	16,916
Buildings on leasehold land		21,325	14,749
Lines and wires		1,615,881	872,128
Apparatus, plant and equipment		1,802,456	2,819,942
Office equipment		49,259	4,231
Computer equipment		6,326	28,277
Furniture and fittings		1,533	110
Vehicles		4,720	63,524
		3,572,450	3,819,877

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

7.3 Additions to CWIP during the three months period ended March 31, 2020 were Rs 2,243,196 thousand (March 31, 2019: Rs 4,812,798 thousand).

Note	March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
8. Long term loans and advances		
Loans to PTML - unsecured	7,500,000	7,500,000
Loans to Ubank - unsecured	4,000,000	4,000,000
Advance against purchase of shares - PTML	1,000,000	-
Loans to employees - secured	871,559	828,438
Others	39,188	58,618
	13,410,747	12,387,056
9. Trade debts and contract assets		
Trade debts	25,865,730	22,734,097
Contract assets	5,137,741	5,177,698
	31,003,471	27,911,795
Accumulated Impairment loss on trade debts and contract assets	(8,323,221)	(7,653,221)
	22,680,250	20,258,574
10. Short term investments		
Market treasury bills - Amortized cost	1,487,838	-
Investment in mutual funds - FVTPL	6,906	6,906
	1,494,744	6,906
11. Cash and bank balances		
Cash in hand	23,841	51,335
Balances with banks:	11.1	
Deposit accounts local currency	1,114,898	2,304,244
Current accounts		
Local currency	417,063	1,103,129
Foreign currency	1,271,636	708,816
	1,688,699	1,811,945
	2,827,438	4,167,524

11.1 Bank balance includes Rs 4,082 thousands (December 31, 2019: Rs 147,092 thousand) carrying profit at the rate of 7.06% (December 31, 2019: 7%) per annum from Shariah arrangements.

12. Contingencies and commitments

There has been no material change in contingencies as disclosed in the last audited financial statements of the Company for the year ended December 31, 2019, except as disclosed in note no. 12.1.

12.1 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 23,170,732 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

12.2 Further, there has been no change in the status of pension case as disclosed in the annual financial statements for the year ended December 31, 2019. As also disclosed in the annual financial statements, under the circumstances, management of the Company, on the basis of legal advice, believes that the Company's obligations against benefits are restricted to the extent of pension increases as determined solely by the Board of Trustees of the Pakistan Telecommunication Employees Trust 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 condensed interim financial statements.

	March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
12.3 Bank guarantee and bid bonds:		
Universal Service Fund (USF) against government grants	4,065,496	4,065,496
Others	2,281,061	2,539,018
	6,346,557	6,604,514

12.4 Commitments

Commitments, in respect of contracts for capital expenditure amount to Rs 4,055,328 thousand (December 31, 2019: Rs 4,065,672 thousand).

13. Revenue

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

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

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

	Three months ended	
	March 31, 2020 Rs '000	March 31, 2019 Rs '000
Revenue segments		
Broadband and IPTV	6,784,481	7,024,605
Voice services	2,833,522	3,295,705
Wireless data	558,682	542,628
Revenue from retail customers	10,176,685	10,862,938
Corporate and wholesale	5,621,890	5,200,866
International	1,893,117	1,801,009
Total revenue	17,691,692	17,864,813

13.1 Revenue is stated net of trade discount amounting to Rs 17,510 thousand (March 31, 2019 Rs 17,708 thousand) and Sales and other taxes directly attributable to sales amounting to Rs 2,782,839 thousand (March 31, 2019: Rs 2,396,871 thousand)

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

Note	Three months ended	
	March 31, 2020 Rs '000	March 31, 2019 Rs '000
14 other income		
Income from financial assets	14.1 865,399	720,606
Income from non-financial assets	682,978	286,471
	1,548,377	1,007,077
14.1 Income from financial assets include Rs 161 thousand (March 31, 2019: Rs 401 thousand) earned from Shariah arrangements.		
	Three months ended	
	March 31, 2020 Rs '000	March 31, 2019 Rs '000
15 cash generated from operations		
Profit before tax	1,755,348	2,913,654
Adjustments for non-cash charges and other items:		
Depreciation of property, plant and equipment	3,820,409	3,465,047
Amortization of intangible assets	95,929	101,347
Depreciation of right of use assets	64,417	72,271
Amortization of contract costs	722,522	515,046
Provision for obsolete stores and spares	(509)	-
Impairment loss on trade debts and contract assets	666,859	442,000
Provision for employees retirement benefits	1,100,445	967,033
Gain on disposal of property, plant and equipment	(442,604)	(34,162)
Return on bank deposits	(131,792)	(81,455)
Imputed interest on long term loans	18,287	9,917
Imputed interest on lease liabilities	26,455	30,150
Return on long term loan to subsidiaries	(416,257)	(281,587)
Gain on investment measured at fair value through profit or loss	(538)	(79,683)
Release of deferred government grants	(111,431)	(104,396)
	7,167,540	7,935,182
Effect on cash flows due to working capital changes:		
Decrease / (increase) in current assets:		
Stores and spares	151,998	834,915
Trade debts and contract assets	(3,088,536)	(3,693,283)
Loans and advances	(306,895)	(643,906)
Prepayments and other receivables	(753,497)	(572,124)
	(3,996,930)	(4,074,398)
Increase in current liabilities:		
Trade and other payables	299,211	1,016,480
Security deposits	3,616	3,273
	3,473,437	4,880,537
16. Cash and cash equivalents		
Short term investments	1,494,744	5,041,874
Cash and bank balances	2,827,438	4,013,427
	4,322,182	9,055,301

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

		Three months ended	
		March 31, 2020 Rs '000	March 31, 2019 Rs '000
17. Transactions and balances with related parties			
Relationship with the Company	Nature of transaction		
i. Shareholders	Technical services assistance fee - note 17.1	642,025	626,236
ii. Subsidiaries	Sale of goods and services	1,489,564	1,459,481
	Purchase of goods and services	723,082	682,590
	Mark up on long term loans	416,257	281,587
	Advance against purchase of Share	1,000,000	-
iii. Associated undertakings	Sale of goods and services	1,006,575	761,142
	Purchase of goods and services	157,909	171,085
iv. Employees contribution plan	PTCL Employees GPF Trust - net	15,805	13,733
v. Employees retirement benefit plan	Contribution to the plan- Gratuity	21,753	48,786
vi. Other related parties	Charge under license obligations	404,662	400,160
vii. Directors, Chief Executive and Key management personnel	Fee and remuneration including benefits and perquisites	215,755	650,884
		March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
Period / year-end balances			
Receivables from related parties			
Long term loans to subsidiaries		11,500,000	11,500,000
Advance against purchase of shares		1,000,000	-
Trade debts			
- Subsidiaries		879,335	431,164
- Associated undertakings		7,792,647	6,267,566
Other receivables			
- Subsidiaries		13,124,450	12,634,977
- Associated undertakings		71,305	71,305
- PTCL Employees GPF Trust		91,650	107,454
- Pakistan Telecommunication Employees Trust (PTET)		94	94
- Long term loans to executives and key management personnel		63,320	68,135
Bank deposit with subsidiary		89	565,434

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
Payables to related parties		
Trade creditors		
- Subsidiaries	1,014,131	969,409
- Associated undertakings	1,042,248	887,697
- The Government of Pakistan related entities	1,607,920	1,301,247
Security deposits from subsidiary	3,623	3,623
Retention money payable to associated undertakings	3,055	3,055
Technical services assistance fee payable to Etisalat Pakistan Telecommunication Company Limited	22,409,585	21,297,281
Employees Gratuity Fund	173,681	137,974
Pakistan Telecommunication Employees Trust (PTET)	4,472,753	4,135,611

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

18. Offsetting of financial assets and liabilities

	Gross amounts subject to setoff Rs '000	Offset Rs '000	Net amount Rs '000	Amount not in scope of offsetting Rs '000	Net as per statement of financial position Rs '000
As at March 31, 2020 (Unaudited)					
Trade debts and contract assets	10,431,924	(1,411,550)	9,020,374	21,983,097	31,003,471
Trade creditors	(2,232,868)	1,411,550	(821,318)	(8,343,347)	(9,164,665)
As at December 31, 2019 (Audited)					
Trade debts and contract assets	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)

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

19. Financial risk management and fair values

The Company's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements for the year ended December 31, 2019. There is no change in the nature and corresponding hierarchies of fair value levels of financial instruments from those as disclosed in the audited financial statements of the Company for the year ended December 31, 2019.

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

20. Corresponding figures

Following corresponding figures have been reclassified for appropriate presentation of operating results.

Condensed Interim Statement of Profit or Loss

	As previously reported Rs '000	Reclassified Rs '000	As reclassified Rs '000
Cost of services	(13,121,683)	(14,030)	(13,135,713)
Administrative and general expenses	(2,046,181)	52,133	(1,552,048)
Impairment loss on trade debts		(442,000)	(442,000)
Selling and marketing expenses	(707,889)	(38,103)	(745,992)

Condensed Interim Statement of Cash flows

Reclassification from	Reclassification to	Rs '000
Cash generated from operations	Cash flows from investing activities	603,609

21. Date of authorization for issue of condensed interim financial statements

21.1 The Board of Directors in its meeting held on February 11, 2020 has recommended a final dividend of Re. 0.50 per share for the year ended 31 December 2019 amounting to Rs. 2,550,000 thousand for approval of the members in the forthcoming Annual General Meeting and will be accounted for in the period in which it is approved by the members.

21.2 This condensed interim financial statements for the three months period ended March 31, 2020 were authorized for issue by the Board of Directors of the Company on April 9, 2020.



Chief Financial Officer



President & CEO



Chairman

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FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2020 (UN-AUDITED)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020 (UN-AUDITED)

	Note	March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
Equity and liabilities			
Equity			
Share capital and reserves			
Share capital		51,000,000	51,000,000
Revenue reserves			
Insurance reserve		3,172,624	3,172,624
General reserve		27,497,072	27,497,072
Unappropriated profit		1,085,699	1,492,423
		31,755,395	32,162,119
Statutory and other reserves		285,013	285,013
Unrealized loss on investments measured at fair value through OCI		(2,106)	(8,779)
		83,038,302	83,438,353
Liabilities			
Non-current liabilities			
Long term loans from banks		18,224,999	19,716,427
Subordinated debt		599,400	599,400
Deposits from banking customers		3,578,111	3,766,456
Lease liabilities		16,497,401	17,312,174
Deferred income tax		5,681,985	7,102,905
Employees retirement benefits		27,873,335	27,123,119
Deferred government grants		19,210,935	19,182,858
Advances from customers		1,491,797	1,526,911
Long term vendor liability		24,302,459	25,709,208
		117,460,422	122,039,458
Current liabilities			
Trade and other payables	6	86,785,412	87,830,054
Deposits from banking customers		19,153,304	18,958,369
Interest accrued		2,433,375	1,658,615
Short term running finance		5,404,155	4,058,444
Current portion of:			
Long term loans from banks		12,074,083	11,300,239
Lease liabilities		2,580,599	2,440,869
Long term vendor liability		15,849,202	12,522,539
Security deposits		1,344,809	1,359,489
Unpaid / unclaimed dividend		211,025	211,589
		145,835,964	140,340,207
Total equity and liabilities		346,334,688	345,818,018

Contingencies and commitments

11

The annexed notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer

President & CEO

Chairman

Chief Financial Officer

President & CEO

Chairman

	Note	March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
Assets			
Non-current assets			
Property, plant and equipment	7	188,538,648	190,009,353
Right of use assets		19,241,129	20,176,320
Intangible assets		27,342,499	28,099,965
Long term investments		51,427	51,427
Long term loans and advances		912,144	890,600
Long term loans to banking customers		477,299	474,351
Contract costs		577,204	637,743
		237,140,350	240,339,759
Current assets			
Stock in trade, stores and spares		5,418,691	5,642,513
Trade debts and contract assets	8	23,739,875	21,701,204
Loans to banking customers		22,155,494	20,899,728
Loans and advances		1,352,740	1,063,243
Contract costs		2,460,391	2,511,646
Income tax recoverable		24,209,278	24,577,280
Receivable from the GoP		2,164,072	2,164,072
Deposits, prepayments and other receivables		11,332,398	10,671,218
Short term investments	9	6,169,068	9,076,445
Cash and bank balances	10	10,192,331	7,170,910
		109,194,338	105,478,259
Total assets		346,334,688	345,818,018

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	Note	Three months ended	
		March 31, 2020 Rs '000	March 31, 2019 Rs '000
Revenue	12	31,825,093	33,534,964
Cost of services		(23,901,901)	(23,764,414)
Gross profit		7,923,192	9,770,550
Administrative and general expenses		(4,373,912)	(4,075,781)
Selling and marketing expenses		(1,805,047)	(1,732,766)
Impairment loss on trade debts and contract assets		(1,138,233)	(609,345)
		(7,317,192)	(6,417,892)
Operating profit		606,000	3,352,658
Other income	13	2,151,342	1,469,732
Finance costs		(3,278,828)	(1,940,370)
(Loss) / profit before tax		(521,486)	2,882,020
Provision for income tax		114,762	(884,106)
(Loss) / profit for the period		(406,724)	1,997,914

The annexed notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	Three months ended	
	March 31, 2020 Rs '000	March 31, 2019 Rs '000
(Loss) / profit for the period	(406,724)	1,997,914
Other comprehensive income for the period		
Items that may be subsequently reclassified to profit or loss:		
Loss on revaluation of assets transferred to profit or loss	(20,114)	(981)
Gain on revaluation of assets	37,728	119
Tax Impact	(10,941)	25
	6,673	(837)
Total comprehensive (loss) / income for the period	(400,051)	1,997,077

The annexed notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.



Chief Financial Officer



President & CEO



Chairman



Chief Financial Officer



President & CEO



Chairman

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

		Three months ended	
	Note	March 31, 2020 Rs '000	March 31, 2019 Rs '000
Cash flows from operating activities			
Cash generated from operations	14	7,142,470	12,332,820
Employees retirement benefits paid		(381,387)	(369,911)
Finance cost paid		(2,277,174)	(1,786,023)
Income tax paid		(941,034)	(711,998)
Net cash inflow from operating activities		3,542,875	9,464,888
Cash flows from investing activities			
Capital expenditure		(5,435,262)	(5,148,140)
Proceeds from disposal of property, plant and equipment		470,538	78,636
Additions to contract costs		(985,979)	(1,021,586)
Long term loans and advances		(39,831)	(123,264)
Government grants received		459,895	-
Return on long term loans and short term investments		610,664	261,111
Net cash outflow from investing activities		(4,919,975)	(5,953,243)
Cash flows from financing activities			
Loan from banks		(717,584)	(1,304,165)
Vendor liability		1,919,914	(4,074,743)
Customers deposits		6,590	1,264,408
Lease liabilities		(1,062,923)	(1,318,655)
Dividend paid		(564)	(54,855)
Net cash inflow/(outflow) from financing activities		145,433	(5,488,010)
Net decrease in cash and cash equivalents		(1,231,667)	(1,976,365)
Cash and cash equivalents at the beginning of the period		12,188,911	23,916,454
Cash and cash equivalents at the end of the period	15	10,957,244	21,940,089

The annexed notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer

President & CEO

Chairman

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	Revenue reserves				Statutory and other reserves	Unrealized (loss)/gain on investments measured at fair value through OCI	Total
	Issued, subscribed and paid-up capital	Class "B"	Class "A"	General reserve	Unappropriated profit		
	(Rupees in '000)						
Balance as at January 01, 2019	37,740,000	13,260,000	2,985,696	27,497,072	1,535,145	(29)	83,239,485
Total comprehensive income for the period							
Profit for the three months period ended March 31, 2019	-	-	-	-	1,997,914	-	1,997,914
Other comprehensive income	-	-	-	-	-	(837)	(837)
Transfer to insurance reserve	-	-	186,928	-	(186,928)	-	-
Balance as at March 31, 2019	37,740,000	13,260,000	3,172,624	27,497,072	3,346,131	(866)	85,236,562
Profit for the nine months period ended December 31, 2019							
Other comprehensive income	-	-	-	-	379,186	-	379,186
Distribution to owners of the Holding Company	-	-	-	-	380,518	(7,913)	372,605
Interim dividend for the year ended December 31, 2019 - Re 0.5 per share	-	-	-	-	759,704	(7,913)	751,791
Transfer to statutory and other reserves	-	-	-	-	(2,550,000)	-	(2,550,000)
Balance as at December 31, 2019	37,740,000	13,260,000	3,172,624	27,497,072	1,492,423	-	83,438,353
Total comprehensive income / (loss) for the period							
Loss for the three months period ended March 31, 2020	-	-	-	-	(406,724)	-	(406,724)
Other comprehensive income	-	-	-	-	-	6,673	6,673
Balance as at March 31, 2020	37,740,000	13,260,000	3,172,624	27,497,072	1,085,699	(2,106)	83,038,302

The annexed notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer

President & CEO

Chairman

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

1. Legal status and nature of business

1.1 Constitution and ownership

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

Pakistan Telecommunication Company Limited (PTCL)

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

Pak Telecom Mobile Limited (PTML)

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

U Microfinance Bank Limited (U Bank)

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

DVCOM Data (Private) Limited (DVCOM Data)

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

Smart Sky (Private) Limited (Smart Sky)

Smart Sky was incorporated in Pakistan on October 12, 2015 as a private limited company. 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. PTCL owns and operates telecommunication facilities and provides domestic and international telephone services throughout Pakistan. PTCL has also been licensed to provide such services to territories in Azad Jammu and Kashmir and Gilgit-Baltistan. PTML provides cellular mobile telephony services throughout Pakistan and Azad Jammu and Kashmir. Principal business of U Bank, incorporated under Microfinance Institutions Ordinance, 2001, is to provide nationwide microfinance and branchless banking services.

During the quarter ended March 31, 2020, the COVID-19 pandemic emerged which impacted the economy in general. At this stage, the management believes that this event may impact the operations and financials of the Group in subsequent periods; however, since the situation is still developing and changing rapidly, the assessment of potential impact can not be ascertained.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

2. Statement of compliance

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

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

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

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

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

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 IAS 34, the requirements of the Companies Act, 2017, the Microfinance Ordinance, 2001, or the requirements of the said directives shall prevail.

3. Basis of preparation

These condensed consolidated interim financial statements do not include all of the information required in the annual financial statements prepared in accordance with the accounting and reporting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Group's latest annual consolidated financial statements as at and for the year ended December 31, 2019.

4. Critical accounting estimates and judgements

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

Estimates and judgements made by the management in the preparation of this condensed consolidated interim financial information are the same as those used in the preparation of annual audited consolidated financial statements of the Group for the year ended December 31, 2019.

5. Significant accounting policies

The accounting policies and the methods of computations adopted in the preparation of this condensed consolidated interim financial information are consistent with those followed in the preparation of the consolidated annual audited financial statements for the year ended December 31, 2019.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

Note	March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
6. Trade and other payables		
Trade creditors	9,535,427	12,670,240
Accrued and other liabilities	35,892,407	35,022,799
Technical services assistance fee	22,409,585	21,297,281
Advances from customers / contract liability	9,441,162	9,834,302
Retention money / payable to contractors and suppliers	7,131,651	6,761,684
Income tax collected from subscribers / deducted at source	931,192	1,012,664
Sales tax payable	1,404,716	1,203,214
Payable to provident fund	39,272	27,870
	86,785,412	87,830,054
6.1 Accrued and other liabilities		
Accrued liability for operational expenses	10,366,026	9,529,099
Amount withheld on account of provincial levies (Sub-judice) for ICH operations	12,110,803	12,110,803
Accrual for Government / regulatory expenses	11,505,985	10,312,860
Accrued wages	737,430	1,537,485
Others	1,172,163	1,532,552
	35,892,407	35,022,799
7. Property, plant and equipment		
Operating fixed assets	168,858,068	168,066,793
Capital work-in-progress	19,680,580	21,942,560
	188,538,648	190,009,353
Note	March 31, 2020 (Un-Audited) Rs '000	March 31, 2019 (Un-Audited) Rs '000
7.1 Operating fixed assets		
Opening net book value	168,066,793	156,293,468
Additions during the period	7,587,614	5,211,524
	175,654,407	161,504,992
Disposals during the period - at net book value	(13,676)	(42,083)
Depreciation for the period	(6,782,663)	(7,142,569)
	(6,796,339)	(7,184,652)
Closing net book value	168,858,068	154,320,340

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	March 31, 2020 (Un-Audited) Rs '000	March 31, 2019 (Un-Audited) Rs '000
7.2 Detail of additions during the period:		
Buildings on freehold land	70,950	16,916
Buildings on leasehold land	21,325	57,028
Lines and wires	1,615,881	872,128
Apparatus, plant and equipment	5,783,708	3,756,808
Office equipment	61,623	4,231
Computer equipment	20,918	428,179
Furniture and fittings	8,489	12,710
Vehicles	4,720	63,524
	7,587,614	5,211,524
7.3 Additions to CWIP during the three months period ended March 31, 2020 were Rs 5,485,622 thousand (March 31, 2019: Rs 5,634,995 thousand).		
	March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
8. Trade debts and contract assets		
Trade debts	27,228,601	24,442,641
Contract assets	5,355,794	5,401,830
	32,584,395	29,844,471
Accumulated impairment loss on trade debts and contract assets	(8,844,520)	(8,143,267)
	23,739,875	21,701,204
9. Short term investments		
Amortized cost		
Market treasury bills	1,487,838	-
Term deposit receipts	-	2,100,000
	1,487,838	2,100,000
Fair value through Profit or Loss		
Units of mutual fund	6,906	6,906
Fair value through Other Comprehensive Income		
Market treasury bills	4,674,324	6,969,539
	6,169,068	9,076,445

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
10. Cash and bank balances		
Cash in hand	939,922	745,393
Balances with banks:		
Local currency		
Current account maintained with SBP	1,070,646	1,097,602
Current accounts	814,264	1,114,250
Saving accounts	5,116,926	3,139,180
	7,001,836	5,351,032
Foreign currency		
Current accounts	1,271,636	708,816
Saving accounts	978,937	365,669
	2,250,573	1,074,485
	10,192,331	7,170,910

11. Contingencies and commitments

11.1 There has been no material changes in contingencies as disclosed in the annual consolidated financial statements for the year ended December 31, 2019 except as disclosed below. Further, there has been no change in the status of the Holding Company's pension case as disclosed in the annual consolidated financial statements for the year ended December 31, 2019. As also disclosed in the annual consolidated financial statements, under the circumstances, management of the Holding Company, on the basis of legal advice, believes that the Holding Company's obligations against benefits are restricted to the extent of pension increases as determined solely by the Board of Trustees of the Pakistan Telecommunication Employees Trust 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 condensed interim consolidated financial statements.

For the tax years 2007, 2009, 2010 and 2011 to 2018, Taxation Officer disallowed certain expenses and tax credits of the Holding Company. 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 23,170,732 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.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
11.2 Bank guarantees and bid bonds of Group issued in favor of:		
Universal Service Fund (USF) against government grants	11,046,095	11,046,095
Pakistan Telecommunication Authority against 3G and 2G Licenses	625,313	582,563
Others	2,721,420	2,957,130
	14,392,828	14,585,788
11.3 Commitments - Group		
Standby Letter of Guarantee	9,600	9,600
Letters of credit for purchase of stock	61,976	78,531
Commitments for capital expenditure	18,428,131	15,052,277
	18,499,707	15,140,408

	Three months ended	
	March 31, 2020 (Un-Audited) Rs '000	March 31, 2019 (Un-Audited) Rs '000
12. Revenue		
Broadband and IPTV	6,761,424	6,999,859
Cellular and other wireless services	12,720,868	15,109,616
Fixed line voice services	2,572,891	2,961,174
Revenue from retail customers	22,055,183	25,070,649
Corporate and wholesale	5,587,077	5,039,462
International	2,041,563	1,937,740
Banking	2,141,270	1,487,113
Total revenue	31,825,093	33,534,964

12.1 Revenue is stated net of trade discount amounting to Rs 503,510 thousand (March 31, 2019: Rs 481,708 thousand) and sales and other taxes directly attributable to sales amounting to Rs 5,102,839 thousand (March 31, 2019: Rs 2,396,871 thousand)

	Three months ended	
	March 31, 2020 (Un-Audited) Rs '000	March 31, 2019 (Un-Audited) Rs '000
13. Other income		
Income from financial assets	978,212	850,936
Income from non-financial assets	1,173,130	618,796
	2,151,342	1,469,732

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	Three months ended	
	March 31, 2020 (Un-Audited) Rs '000	March 31, 2019 (Un-Audited) Rs '000
14. Cash generated from operations		
(Loss) / profit before tax	(521,486)	2,882,020
Adjustments for non-cash charges and other items:		
Depreciation of property, plant and equipment	6,782,663	7,142,569
Amortization of intangible assets	870,021	871,126
Amortization of contract costs	1,097,724	792,549
Depreciation of right of use assets	871,407	841,957
Loss allowance on trade and other receivables, including contract assets	698,112	467,626
Impairment loss on non performing loans to banking customers	440,121	141,719
Provision for obsolete stores and spares	(509)	-
Employees retirement benefits	1,131,603	993,158
Imputed interest on long term loans	18,287	9,917
Imputed interest on lease liabilities	451,664	462,235
Gain on disposal of property, plant and equipment	(456,862)	(36,553)
Gain on disposal of investments measured at fair value	(20,652)	(79,564)
Return on bank deposits and Government Securities	(583,339)	(487,741)
Government grants recognized as income	(431,818)	(297,551)
Finance costs	3,051,934	1,637,570
	13,398,870	15,341,037
Effect on cash flows due to working capital changes:		
Decrease / (increase) in current assets:		
Stock in trade, stores and spares	224,331	775,168
Trade debts and contract assets	(2,736,783)	(1,444,658)
Loans to banking customers	(1,698,835)	(2,023,305)
Loans and advances	(289,497)	(665,202)
Deposits, prepayments and other receivables	(661,180)	(147,944)
	(5,161,964)	(3,505,941)
(Decrease) / increase in current liabilities:		
Trade and other payables	(1,079,756)	471,308
Security deposit	(14,680)	26,416
	(1,094,436)	497,724
	7,142,470	12,332,820
	March 31, 2020 (Un-Audited) Rs '000	March 31, 2019 (Un-Audited) Rs '000
15. Cash and cash equivalents		
Short term investments	6,169,068	16,218,502
Cash and bank balances	10,192,331	7,794,381
Short term running finance	(5,404,155)	(2,072,794)
	10,957,244	21,940,089

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

16. Segment information

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

16.1 Segment information for the reportable segments is as follows:

	Note	Wireline Rs '000	Wireless Rs '000	Banking Rs '000	Total Rs '000
Three months ended March 31, 2020					
Segment revenue		17,133,011	14,344,313	2,141,717	33,619,041
Inter segment revenue	16.1.1	(1,444,401)	(349,100)	(447)	(1,793,948)
Revenue from external customers		15,688,610	13,995,213	2,141,270	31,825,093
Segment results		1,174,854	(1,586,108)	4,530	(406,724)
Three months ended March 31, 2019					
Segment revenue		17,322,454	16,489,428	1,487,179	35,299,061
Inter segment revenue	16.1.1	(1,459,481)	(304,550)	(66)	(1,764,097)
Revenue from external customers		15,862,973	16,184,878	1,487,113	33,534,964
Segment results		1,950,108	(103,045)	150,851	1,997,914
As at March 31, 2020					
Segment assets		163,582,436	142,060,720	40,691,532	346,334,688
Segment liabilities		117,031,043	112,839,177	33,426,166	263,296,386
As at December 31, 2019					
Segment assets		163,930,675	141,970,492	39,916,851	345,818,018
Segment liabilities		115,589,748	114,456,180	32,333,737	262,379,665

16.1.1 Inter segment revenues are eliminated on consolidation.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

				Three months ended	
				March 31, 2020 (Un-Audited) Rs '000	March 31, 2019 (Un-Audited) Rs '000
17. Transactions with related parties					
Relationship with the Group		Nature of transaction			
i.	Shareholders		Technical services assistance fee	1,113,878	1,173,724
ii.	Associated undertakings		Sale of goods and services	1,050,298	787,819
			Purchase of goods and services	217,118	224,519
			Prepaid rent	148,994	48,063
iii.	Employees	PTCL	Gratuity Fund	21,753	48,786
	benefits plans	PTML	Gratuity Fund	23,045	22,797
		U Bank	Gratuity Fund	9,007	7,063
iv.	Employees	PTCL	PTCL Employees GPF		
	contribution plans		Trust - net	15,805	13,733
		PTML	Provident Fund	37,228	26,354
		U Bank	Provident Fund	8,287	6,453
v.	Other related	PTCL	Charges under license obligation	404,662	400,160
	parties	PTML	Expenses reimbursed to		
			Pakistan MNP Database		
			(Guarantee) Limited	9,025	7,825
vi.	Directors, Chief Executive		Fee and remuneration including		
	and Key Management		benefits and perquisites	500,613	1,096,586
	Personnel				

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

		March 31, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
Trade debts			
-	Associated undertakings	8,370,834	6,676,552
Deposits, prepayments and other receivables			
-	Associated undertakings	71,305	71,305
-	PTCL Employees GPF Trust	91,650	107,454
-	Pakistan Telecommunication Employees Trust (PTET)	94	94
-	Rent prepaid to PTET	-	96,125
Long term loans to executives and key management personnel			
	PTCL	63,320	68,135
	PTML	9,433	12,852
Trade and other payables			
Trade creditors			
-	Associated Undertakings	1,277,865	1,092,863
-	The Government of Pakistan and its related entities	1,607,920	1,301,247
	Retention money payable to associated undertaking	3,055	3,055
	Rent payable to PTET	52,869	-
	Technical services assistance fee payable to Etisalat	22,409,585	21,297,281
	PTCL Employees GPF Trust	91,650	107,454
	Pakistan Telecommunication Company Limited		
	Employees Gratuity Fund	173,681	137,974
	Pakistan Telecommunication Employees Trust (PTET)	4,472,753	4,135,611
PTML			
-	Gratuity Fund	23,045	79,573
-	Provident Fund	27,837	24,352
U Bank			
-	Gratuity Fund	11,433	3,518
-	Provident Fund	5,905	1,236

18. Fair value estimation

The financial liability of forward exchange contracts at fair value through profit or loss is Rs 138,686 thousand (December 31, 2019: Rs. 344,909 thousand).

The carrying value of financial assets and liabilities approximates their fair value.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

19. Offsetting of financial assets and liabilities

	Gross amount subject to offsetting	Offset	Net amount	Amount not in scope of offsetting	Net as per statement of financial position
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
As at March 31, 2020					
Trade debts and contract assets	11,263,470	(2,243,097)	9,020,373	23,564,022	32,584,395
Trade creditors	(3,339,770)	2,243,097	(1,096,673)	(8,438,754)	(9,535,427)
As at December 31, 2019					
Trade debts and contract assets	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)

20. Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the annual consolidated financial statements for the year ended December 31, 2019. There is no change in the nature and corresponding hierarchies of fair value levels of financial instruments from those as disclosed in the audited consolidated financial statements of the Group for the year ended December 31, 2019.

21. Corresponding figures

Following corresponding figures have been reclassified for appropriate presentation of operating results.

Condensed consolidated interim statement of profit or loss

	As previously reported Rs '000	Reclassified Rs '000	As reclassified Rs '000
Cost of services	24,042,384	(277,970)	23,764,414
Administrative and general expenses	4,858,483	(782,702)	4,075,781
Selling and marketing expenses	1,623,494	109,272	1,732,766
Impairment loss on trade debts and contract assets	-	609,345	609,345
Finance costs	1,598,315	342,055	1,940,370

Condensed consolidated interim statement of cash flows

Reclassification from	Reclassification to	Rs '000
Cash generated from operations	Cash flows from investing activities	1,021,586


NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)


22. Date of authorisation for issue of condensed consolidated interim financial statements

22.1 The Board of Directors of the Holding Company in its meeting held on February 11, 2020 has recommended a final dividend of Re 0.50 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 and will be accounted for in the period in which it is approved by the members.

22.2 These condensed consolidated interim financial statements for the three months period ended March 31, 2020 were authorised for issue by the Board of Directors of the Holding Company on April 9, 2020.



Chief Financial Officer



President & CEO



Chairman

Pakistan Telecommunication Company Limited
PTCL Headquarters, Sector G-8/4, Islamabad, Pakistan



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/ptclofficial



/theptclcompany



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