



CONNECTING PAKISTAN



2nd 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

Dr. M. Karim Bennis

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

Moqem 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

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 Taraqiati 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 financial statements of the Company for the half year ended 30th June 2020. The financial statements have been reviewed by the statutory auditors.

After the onset of Covid-19 pandemic earlier this year, the country is witnessing a gradual come back to a new 'normal' in which the economic activities are carefully being resumed while adhering to counter measures for containing the effects of the pandemic. With its extensive network footprint, PTCL has successfully played its role as the communication backbone of the country in these testing times. Our dedicated frontline workers, who have been continuously on the ground despite the pandemic and our diligent customer care teams have ensured uninterrupted service delivery for our valued customers.

During the period under review, PTCL Group's revenue of Rs 62.9 billion is lower by 5% as compared to the same period of last year. If normalized for the impact of Covid-19 and certain regulatory changes affecting Ufone, PTCL Group's revenue is 2.5% higher than 2019 on a like-for-like basis. U Bank, a microfinance banking subsidiary of PTCL, continued its growth momentum and has achieved a 45% growth in its revenue over last year as a result of an increase in its customer loan portfolio through its branch network expansion. The Group's operating profit and bottom line have been impacted by the Covid-19 pandemic and rupee devaluation.

PTCL has posted a revenue of Rs 35.3 billion for the half-year which is 1% lower than the same period of last year. If normalized for the impact of Covid-19, the like-for-like revenue is stable and slightly higher than the same period of last year.

PTCL witnessed an exponential growth in the internet traffic during the pandemic which was facilitated through timely expansion at Content Delivery Network (CDN) domain to improve customer experience and optimize international bandwidth. As the pandemic still continues to be a challenge for Pakistan, PTCL ensured connectivity for more people with its wireline and wireless products during this quarter which has resulted in improved Charji revenues, along with the net addition of 15 thousand fixed broadband customers in Q2, 2020.

PTCL was able to curtail the churn rate, convert more customers to digital payments and resolve more than 50% complaints on spot through its efficient Customer Services by focusing on customer experience and engagement. To enhance the overall customer experience, PTCL has taken various customer centric initiatives during this year. These include the adoption of Nokia Service Management Platform for effective service delivery, improved line stability through dynamic line management, enhanced customer communications and reduction in overall fault resolution time. During the second quarter of 2020, the Company's mean time to resolve the customer complaints was well above 90% of the service level i.e. to resolve the complaints within 24 hrs.

Corporate and Wholesale businesses continued their growth momentum and have achieved an 8% overall revenue growth 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. Being the national carrier, PTCL is aptly positioned to be the engine behind Digital Pakistan initiative. Through its carrier services, an enabling environment is being created for all telecom service providers to pursue their digital transformation journeys. Similarly, international revenue has also shown 6% growth as compared to the same period last year.

PTCL's Operating Profit of Rs 1.4 billion and Net Profit After Tax of Rs 2.7 billion for the half-year have declined as compared to last year due to effects of Covid-19 pandemic, increase in operating costs and higher depreciation on fixed assets as a result of significant capital expenditure on network upgrade in the last year. However, increase in non-operating income on account of disposal of obsolete assets that had become redundant due to upgrade of legacy exchanges and fiberization of access network, has helped lessen the gap at the bottom-line level with comparative period.

Your attention is drawn to note 13.2 of PTCL's interim financial statements for the period, which describes that matters relating to certain employees' rights under the PTCL pension scheme are pending with various courts, as highlighted by external auditors in their review report.

PTCL has undertaken a comprehensive Covid-19 relief and support effort to help people in these difficult times. In addition to assisting customers with reduced tariffs, free access to government helplines and digital awareness campaigns, PTCL Group donated Rs 100 million and PTCL employees have contributed their two days' salary to the Prime Minister's Covid-19 Relief Fund. PTCL has provided support to Shaukat Khanum Research Center, collaborated with Pakistan Red Crescent Society and provided Personal Protective Equipment (PPE) to the National Disaster Management Authority (NDMA). Seven thousand deserving families, all across Pakistan, were facilitated with monthly ration in Ramzan. PTCL has taken all necessary measures to ensure the health and safety of its employees through provision of protective gears, etc. PTCL Razaakar Trust continues to assist its non-management staff, infected with the Coronavirus, with a month's worth of ration items.

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 Naseer Khan
 President & Chief Executive Officer


 Shoaib Ahmad Siddiqui
 Chairman, Board of Directors PTCL

Islamabad: July 15, 2020

ڈائریکٹر کا جائزہ

پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) کے بورڈ آف ڈائریکٹرز 30 جون 2020 کو ختم ہونے والی ششماہی کیلئے کمپنی کے مالی حسابات شیئر ہولڈرز کو پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ مجاز آڈیٹرز مالی حسابات کا جائزہ لے چکے ہیں۔

رواں سال کے آغاز میں آنے والے کووڈ 19 کی عالمی وباء کے بعد اب ملک بتدریج ایک نئے معمول کی طرف واپس آ رہا ہے جس میں وبائی امراض کے اثرات پر قابو پانے کے حفاظتی اقدامات پر عمل پیرا ہوتے ہوئے معاشی سرگرمیاں احتیاط سے دوبارہ شروع کی جا رہی ہیں۔ اس مشکل وقت میں پی ٹی سی ایل نے ملک بھر میں پھیلے اپنے وسیع نیٹ ورک کی بدولت رابطوں کی روانی کو یقینی بنانے میں کامیابی کے ساتھ اپنا کردار نبھایا۔ ہمارے سرشار فرنٹ لائن کارکنان، جو وبائی مرض کے باوجود فیلڈ میں مستقل طور پر کام کرتے رہے ہیں، انہوں نے اور ہماری مستعد کسٹمر کیئر ٹیموں نے ہمارے قابل قدر صارفین کیلئے بلا تخطل خدمات کی فراہمی کو یقینی بنایا ہے۔

زیر جائزہ مدت میں پی ٹی سی ایل کی گروپ آمدن 62.9 ارب روپے رہی جو کہ گزشتہ سال کے اسی دورانیے کی نسبت 5 فیصد کم ہے۔ کورونا وائرس کی وجہ سے ہونے والے اثرات اور یونین کی چند ریگولیٹری تبدیلیوں سے ہٹ کر دیکھا جائے تو پی ٹی سی ایل کی گروپ آمدن 2019 کے اسی دورانیے کے مقابلے میں 2.5 فیصد زیادہ ہے۔ یونیک 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 آمدن میں 45 فیصد اضافہ حاصل کیا۔ روپے کی قدر میں کمی اور کووڈ 19 کی وباء کے اثرات کی وجہ سے گروپ کا آپریٹنگ اور خالص منافع متاثر ہوا ہے۔

پی ٹی سی ایل نے ششماہی کیلئے اپنا منافع 35.3 ارب روپے ظاہر کیا جو گزشتہ سال کے اسی دورانیے کی نسبت 1 فیصد کم ہے۔ کورونا وائرس کی وجہ سے ہونے والے اثرات سے ہٹ کر دیکھا جائے تو یہ منافع گزشتہ سال کے اسی دورانیے کی نسبت مستحکم اور قدرے زیادہ ہے۔

کورونا وائرس کی صورت حال میں پی ٹی سی ایل پرائمری ٹریڈنگ میں نمایاں اضافہ ہوا۔ جس میں صارفین کے تجربے کو بہتر بنانے اور بین الاقوامی بینڈ وڈتھ کے مؤثر استعمال کیلئے کاسٹنیٹ ڈیلیوری نیٹ ورک (سی ڈی این) ڈومین میں بروقت توسیع کے ذریعے مدد فراہم کی گئی۔ عالمی وباء کا ابھی خاتمہ نہیں ہوا تاہم پی ٹی سی ایل نے اس کوارٹر کے دوران اپنی وائرل لائن اور وائرل لیس پراڈکٹس کے ذریعے رابطوں کو یقینی بنایا جس کے نتیجے میں چارجی کی آمدنی میں بہتری آئی ہے اور اس کے ساتھ ساتھ 2020 کے دوسرے کوارٹر میں پندرہ ہزار فکسڈ براڈ بینڈ کسٹمرز کا بھی اضافہ ہوا۔

پی ٹی سی ایل صارفین کے بہتر تجربے اور انٹجمنٹ پر توجہ مرکوز کر کے، صارفین کے چھوڑ کے جانے کی شرح کو کم کرنے، زیادہ سے زیادہ صارفین کو ڈیجیٹل ادائیگیوں کی جانب منتقل کرنے اور اپنے مؤثر کسٹمر سروسز کے نظام کی مدد سے 50 فیصد سے زائد شکایات موقع پر دور کرنے میں کامیاب رہا۔ صارفین کے تجربے کو بہتر بنانے کیلئے پی ٹی سی ایل نے اس سال کئی مثالی اقدامات کئے ہیں۔ ان اقدامات میں، خرابی دور کرنے کیلئے درکار وقت میں کمی، صارفین کے ساتھ مؤثر رابطے کے فروغ، لائن مینجمنٹ کے ذریعے لائن کے استحکام میں بہتری اور مؤثر سروس کی فراہمی کیلئے نوکیا سروس مینجمنٹ پلیٹ فارم اختیار کرنا بھی شامل ہے۔ 2020 کے دوسرے کوارٹر کے دوران 24 گھنٹے کے اندر اندر شکایات کے ازالے کی شرح 90 فیصد سے زائد رہی۔

کارپوریٹ اور ہول سیل بزنس 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 وڈتھ اور اس کی مینیجڈ سروسز، کلاؤڈ اور دیگر آئی سی ٹی سروسز سیکمینٹس میں نمایاں مقام کی بدولت ممکن ہوا۔ قومی مواصلاتی کمپنی ہونے کے ناطے پی ٹی سی ایل ڈیجیٹل پاکستان کے سفر میں ایک نمایاں مقام رکھتا ہے۔ اپنی کیئر سروسز کے ذریعے پی ٹی سی ایل نے ٹیلی کام سروسز فراہم کرنے والے اداروں کو ڈیجیٹل ٹرانسفارمیشن کے سفر کو جاری رکھنے کیلئے سازگار ماحول فراہم کرنے میں اپنا کردار ادا کیا۔ اس طرح بین الاقوامی آمدن میں بھی گزشتہ سال کی اسی مدت کے مقابلے میں 6 فیصد اضافہ ہوا۔

ششماہی کیلئے پی ٹی سی ایل کا آپریٹنگ منافع 1.4 ارب روپے اور بعد از ٹیکس منافع 2.7 ارب روپے رہا جو گزشتہ سال کی اسی مدت کے مقابلے میں کم ہے۔ ان کی وجوہات میں کورونا وائرس کے معیشت پر اثرات، آپریٹنگ اخراجات میں اضافہ، نیٹ ورک اپ گریڈ پر ہونے والے اخراجات کے نتیجے میں فکسڈ اثاثہ جات کی ڈیپریسیشن میں اضافہ شامل ہیں۔ تاہم ایکس چیجرز کی اپ گریڈیشن اور ایکسس نیٹ ورک کی فائبرائزیشن کے نتیجے میں ناکارہ ہونے والے سامان کی فروخت پر زائد آمدن کے نتیجے میں گزشتہ سال کی نسبت خالص منافع میں فرق کو کم کرنے میں مدد ملی۔

آپ کی توجہ اس دورانیے کے پی ٹی سی ایل کے مالی حسابات کے نوٹ 13.2 کی طرف دلائی جاتی ہے جس میں پی ٹی سی ایل پنشن سکیم کے تحت کچھ ملازمین کے حقوق سے متعلق چند معاملات مختلف عدالتوں میں زیر التواء ہیں جیسا کہ ایکسٹرنل آڈیٹرز نے اپنی جائزہ رپورٹ میں نشاندہی کی ہے۔

پی ٹی سی ایل نے کووڈ 19 کے اس مشکل وقت میں لوگوں کو معاونت فراہم کرنے کے لئے مثالی اقدامات کئے۔ صارفین کو ٹیرف میں رعایت دینے، حکومت کی ہیلپ لائن تک مفت رسائی اور ڈیجیٹل آگہی کمپین چلانے کے علاوہ پی ٹی سی ایل گروپ نے 100 ملین روپے اور پی ٹی سی ایل کے ملازمین نے اپنے دونوں کی تنخواہیں وزیراعظم پاکستان کے کووڈ 19 ریلیف فنڈ میں جمع کرائیں۔ پی ٹی سی ایل نے شوکت خانم ریسرچ سنٹر کو مدد فراہم کی، پاکستان ریڈ کریسنٹ سوسائٹی کے ساتھ تعاون کیا اور نیشنل ڈیزاسٹر مینجمنٹ اتھارٹی (این ڈی ایم اے) کو ذاتی حفاظتی سامان (پی پی ای) فراہم کیا۔ پاکستان بھر میں سات ہزار مستحق خاندانوں کو ماہ رمضان میں راشن فراہم کیا گیا۔ پی ٹی سی ایل نے اپنے ملازمین کی صحت اور تحفظ کو یقینی بنانے کیلئے تمام ضروری اقدامات کئے اور انہیں حفاظتی سامان فراہم کیا گیا۔ پی ٹی سی ایل رضا کار ٹرسٹ نے کورونا وائرس سے متاثرہ اپنے نان مینجمنٹ شاف کو ایک ماہ کا راشن فراہم کیا۔

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۔

منسٹرا

شعیب احمد صدیقی

چیئرمین، بورڈ آف

ڈائریکٹرز پی ٹی سی ایل

Rashid Khan

راشد نصیر خان

پریزیڈنٹ اینڈ چیف ایگزیکٹو آفیسر

[illegible]

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2020 (UN-AUDITED)

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Pakistan Telecommunication Company Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Telecommunication Company Limited ("the Company") as at 30 June 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to Note 13.2 to the interim financial statements, which describes that 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 interim financial statements. Our conclusion is not modified in respect of this matter.

Other matter

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended 30 June 2020 and 30 June 2019 have not been reviewed and we do not express a conclusion on them.

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



KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
28 July 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020 (UN-AUDITED)

	Note	June 30, 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		6,234,504	6,081,683
		36,904,200	36,751,379
		87,904,200	87,751,379
Liabilities			
Non-current liabilities			
Deferred income tax		5,098,225	5,932,356
Employees retirement benefits		28,536,862	27,042,310
Deferred government grants		7,955,197	7,578,974
Advances from customers		1,502,775	1,526,911
Lease liabilities		1,388,553	927,185
		44,481,612	43,007,736
Current liabilities			
Trade and other payables	6	80,243,252	78,261,680
Security deposits		587,444	583,739
Unpaid / unclaimed dividend		810,673	211,589
Current maturity of lease liabilities		187,003	177,955
		81,828,372	79,234,963
Total equity and liabilities		214,214,184	209,994,078

Contingencies and commitments 13

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

Chief Financial Officer

President & CEO

Chairman

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020 (UN-AUDITED)

	Note	June 30, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
Assets			
Non-current assets			
Property, plant and equipment	7	113,807,854	116,719,808
Right of use assets		1,766,232	1,144,505
Intangible assets		1,271,412	1,463,269
		116,845,498	119,327,582
Long term investments			
Long term investments	8	14,236,284	8,936,284
Long term loans and advances	9	11,548,734	12,387,056
Contract costs		510,791	508,615
		143,141,307	141,159,537
Current assets			
Stores and spares		5,351,038	5,335,121
Contract costs		1,532,374	1,525,845
Trade debts and contract assets	10	22,283,451	20,258,574
Loans and advances		2,186,684	922,344
Income tax recoverable		16,550,710	17,756,175
Receivable from GoP		2,164,072	2,164,072
Prepayments and other receivables		13,951,323	16,697,980
Short term investments	11	-	6,906
Cash and bank balances	12	7,053,225	4,167,524
		71,072,877	68,834,541
Total assets		214,214,184	209,994,078

Chief Financial Officer

President & CEO

Chairman

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	Note	Three months ended		Six months ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
		Rs '000	Rs '000	Rs '000	Rs '000
Revenue	14	17,641,660	17,907,262	35,333,352	35,772,075
Cost of services		(13,746,355)	(13,617,063)	(28,013,952)	(26,752,776)
Gross profit		3,895,305	4,290,199	7,319,400	9,019,299
Administrative and general expenses		(1,502,577)	(1,654,879)	(3,159,097)	(3,206,927)
Selling and marketing expenses		(768,084)	(770,095)	(1,577,438)	(1,516,087)
Impairment loss on trade debts and contract assets		(484,400)	(480,000)	(1,151,259)	(922,000)
		(2,755,061)	(2,904,974)	(5,887,794)	(5,645,014)
Operating profit		1,140,244	1,385,225	1,431,606	3,374,285
Other income	15	1,072,642	1,340,583	2,621,019	2,347,660
Finance costs		(51,095)	(62,817)	(135,486)	(145,300)
Profit before tax		2,161,791	2,662,991	3,917,139	5,576,645
Provision for income tax		(670,160)	(881,294)	(1,214,318)	(1,784,527)
Profit for the period		1,491,631	1,781,697	2,702,821	3,792,118
Earnings per share - basic and diluted (Rupee)		0.29	0.35	0.53	0.74

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



Chief Financial Officer



President & CEO



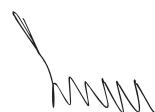
Chairman

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	Note	Three months ended		Six months ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
		Rs '000	Rs '000	Rs '000	Rs '000
Profit for the period		1,491,631	1,781,697	2,702,821	3,792,118
Items that will not be reclassified to profit or loss:					
Remeasurement loss on employees retirement benefits		-	(1,186,233)	-	(1,186,233)
Tax effect		-	344,008	-	344,008
Other comprehensive income for the period		-	(842,225)	-	(842,225)
Total comprehensive income for the period		1,491,631	939,472	2,702,821	2,949,893

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



Chief Financial Officer



President & CEO



Chairman

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

		Six months ended	
		June 30 2020 Rs '000	June 30 2019 Rs '000
	Note		
Cash flows from operating activities			
Cash generated from operations	16	15,191,886	8,883,092
Employees retirement benefits paid		(535,109)	(601,456)
Advances from customers		43,537	564,601
Income tax paid		(842,982)	(953,037)
Net cash inflow from operating activities		13,857,332	7,893,200
Cash flows from investing activities			
Capital expenditure		(4,764,512)	(9,474,373)
Proceeds from disposal of property, plant and equipment		812,237	236,541
Addition to contract costs		(1,484,333)	(603,609)
Long term loans and advances		(30,074)	(269,350)
Long term investment in PTML		(4,500,000)	-
Return on long term loan to subsidiaries		551,397	319,222
Return on short term investments		166,438	279,468
Government grants received		598,671	-
Net cash outflow from investing activities		(8,650,176)	(9,512,101)
Cash flows from financing activities			
Dividend paid		(1,950,916)	(2,600,450)
Lease liabilities		(377,445)	(80,471)
Net cash outflow from financing activities		(2,328,361)	(2,680,921)
Net increase / (decrease) in cash and cash equivalents		2,878,795	(4,299,822)
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	17	7,053,225	5,291,159

The annexed notes 1 to 22 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 SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	Revenue reserves				Total
	Issued, subscribed and paid-up capital	General reserve	Insurance reserve	Unappropriated profit	
Balance as at December 31, 2018	37,740,000	13,260,000	2,985,696	27,497,072	83,571,351
Total comprehensive income for the period	-	-	-	3,792,118	3,792,118
Profit for the six months period ended June 30, 2019	-	-	-	(842,225)	(842,225)
Other comprehensive income for the period	-	-	-	2,949,893	2,949,893
Transfer to insurance reserve	-	-	186,928	(186,928)	-
Distribution to owners of the Company	37,740,000	13,260,000	3,172,624	27,497,072	86,521,244
Interim dividend for the year ended	-	-	-	-	-
December 31, 2019 - Re 0.5 per share	-	-	-	(2,550,000)	(2,550,000)
Balance as at June 30, 2019	37,740,000	13,260,000	3,172,624	27,497,072	83,971,244
Total comprehensive income for the period	-	-	-	2,555,117	2,555,117
Profit for the six months period ended December 31, 2019	-	-	-	1,225,018	1,225,018
Other comprehensive income for the period	-	-	-	3,780,135	3,780,135
Balance as at December 31, 2019	37,740,000	13,260,000	3,172,624	27,497,072	87,751,379
Total comprehensive income for the period	-	-	-	2,702,821	2,702,821
Profit for the six months period ended June 30, 2020	-	-	-	-	-
Other comprehensive income for the period	-	-	-	2,702,821	2,702,821
Distribution to owners of the Company	-	-	-	-	-
Final dividend for the year ended	-	-	-	-	-
December 31, 2019 - Re 0.5 per share	-	-	-	(2,550,000)	(2,550,000)
Balance as at June 30, 2020	37,740,000	13,260,000	3,172,624	27,497,072	87,904,200

The annexed notes 1 to 22 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 SIX MONTHS PERIOD ENDED JUNE 30, 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 half year ended 30 June 2020, the COVID-19 pandemic emerged which impacted the economy in general. Due to temporary lockdown imposed to counter COVID-19 outbreak, there is a negative impact of approximately Rs 565,958 thousand on the revenues of the company.

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 these 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 these 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.

5. SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	Note	June 30, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
6. TRADE AND OTHER PAYABLES			
Trade creditors		10,549,740	11,289,895
Accrued and other liabilities	6.1	28,263,545	27,657,593
Technical services assistance fee		23,485,070	21,297,281
Advances from customers / contract liabilities		5,970,616	5,932,578
Retention money / payable to contractors and suppliers		6,908,689	6,761,684
Income tax collected / deducted at source		296,068	718,313
Payable to subsidiaries on account of group taxation		3,401,122	3,401,122
Sales tax payable		1,368,402	1,203,214
		80,243,252	78,261,680
6.1 Accrued and other liabilities			
Accrued liabilities for operational expenses		6,694,673	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		8,578,846	8,305,315
Accrued wages		312,239	1,160,504
Others		566,984	596,202
		28,263,545	27,657,593
7. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	103,561,454	103,626,162
Capital work-in-progress	7.3	10,246,400	13,093,646
		113,807,854	116,719,808
		June 30, 2020 (Un-Audited) Rs '000	June 30, 2019 (Un-Audited) Rs '000
7.1 Operating fixed assets			
Opening net book value		103,626,162	91,947,710
Additions during six months period	7.2	7,611,758	7,528,823
		111,237,920	99,476,533
Disposals during the period - at net book value		(2,171)	(15,969)
Depreciation charge for the period		(7,674,295)	(6,920,897)
		(7,676,466)	(6,936,866)
Closing net book value		103,561,454	92,539,667

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	June 30, 2020 (Un-Audited) Rs '000	June 30, 2019 (Un-Audited) Rs '000
7.2 Detail of additions during the period:		
Leasehold land	-	10,563
Buildings on freehold land	86,682	36,797
Buildings on leasehold land	27,876	20,057
Lines and wires	3,672,557	1,939,954
Apparatus, plant and equipment	3,455,115	5,384,812
Office equipment	124,132	16,196
Computer equipment	13,724	40,474
Furniture and fittings	2,525	2,582
Vehicles	21,350	77,388
Submarine cables	207,797	-
	7,611,758	7,528,823
7.3 Additions to CWIP during the six months period ended June 30, 2020 were Rs 4,731,254 thousand (June 30, 2019: Rs 9,305,984 thousand).		
8 During the period investment of Rs 4,500,000 thousand was made in PTML against issuance of 450,000,000 ordinary shares of Rs 10 each for consideration received in cash and Rs 800,000 thousand investment made in Ubank against issuance of 80,000,000 ordinary shares of Rs 10 each by conversion of subordinated loan into share capital.		
	June 30, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
Note		
9 LONG TERM LOANS AND ADVANCES		
Loans to PTML - unsecured	7,500,000	7,500,000
Loans to Ubank - unsecured	3,200,000	4,000,000
Loans to employees - secured	809,177	828,438
Others	39,557	58,618
	11,548,734	12,387,056
10 TRADE DEBTS AND CONTRACT ASSETS		
Trade debts	25,983,720	22,734,097
Contract assets	5,107,352	5,177,698
	31,091,072	27,911,795
Allowance for expected credit loss	(8,807,621)	(7,653,221)
	22,283,451	20,258,574
11 SHORT TERM INVESTMENTS		
Investment in mutual funds - FVTPL	-	6,906
	-	6,906
12 CASH AND BANK BALANCES		
Cash in hand	151,093	51,335
Balances with banks:	12.1	
Deposit accounts local currency	1,034,222	2,304,244
Current accounts		
Local currency	4,185,618	1,103,129
Foreign currency	1,682,292	708,816
	5,867,910	1,811,945
	7,053,225	4,167,524

12.1 Bank balance includes Rs 10,266 thousands (December 31, 2019: Rs 147,092 thousand) carrying profit at the rate of 3.25% (December 31, 2019: 7%) per annum from Shariah compliant arrangements.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

13. 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 13.1.

13.1 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 21,487,780 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.

13.2 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.

	June 30 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
13.3 Bank guarantee and bid bonds issued in favour of :		
Universal Service Fund (USF) against government grants	3,785,496	4,065,496
Others	2,431,419	2,539,018
	6,216,915	6,604,514

13.4 Commitments

Commitments, in respect of contracts for capital expenditure amount to Rs 3,540,514 thousand (December 31, 2019: Rs 4,065,672 thousand).

14 REVENUE

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

	Six months ended	
	June 30, 2020 (Un-Audited) Rs '000	June 30, 2019 (Un-Audited) Rs '000
Revenue segments		
Broadband and IPTV	13,549,171	14,049,539
Voice services	5,420,949	6,461,578
Wireless data	1,126,699	1,046,732
Revenue from retail customers	20,096,819	21,557,849
Corporate and wholesale	11,296,694	10,494,223
International	3,939,839	3,720,003
Total revenue	35,333,352	35,772,075

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

14.1 Revenue is stated net of trade discount amounting to Rs 35,414 thousand (June 30, 2019 Rs 34,092 thousand) and sales and other taxes directly attributable to sales amounting to Rs 5,341,226 thousand (June 30, 2019: Rs 4,810,409 thousand)

	Note	Six months ended	
		June 30 2020 (Un-Audited) Rs '000	June 30 2019 (Un-Audited) Rs '000
15 OTHER INCOME			
Income from financial assets	15.1	1,286,952	1,646,348
Income from non-financial assets		1,334,067	701,312
		2,621,019	2,347,660

15.1 Income from financial assets include Rs 190 thousand (June 30, 2019: Rs 744 thousand) earned from Shariah compliant arrangements.

	Six months ended	
	June 30, 2020 (Un-Audited) Rs '000	June 30, 2019 (Un-Audited) Rs '000
16 CASH GENERATED FROM OPERATIONS		
Profit before tax	3,917,139	5,576,645
Adjustments for non-cash charges and other items:		
Depreciation of property, plant and equipment	7,674,295	6,920,897
Amortization of intangible assets	191,857	258,230
Depreciation of right of use assets	160,395	139,487
Amortization of contract costs	1,475,628	443,707
Provision for obsolete stores and spares	(836)	-
Impairment loss on trade debts and contract assets	1,151,259	922,000
Provision for employees retirement benefits	2,029,661	2,094,449
Gain on disposal of property, plant and equipment	(810,066)	(220,571)
Return on bank deposits	(185,979)	(196,703)
Imputed interest on long term loans	(6,934)	2,958
Imputed interest on lease liabilities	65,739	60,848
Return on long term loan to subsidiaries	(758,294)	(583,714)
Unearned revenue realised	(67,673)	(46,555)
Gain on investment measured at fair value through profit or loss	(1,027)	(92,925)
Release of deferred government grants	(220,062)	(209,029)
	14,615,102	15,069,724
Effect on cash flows due to working capital changes:		
Decrease / (increase) in current assets:		
Stores and spares	(15,082)	1,365,648
Trade debts and contract assets	(3,176,136)	(4,593,974)
Loans and advances	(1,189,011)	(735,831)
Prepayments and other receivables	2,974,121	(1,792,730)
	(1,406,108)	(5,756,887)
Increase in current liabilities:		
Trade and other payables	1,979,187	(430,157)
Security deposits	3,705	412
	15,191,886	8,883,092

17 CASH AND CASH EQUIVALENTS		
Short term investments	-	244,720
Cash and bank balances	7,053,225	5,046,439
	7,053,225	5,291,159

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	Six months ended	
	June 30 2020 (Un-Audited) Rs '000	June 30 2019 (Un-Audited) Rs '000

18 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Relationship with the Company	Nature of transaction		
i. Shareholders	Technical services assistance fee - note 18.1	1,289,478	1,258,546
ii. Subsidiaries	Sale of goods and services Purchase of goods and services Mark up on long term loans Long term investments in subsidiaries	2,550,055 1,439,207 758,294 5,300,000	2,652,662 1,374,504 583,714 -
iii. Associated undertakings	Sale of goods and services Purchase of goods and services	2,034,109 289,116	1,537,202 289,022
iv. Employees contribution plan	PTCL Employees GPF Trust - net	55,577	37,136
v. Employees retirement benefit plan	Contribution to the plan- Gratuity	30,015	58,301
vi. Other related parties	Charge under license obligations	804,539	804,346
vii. Directors, Chief Executive and Key management personnel	Fee and remuneration including benefits and perquisites	410,229	779,188

	June 30, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
Period / year-end balances		
Receivables from related parties		
Long term loans to subsidiaries	10,700,000	11,500,000
Trade debts		
- Subsidiaries	253,754	431,164
- Associated undertakings	8,882,872	6,267,566
Other receivables		
- Subsidiaries	9,197,744	12,634,977
- Associated undertakings	71,305	71,305
- PTCL Employees GPF Trust	51,877	107,454
- Pakistan Telecommunication Employees Trust (PTET)	3,189	94
- Long term loans to executives and key management personnel	86,183	68,135
Bank deposit with subsidiary	342	565,434

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	June 30, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
Payables to related parties		
Trade creditors		
- Subsidiaries	1,075,993	969,409
- Associated undertakings	1,062,359	887,697
- The Government of Pakistan related entities	656,672	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	23,485,070	21,297,281
Pakistan Telecommunication Company Limited Employees Gratuity Fund	209,120	137,974
Pakistan Telecommunication Employees Trust (PTET)	4,695,658	4,135,611

18.1 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.

19 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 June 30, 2020					
Trade debts and contract assets	11,836,398	(2,503,586)	9,332,812	21,758,260	31,091,072
Trade creditors	(3,339,664)	2,503,586	(836,078)	(9,713,662)	(10,549,740)
As at December 31, 2019					
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)

20 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

21 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	(26,745,556)	(7,220)	(26,752,776)
Administrative and general expenses	(4,216,444)	87,517	(3,206,927)
Impairment loss on trade debts		(922,000)	(922,000)
Selling and marketing expenses	(1,435,790)	(80,297)	(1,516,087)

Condensed Interim Statement of Cash Flows

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

22 DATE OF AUTHORIZATION FOR ISSUE OF CONDENSED INTERIM FINANCIAL STATEMENTS

This condensed interim financial statements for the six months period ended June 30, 2020 were authorized for issue by the Board of Directors of the Company on July 15, 2020.

Chief Financial Officer

President & CEO

Chairman

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2020 (UN-AUDITED)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020 (UN-AUDITED)

Note	June 30, 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 (loss) / profit	(1,024,252)	1,492,423
	29,645,444	32,162,119
Statutory and other reserves	285,013	285,013
Unrealized gain / (loss) on investments measured at fair value through OCI	3,962	(8,779)
	80,934,419	83,438,353
Liabilities		
Non-current liabilities		
Long term loans from banks	28,345,365	19,716,427
Subordinated debt	599,280	599,400
Deposits from banking customers	3,981,919	3,766,456
Lease liabilities	17,195,767	17,312,174
Deferred income tax	5,077,435	7,102,905
Employees retirement benefits	28,582,952	27,123,119
Deferred government grants	19,080,681	19,182,858
Advances from customers	1,502,775	1,526,911
Long term vendor liability	26,526,986	25,709,208
	130,893,160	122,039,458
Current liabilities		
Trade and other payables	6 87,934,027	87,830,054
Deposits from banking customers	23,823,867	18,958,369
Interest accrued	2,900,600	1,658,615
Short term running finance	4,038,821	4,058,444
Current portion of:		
Long term loans from banks	9,564,219	11,300,239
Lease liabilities	2,587,741	2,440,869
Long term vendor liability	14,010,479	12,522,539
Security deposits	1,338,615	1,359,489
Unpaid / unclaimed dividend	810,673	211,589
	147,009,042	140,340,207
Total equity and liabilities	358,836,621	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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020 (UN-AUDITED)

Note	June 30, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
Assets		
Non-current assets		
Property, plant and equipment	7 189,396,818	190,009,353
Right of use assets	19,607,719	20,176,320
Intangible assets	26,864,497	28,099,965
Long term investments	51,427	51,427
Long term loans and advances	848,734	890,600
Long term loans to banking customers	1,199,414	474,351
Contract costs	584,450	637,743
	238,553,059	240,339,759
Current assets		
Stock in trade, stores and spares	5,675,674	5,642,513
Trade debts and contract assets	8 24,322,764	21,701,204
Loans to banking customers	23,337,130	20,899,728
Loans and advances	2,262,520	1,063,243
Contract costs	2,415,014	2,511,646
Income tax recoverable	24,488,652	24,577,280
Receivable from the Government of Pakistan	2,164,072	2,164,072
Deposits, prepayments and other receivables	14,421,480	10,671,218
Short term investments	9 8,898,839	9,076,445
Cash and bank balances	10 12,297,417	7,170,910
	120,283,562	105,478,259
Total assets	358,836,621	345,818,018

Chief Financial Officer

President & CEO

Chairman

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	Note	Three months ended		Six months ended	
		June 30, 2020 Rs '000	June 30, 2019 Rs '000	June 30, 2020 Rs '000	June 30, 2019 Rs '000
Revenue	12	31,049,524	32,773,217	62,904,468	66,308,181
Cost of services		(23,467,957)	(24,447,656)	(47,294,543)	(48,088,289)
Gross profit		7,581,567	8,325,561	15,609,925	18,219,892
Administrative and general expenses		(4,086,230)	(4,175,587)	(8,446,694)	(8,251,368)
Selling and marketing expenses		(1,599,655)	(1,690,303)	(3,399,154)	(3,423,069)
Impairment loss on trade debts and contract assets		(856,826)	(639,723)	(1,995,059)	(1,249,068)
		(6,542,711)	(6,505,613)	(13,840,907)	(12,923,505)
Operating profit		1,038,856	1,819,948	1,769,018	5,296,387
Other income	13	1,385,070	1,788,429	3,671,082	3,258,161
Finance costs		(1,774,196)	(2,976,562)	(5,311,856)	(5,040,713)
Profit before tax		649,730	631,815	128,244	3,513,835
Provision for income tax		(209,681)	(287,046)	(94,919)	(1,171,152)
Profit for the period		440,049	344,769	33,325	2,342,683

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 COMPREHENSIVE INCOME

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	Three months ended		Six months ended	
	June 30, 2020 Rs '000	June 30, 2019 Rs '000	June 30, 2020 Rs '000	June 30, 2019 Rs '000
Profit for the period	440,049	344,769	33,325	2,342,683
Other comprehensive income for the period				
Items that will not be reclassified to profit or loss:				
Remeasurement loss on employees retirement benefits	-	(1,186,233)	-	(1,186,233)
Tax effect of remeasurement loss on employees retirement benefits	-	344,008	-	344,008
	-	(842,225)	-	(842,225)
Items that may be subsequently reclassified to profit or loss:				
Gain / (loss) on revaluation of assets	69,957	(1,481)	110,640	(2,462)
(Gain) / loss on revaluation of assets transferred to profit or loss	(45,699)	372	(65,813)	491
Tax effect of revaluation of assets	(21,145)	554	(32,086)	579
	3,113	(555)	12,741	(1,392)
	3,113	(842,780)	12,741	(843,617)
Total comprehensive income / (loss) for the period	443,162	(498,011)	46,066	1,499,066

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 CASH FLOWS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

		Six months ended	
	Note	June 30, 2020 Rs '000	June 30, 2019 Rs '000
Cash flows from operating activities			
Cash generated from operations	14	14,089,185	19,185,804
Employees retirement benefits paid		(633,518)	(717,955)
Finance cost paid		(4,008,001)	(4,011,274)
Income tax paid		(2,063,847)	(1,780,294)
Net cash inflow from operating activities		7,383,819	12,676,281
Cash flows from investing activities			
Capital expenditure		(13,540,859)	(12,498,399)
Proceeds from disposal of property, plant and equipment		863,701	287,745
Additions to contract costs		(2,080,061)	(1,400,423)
Long term loans and advances		48,800	(215,289)
Government grants received		757,885	722,900
Return on long term loans and short term investments		567,016	667,398
Net cash outflow from investing activities		(13,383,518)	(12,436,068)
Cash flows from financing activities			
Loans from banks		6,892,918	261,668
Subordinated debt		(120)	(120)
Vendor liability		2,305,718	(4,115,990)
Customers deposits		5,080,961	(453,906)
Lease liabilities		(1,360,338)	(2,096,858)
Dividend paid		(1,950,916)	(2,600,450)
Net cash inflow / (outflow) from financing activities		10,968,223	(9,005,656)
Net increase / (decrease) in cash and cash equivalents		4,968,524	(8,765,443)
Cash and cash equivalents at the beginning of the period		12,188,911	23,916,453
Cash and cash equivalents at the end of the period	15	17,157,435	15,151,010

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 SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	Revenue reserves			Unrealized (loss)/gain 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, 2018	37,740,000	13,260,000	2,985,696	27,497,072	1,535,145
Total comprehensive income for the period	-	-	-	-	-
Profit for the six months period ended June 30, 2019	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Transfer to insurance reserve	-	-	186,928	-	-
Distribution to owners of the Holding Company Interim dividend for the year ended December 31, 2019 - Re 0.5 per share	-	-	-	-	-
Balance as at June 30, 2019	37,740,000	13,260,000	3,172,624	27,497,072	298,675
Profit for the six months period ended December 31, 2019	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Transfer to statutory and other reserves	-	-	-	-	-
Balance as at December 31, 2019	37,740,000	13,260,000	3,172,624	27,497,072	1,492,423
Total comprehensive income for the period	-	-	-	-	-
Profit for the six months period ended June 30, 2020	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Transfer to insurance reserve	-	-	-	-	-
Distribution to owners of the Holding Company Final dividend for the year ended December 31, 2019 - Re 0.5 per share	-	-	-	-	-
Balance as at June 30, 2020	37,740,000	13,260,000	3,172,624	27,497,072	(1,024,252)

Chief Financial Officer

President & CEO

Chairman

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

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

1. Legal status and nature of business

1.1 Constitution and ownership

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

Pakistan Telecommunication Company Limited (PTCL)

Pakistan Telecommunication Company Limited (the Holding Company) was incorporated in Pakistan on December 31, 1995 and commenced business on January 01, 1996. 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, Plot No. 55-C, Jinnah Avenue, Blue Area, Islamabad.

U Microfinance Bank Limited (U Bank)

The Holding Company acquired 100% ownership of U Bank on August 30, 2012 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 half year ended 30 June 2020, the COVID-19 pandemic emerged which impacted the economy in general. Due to temporary lockdown imposed to counter COVID-19 outbreak, there is a negative impact of approximately Rs 2,332,958 thousand on the revenues of the Group.

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

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

- 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 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 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, except as disclosed in note 4.1.

- 4.1. 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.

During the period, the breakage estimate for the unused resources was revised in accordance with the probability approach and customer usage trends. Had the change not been made, contract liability in respect of the remaining performance obligation as at the reporting date would have been higher by Rs 296 million and revenue for the six months would have been lower by the same amount.

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 SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

Note	June 30, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
6 Trade and other payables		
Trade creditors	11,763,642	12,670,240
Accrued and other liabilities	6.1 34,212,921	35,022,799
Technical services assistance fee	23,485,070	21,297,281
Advances from customers / contract liability	9,533,077	9,834,302
Retention money / payable to contractors and suppliers	6,908,689	6,761,684
Income tax collected from subscribers / deducted at source	636,990	1,012,664
Sales tax payable	1,368,402	1,203,214
Payable to provident fund	25,236	27,870
	87,934,027	87,830,054
6.1 Accrued and other liabilities		
Accrued liabilities for operational expenses	10,338,426	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	9,943,484	10,312,860
Accrued wages	651,099	1,537,485
Others	1,169,109	1,532,552
	34,212,921	35,022,799
7 Property, plant and equipment		
Operating fixed assets	7.1 170,533,823	168,066,793
Capital work-in-progress	7.3 18,862,995	21,942,560
	189,396,818	190,009,353
	June 30, 2020 (Un-Audited) Rs '000	June 30, 2019 (Un-Audited) Rs '000
7.1 Operating fixed assets		
Opening net book value	168,066,793	156,293,468
Additions during the period	7.2 16,138,034	12,165,595
	184,204,827	168,459,063
Disposals / transfers during the period - at net book value	(53,247)	(69,294)
Depreciation and impairment for the period	(13,617,757)	(14,371,366)
	(13,671,004)	(14,440,660)
Closing net book value	170,533,823	154,018,403
7.2 Detail of additions during the period:		
Leasehold land	-	10,563
Buildings on freehold land	86,682	36,797
Buildings on leasehold land	27,876	93,897
Lines and wires	3,672,557	1,939,954
Apparatus, plant and equipment	11,811,505	9,192,157
Office equipment	143,173	27,468
Computer equipment	88,249	770,184
Furniture and fittings	11,314	17,187
Vehicles	88,881	77,388
Submarine cables	207,797	-
	16,138,034	12,165,595

7.3 Additions to CWIP during the six months period ended June 30, 2020 were Rs 13,564,437 thousand (June 30, 2019: Rs 12,096,600 thousand).

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	June 30, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
8 Trade debts and contract assets		
Trade debts	28,335,110	24,442,641
Contract assets	5,326,673	5,401,830
	33,661,783	29,844,471
Accumulated impairment loss on trade debts and contract assets	(9,339,019)	(8,143,267)
	24,322,764	21,701,204
9 Short term investments		
Amortized cost		
Term deposit receipts	4,000,000	2,100,000
Fair value through profit or loss		
Units of mutual fund	-	6,906
Fair value through other comprehensive income		
Market treasury bills	4,898,839	6,969,539
	8,898,839	9,076,445
10 Cash and bank balances		
Cash in hand	1,200,067	745,393
Balances with banks:		
Local currency		
Current account maintained with SBP	1,287,811	1,097,602
Current accounts	4,775,977	1,114,250
Saving accounts	2,910,691	3,139,180
	8,974,479	5,351,032
Foreign currency		
Current accounts	1,682,292	708,816
Saving accounts	440,579	365,669
	2,122,871	1,074,485
	12,297,417	7,170,910

11 Contingencies and commitments

There has been no material change in contingencies as disclosed in the last audited consolidated financial statements for the year ended December 31, 2019 except as disclosed in note 11.1.

11.1 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 21,487,780 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.

11.2 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.

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	June 30, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
113 Bank guarantees and bid bonds of Group issued in favor of:		
Universal Service Fund (USF) against government grants	10,785,695	11,046,095
Pakistan Telecommunication Authority against 3G and 2G Licenses	630,188	582,563
Others	2,879,556	2,957,130
	14,295,439	14,585,788
114 Commitments - Group		
Standby Letter of Guarantee	9,600	9,600
Letters of credit for purchase of stock	38,126	78,531
Contracts for capital expenditure	9,841,220	15,052,277
	9,888,946	15,140,408

12 Revenue

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. Further, U Bank provides banking and microfinance services.

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.

	Six months ended	
	June 30, 2020 (Un-Audited) Rs '000	June 30, 2019 (Un-Audited) Rs '000
Broadband and IPTV	13,505,480	14,006,340
Cellular and other wireless services	24,383,966	29,274,307
Fixed line voice services	4,934,603	5,809,990
Revenue from retail customers	42,824,049	49,090,637
Corporate and wholesale	11,039,868	10,164,829
International	4,590,250	3,972,748
Banking	4,450,301	3,079,967
Total revenue	62,904,468	66,308,181

121 Revenue is stated net of trade discount amounting to Rs 952,414 thousand (June 30, 2019: Rs 1,017,092 thousand) and sales and other taxes directly attributable to sales amounting to Rs 9,777,226 thousand (June 30, 2019: Rs 6,432,409 thousand).

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	Six months ended	
	June 30, 2020 (Un-Audited) Rs '000	June 30, 2019 (Un-Audited) Rs '000
13 Other income		
Income from financial assets	1,317,348	1,838,997
Income from non-financial assets	2,353,734	1,419,164
	3,671,082	3,258,161
14 Cash generated from operations		
Profit before tax	128,244	3,513,835
Adjustments for non-cash charges and other items:		
Depreciation of property, plant and equipment	13,617,757	14,371,366
Amortization of intangible assets	1,752,509	1,803,838
Amortization of contract costs	2,229,986	1,044,545
Depreciation of right of use assets	1,890,601	1,697,049
Loss allowance on trade and other receivables, including contract assets	1,192,611	957,569
Impairment loss on non performing loans to banking customers	802,448	291,499
Provision for obsolete stores and spares	(836)	(3,910)
Employees retirement benefits	2,093,351	2,147,725
Imputed interest on long term loans	(6,934)	2,958
Imputed interest on lease liabilities	68,803	926,723
Unearned revenue realized	(67,673)	-
Gain on disposal of property, plant and equipment	(845,105)	(231,517)
Loss on write-off of property, plant and equipment	-	13,066
Gain on disposal of investments measured at fair value	(64,787)	(92,434)
Return on bank deposits and Government securities	(857,780)	(977,313)
Government grants recognized as income	(860,062)	(232,472)
Finance costs	5,249,986	4,109,855
	26,323,119	29,342,382
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stock in trade, stores and spares	(32,325)	1,196,328
Trade debts and contact assets	(3,814,171)	(3,859,836)
Loans to banking customers	(3,964,913)	(2,191,168)
Loans and advances	(1,199,277)	(753,706)
Deposits, prepayments and other receivables	(3,349,884)	(2,606,121)
	(12,360,570)	(8,214,503)
Increase / (decrease) in current liabilities:		
Trade and other payables	147,510	(1,984,248)
Security deposit	(20,874)	42,173
	126,636	(1,942,075)
	14,089,185	19,185,804

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

	Six months ended	
	June 30, 2020 Rs '000 (Un-Audited)	June 30, 2019 Rs '000 (Un-Audited)
15 Cash and cash equivalents		
Short term investments	8,898,839	7,832,877
Cash and bank balances	12,297,417	11,460,938
Short term running finance	(4,038,821)	(4,142,805)
	17,157,435	15,151,010

16 Segment information

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

16.1 Segment information for the reportable segments is as follows:

	Note	Wireline Rs '000	Wireless Rs '000	Banking Rs '000	Total Rs '000
Six months ended June 30, 2020					
Segment revenue		34,206,653	27,491,773	4,450,836	66,149,262
Inter segment revenue	16.2	(2,537,992)	(706,267)	(535)	(3,244,794)
Revenue from external customers		31,668,661	26,785,506	4,450,301	62,904,468
Segment results		2,621,736	(2,701,255)	112,844	33,325
Six months ended June 30, 2019					
Segment revenue		34,725,865	32,036,671	3,080,091	69,842,627
Inter segment revenue	16.2	(2,893,585)	(640,737)	(124)	(3,534,446)
Revenue from external customers		31,832,280	31,395,934	3,079,967	66,308,181
Segment results		3,678,354	(1,599,022)	263,351	2,342,683

16.2 Inter segment revenues are eliminated on consolidation.

	Note	Wireline Rs '000	Wireless Rs '000	Banking Rs '000	Total Rs '000
As at June 30, 2020					
Segment assets		168,750,406	142,278,437	47,807,778	358,836,621
Segment liabilities		119,889,118	117,583,366	40,429,718	277,902,202
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

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

		Six months ended	
		June 30, 2020 (Un-Audited) Rs '000	June 30, 2019 (Un-Audited) Rs '000
17 Transactions and balances with related parties			
Relationship with the Group	Nature of transaction		
i. Shareholders	Technical services assistance fee	2,201,656	2,320,786
ii. Associated undertakings	Sale of goods and services	2,121,236	1,602,286
	Purchase of goods and services	411,246	398,610
	Prepaid rent	307,600	282,086
iii. Employees	PTCL Gratuity Fund	30,015	58,301
benefits plans	PTML Gratuity Fund	46,090	45,154
	U Bank Gratuity Fund	19,388	15,598
iv. Employees	PTCL PTCL Employees GPF		
contribution plans	Trust - net	55,577	37,136
	PTML Provident Fund	73,830	54,772
	U Bank Provident Fund	17,843	13,416
v. Other related parties	PTCL Charges under license obligation	804,539	804,346
	PTML Expenses reimbursed to Pakistan MNP Database (Guarantee) Limited	18,050	15,650
vi. Directors, Chief Executive and Key Management Personnel	Fee and remuneration including benefits and perquisites	1,021,001	1,326,365

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

		June 30, 2020 (Un-Audited) Rs '000	December 31, 2019 (Audited) Rs '000
Trade debts			
- Associated undertakings		9,359,207	6,676,552
Deposits, prepayments and other receivables			
- Associated undertakings		71,305	71,305
- PTCL Employees GPF Trust		51,877	107,454
- Pakistan Telecommunication Employees Trust (PTET)		3,189	94
- Prepaid rent		105,738	96,125
Long term loans to executives and key management personnel	PTCL PTML U Bank	86,183 7,285 23,800	68,135 12,852 -
Trade and other payables			
Trade creditors			
- Associated Undertakings		1,339,228	1,092,863
- The Government of Pakistan and its related entities		656,672	1,301,247
Retention money payable to associated undertaking		3,055	3,055
Technical services assistance fee payable to Etisalat Pakistan Telecommunication Company Limited		23,485,070	21,297,281
Employees Gratuity Fund		209,120	137,974
Pakistan Telecommunication Employees Trust (PTET)		4,695,658	4,135,611
PTML			
- Gratuity Fund		46,090	79,573
- Provident Fund		25,236	24,352
U Bank			
- Gratuity Fund		-	3,518
- Provident Fund		-	1,236

18 Fair value estimation

The financial liability of forward exchange contracts at fair value through profit or loss is Rs 192,938 thousand (December 31, 2019: Rs 344,909 thousand).

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

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 June 30, 2020					
Trade debts and contract assets	12,497,991	(2,819,415)	9,678,576	23,983,207	33,661,783
Trade creditors	(3,665,147)	2,819,415	(845,732)	(10,917,910)	(11,763,642)
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)

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020 (UN-AUDITED)

20 Financial risk management

The Group's financial risk management objectives and policies are consistent with those 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 form 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:

Condensed consolidated interim statement of profit or loss

	As previously reported Rs'000	Reclassified Rs'000	As reclassified Rs'000
Cost of services	47,912,636	175,653	48,088,289
Administrative and general expenses		(1,612,709)	8,251,368
Impairment loss on trade debts and contract assets	9,864,077	1,249,068	1,249,068
Selling and marketing expenses	3,236,258	186,811	3,423,069
Finance costs	5,039,536	1,177	5,040,713

Condensed consolidated interim statement of cash flows

Reclassification from	Reclassification to	Rs '000
Cash generated from operations	Cash flows from investing activities	1,400,423

22 Date of authorization for issue of condensed consolidated interim financial statements

These condensed consolidated interim financial statements for the six months period ended June 30, 2020 were authorized for issue by the Board of Directors of the Holding Company on July 15, 2020.

Chief Financial Officer

President & CEO

Chairman

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



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