

# Broadening Connectivity, Widening Horizons.



Pakistan Telecommunication Company Limited

Annual Report 2011





# A new wave of connectivity. A wide new horizon.

With the emergence of the next global transformation and fastest growing segment in information technology, wireless communications have revolutionized businesses increasing productivity, workforce mobility and convenience while reducing costs. PTCL has been a global pioneer in commercially launching its 3G wireless services and products. Through the development of a dynamic and cohesive wireless technology strategy, PTCL is geared to meet the global future frontier of communications.

With a firm resolve to be the leader in innovative services, PTCL is moving beyond traditional boundaries to empower businesses with the latest technology and inspire individuals to stay linked in a borderless world.

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# PTCL launches 3G 'EVO' Smart TABLET in Pakistan





## Corporate Vision

To be the leading ICT service provider in the region by achieving customers' satisfaction and maximizing shareholders' value.

## Mission

To achieve our vision by having:

- An organizational environment that fosters professionalism, motivation and quality.
- An environment that is cost effective and quality conscious.
- Services that are based on the most optimum technology.
- "Quality" and "Time" conscious customer services.
- Sustained growth in earnings and profitability.

## Core Values

- Professional Integrity
- Customer Satisfaction
- Teamwork
- Company Loyalty

## Board of Directors

**SAEED AHMAD KHAN** |  
Chairman PTCL Board



**ABDULRAHIM A. AL NOORYANI** |  
Member PTCL Board



**DR. WAQAR MASOOD KHAN** |  
Member PTCL Board



**ABDULAZIZ A. AL SAWALEH** |  
Member PTCL Board



**JAMIL AHMED KHAN** |  
Member PTCL Board



DR. SYED ISMAIL SHAH |  
Member PTCL Board



FADHIL AL ANSARI |  
Member PTCL Board



ABDULAZIZ H. TARYAM |  
Member PTCL Board



DR. AHMED AL JARWAN |  
Member PTCL Board



WALID IRSHAIID |  
President & Chief Executive Officer



# Corporate Information

## Management

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### Walid Irshaid

President & Chief Executive Officer

### Muhammad Nehmatullah Toor

SEVP (Finance) / CFO

### Syed Mazhar Hussain

SEVP (HR / Admin & Procurement)

### Sikandar Naqi

SEVP (Corporate Development)

### Naveed Saeed

SEVP (Commercial)

### Muhammad Nasrullah

Chief Technical Officer (CTO)

### Abdulla Yousef

SEVP (Business Zone South)

### Hamid Farooq

SEVP (Business Development)

### Javed Mushtaq

Chief Information Officer (CIO)

### Furqan Habib Qureshi

SEVP (Corporate Services)

## Company Secretary

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### Farah Qamar

## Legal Affairs

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### Zahida Awan

### Ghulam Mustafa

## Bankers

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Allied Bank Limited  
 Askari Bank Limited  
 Bank Alfalah Limited  
 Bank Al Habib Limited  
 Citibank N.A.  
 Dubai Islamic Bank  
 Faysal Bank Limited  
 Habib Metropolitan Bank Limited  
 MCB Bank Limited  
 Meezan Bank Limited  
 National Bank of Pakistan  
 NIB Bank Limited  
 Silkbank Limited  
 SME Bank Limited  
 Standard Chartered Bank (Pakistan) Limited  
 The Bank of Punjab  
 United Bank Limited

## Auditors

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### A. F. Ferguson & Co.,

Chartered Accountants

### Ernst & Young Ford Rhodes Sidat Hyder,

Chartered Accountants

## Registered Office

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PTCL Headquarters, Sector G-8/4, Islamabad-44000,  
 Pakistan

Tel: +92-51-2263732 & 34

Fax: +92-51-2263733

E-mail: [company.secretary@ptcl.net.pk](mailto:company.secretary@ptcl.net.pk)

Web: [www.ptcl.com.pk](http://www.ptcl.com.pk)

## Share Registrar

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M/s FAMCO Associates (Pvt.) Limited  
 Ground Floor,  
 State Life Building No. 1-A,  
 I. I. Chundrigar Road, Karachi- 74000  
 Tel: +92-21-32422344 ,32467406 & 32420755  
 Fax: +92-21-32428310

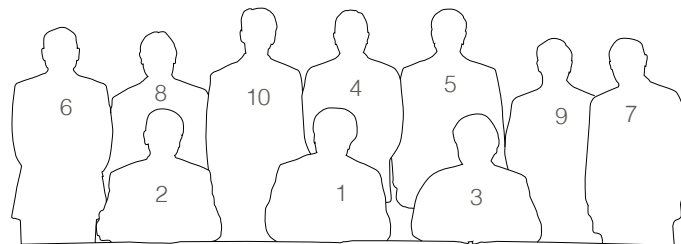




optel  
help to the  
future

Celebrating 64th Independence day of Pakistan

# Management



- 1 | Walid Irshaid  
President & Chief Executive Officer
- 2 | Muhammad Nehmatullah Toor  
SEVP (Finance) / CFO
- 3 | Syed Mazhar Hussain  
SEVP (HR / Admin & Procurement)
- 4 | Sikandar Naqi  
SEVP (Corporate Development)
- 5 | Naveed Saeed  
SEVP (Commercial)
- 6 | Muhammad Nasrullah  
Chief Technical Officer (CTO)
- 7 | Abdulla Yousef  
SEVP ( Business Zone South)
- 8 | Hamid Farooq  
SEVP (Business Development)
- 9 | Javed Mushtaq  
Chief Information Officer (CIO)
- 10 | Furqan Habib Qureshi  
SEVP (Corporate Services)

# Operating Highlights

Year ended June 30		2011	2010	2009	2008	2007	2006
<b>Key Indicators</b>							
<b>Operating</b>							
Pre tax margin (EBIT margin)	%	21.03	25.68	25.20	(5.45)	34.13	39.43
Net margin	%	13.44	16.26	15.45	(4.26)	22.01	26.16
<b>Performance</b>							
Fixed assets turnover	Times	0.75	0.75	0.74	0.81	0.89	1.03
Debtors' turnover	Times	5.71	5.46	4.91	5.35	4.86	4.76
Return on equity	%	7.50	9.33	9.28	(2.71)	14.45	20.22
Return on capital employed	%	6.40	7.40	7.20	(2.21)	11.89	17.03
Retention	%	(20.15)	3.97	16.40	100.00	34.78	(22.73)
<b>Leverage</b>							
Debt:Equity	Ratio	18:82	15:85	14:86	14:86	12:88	13:87
Leverage	%	35.38	33.87	35.66	27.48	27.92	31.28
Time interest earned	Times	56.00	36.42	16.43	(4.26)	47.54	93.07
<b>Liquidity</b>							
Current	Times	1.39	1.51	1.50	1.81	2.19	1.66
Quick	Times	1.27	1.37	1.36	1.58	2.03	1.54
<b>Valuation</b>							
Earnings per share	Rs.	1.46	1.82	1.79	(0.55)	3.07	4.07
Breakup value per share	Rs.	19.27	19.56	19.49	19.19	21.75	20.68
Dividend payout ratio	%	120.15	96.03	83.60	-	65.22	122.73
Price earnings ratio	Times	9.76	9.77	9.61	(69.76)	18.59	9.97
Market price to breakup value	Times	0.74	0.91	0.88	2.01	2.62	1.96
Dividend per share	Rs.	1.75	1.75	1.50	-	2.00	5.00
Dividend yield	%	12.31	9.83	8.70	-	3.51	12.32
Dividend cover ratio	Times	0.83	1.04	1.20	-	1.53	0.81
Market value per share (as on June 30)	Rs.	14.22	17.80	17.24	38.64	57.00	40.60
<b>Historical Trends</b>							
<b>Operating Results</b>							
Revenue	Rs. (m)	55,254	57,175	59,239	66,336	71,068	79,411
Profit / (loss) before tax	Rs. (m)	11,414	14,281	14,021	(4,463)	23,744	30,974
Profit / (loss) after tax	Rs. (m)	7,428	9,294	9,151	(2,825)	15,639	20,777
Dividend	Rs. (m)	8,925	8,925	7,650	-	10,200	25,500
<b>Financial Position</b>							
Share capital	Rs. (m)	51,000	51,000	51,000	51,000	51,000	51,000
Reserves	Rs. (m)	47,262	48,759	48,390	46,888	59,913	54,475
Shareholders' equity	Rs. (m)	98,292	99,759	99,390	97,888	110,913	105,475
EBITDA	Rs. (m)	15,656	22,006	23,454	4,863	31,657	39,610
Working capital	Rs. (m)	10,991	15,257	18,134	17,689	29,113	19,893
Current assets	Rs. (m)	39,012	45,450	54,220	39,603	53,561	50,168
Total assets	Rs. (m)	152,520	150,768	154,048	140,104	152,821	152,240
Non current liabilities	Rs. (m)	26,207	20,816	18,572	17,646	17,460	16,489
<b>Operational</b>							
ALIS as on June 30 *	No (000)	4,393	4,370	4,681	5,181	5,455	5,586
Average ALIS Per Employee	No	153	155	168	118	91	89

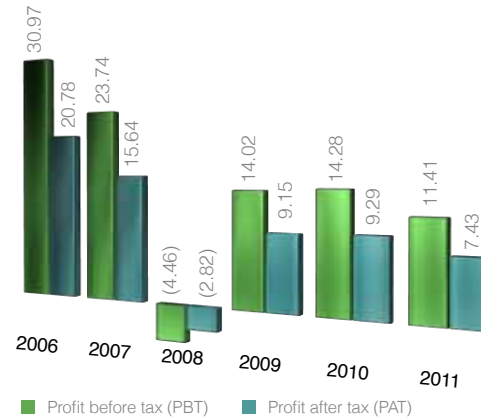
\* Exclusive of Primary and Basic Rate interface

# ptel VIDEOCON

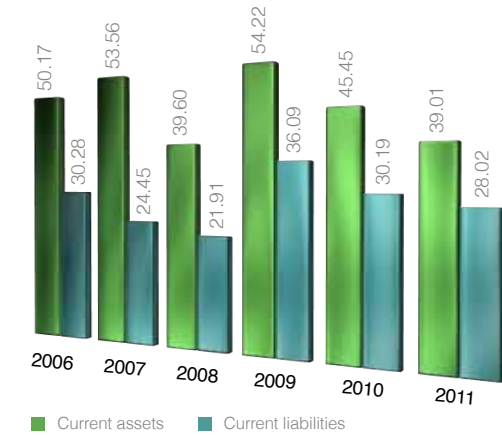


# Operating Highlights - Graphs

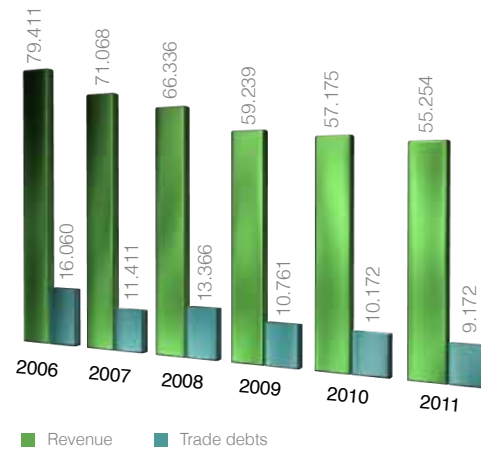
Profit Before Tax and Profit After Tax  
(Rupees in billion)



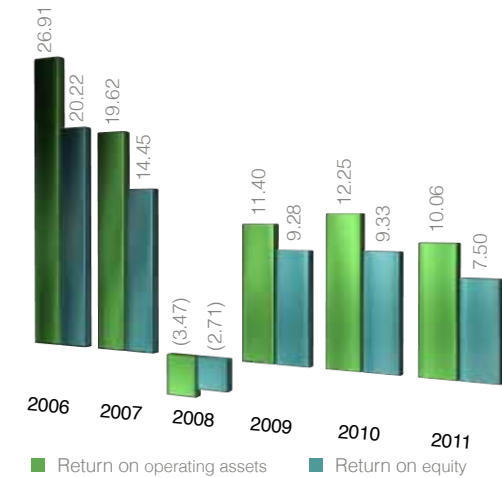
Current Assets and Current Liabilities  
(Rupees in billion)



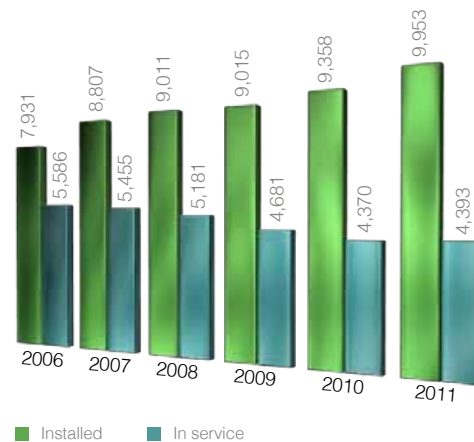
Revenue and Trade Debts  
(Rupees in billion)



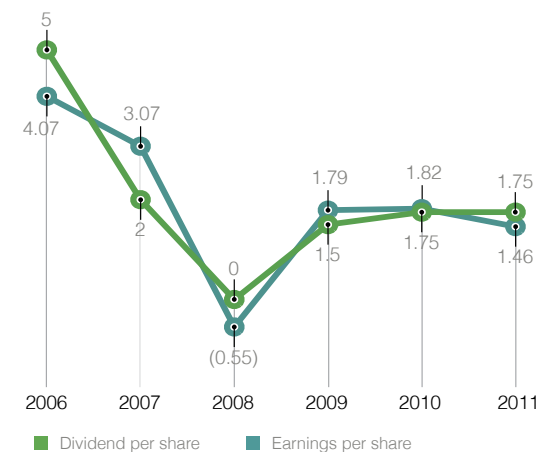
Return on Operating Assets and Equity  
(Percentage)



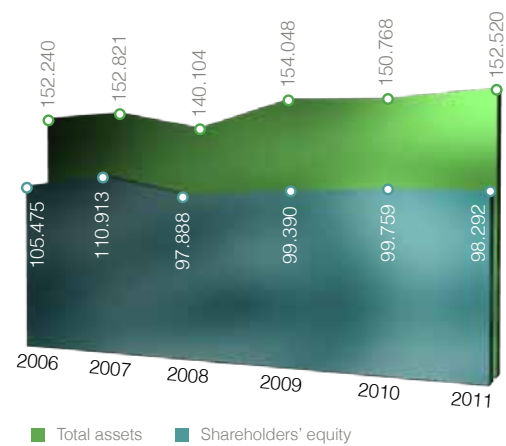
Capacity: Installed Vs In Service (Exclusive of PRI/BRI)  
(Number in thousand)



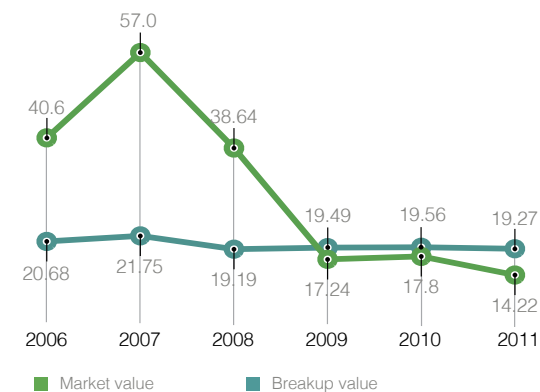
Dividend Payout Per Share  
(Rupees)



Total Assets Vs Shareholders' Equity  
(Rupees in billion)



Breakup Value Vs Market Value  
(Rupees)



## Horizontal Analysis

	2011	2010	2009	2008	2007	2006
<b>Statement of financial position</b>						
Share capital and reserves	93.2	94.6	94.2	92.8	105.2	100.0
Non current liabilities	158.9	126.2	112.6	107.0	105.9	100.0
Current liabilities	92.6	99.7	119.2	81.2	80.8	100.0
	100.2	99.0	101.2	92.0	100.4	100.0
Non current assets	111.2	103.2	97.8	95.5	97.2	100.0
Current assets	77.8	90.6	108.1	84.9	106.8	100.0
	100.2	99.0	101.2	92.0	100.4	100.0
<b>Statement of comprehensive income</b>						
Revenue	69.6	72.0	74.6	83.5	89.5	100.0
Cost of services	93.5	85.8	84.4	83.5	86.8	100.0
Gross profit	38.7	54.2	62.0	83.5	93.0	100.0
Administrative and general expenses	132.3	127.7	160.3	194.1	216.6	100.0
Selling and marketing expenses	132.1	124.1	105.2	104.2	85.7	100.0
Voluntary separation scheme	–	–	0.4	100.0	–	–
Non operating income	200.4	131.2	109.1	101.1	141.6	100.0
Operating profit	37.1	46.9	47.7	(11.5)	77.5	100.0
Finance cost	61.7	119.9	270.1	252.1	151.7	100.0
Profit / (loss) before tax	36.8	46.1	45.3	(14.4)	76.7	100.0
Taxation	39.1	48.9	47.8	(16.1)	79.5	100.0
Profit for the year	35.8	44.7	44.0	(13.6)	75.3	100.0
Other comprehensive income for the year	100.0	–	–	–	–	–
Total comprehensive income for the year	35.9	44.7	44.0	(13.6)	75.3	100.0



## Vertical Analysis

	2011	2010	2009	2008	2007	2006
<b>Statement of financial position</b>						
Share capital and reserves	64.4	66.2	64.5	69.9	72.6	69.3
Non current liabilities	17.2	13.8	12.1	12.6	11.4	10.8
Current liabilities	18.4	20.0	23.4	17.5	16.0	19.9
	100.0	100.0	100.0	100.0	100.0	100.0
Non current assets	74.4	69.9	64.8	69.6	65.0	67.0
Current assets	25.6	30.1	35.2	30.4	35.0	33.0
	100.0	100.0	100.0	100.0	100.0	100.0
<b>Statement of comprehensive income</b>						
<b>Revenue</b>	100.0	100.0	100.0	100.0	100.0	100.0
Cost of services	(75.7)	(67.1)	(63.7)	(56.3)	(54.6)	(56.3)
<b>Gross profit</b>	24.3	32.9	36.3	43.7	45.4	43.7
Administrative and general expenses	(13.3)	(12.5)	(15.1)	(16.3)	(17.0)	(7.0)
Selling and marketing expenses	(4.1)	(3.7)	(3.1)	(2.7)	(2.1)	(2.2)
Voluntary separation scheme	–	–	(0.2)	(36.1)	–	–
Non operating income	14.2	9.0	7.2	6.0	7.8	4.9
Operating profit	21.0	25.7	25.2	(5.4)	34.1	39.4
Finance cost	(0.4)	(0.7)	(1.5)	(1.3)	(0.7)	(0.4)
Profit / (loss) before tax	20.7	25.0	23.7	(6.7)	33.4	39.0
Taxation	(7.2)	(8.7)	(8.2)	2.5	(11.4)	(12.8)
Profit / (loss) for the year	13.4	16.3	15.4	(4.3)	22.0	26.2
Other comprehensive income for the year	0.1	–	–	–	–	–
Total comprehensive income for the year	13.5	16.3	15.4	(4.3)	22.0	26.2

## Statement of Value Addition

	2011 (Rs in million)	%	2010 (Rs in million)	%
Gross revenue	61,212	131.6	63,878	133.9
Less				
Cost of services, admin and selling expense	(22,538)	(48.5)	(21,292)	(44.6)
<b>Value added - operations</b>	<b>38,674</b>	<b>83.1</b>	<b>42,586</b>	<b>89.3</b>
Add				
Income from financial assets	3,536	7.6	3,887	8.1
Income from non-financial assets	4,303	9.3	1,248	2.6
	7,840	16.9	5,135	10.7
<b>Total value added</b>	<b>46,514</b>	<b>100.0</b>	<b>47,721</b>	<b>100.0</b>
<b>Distributed to</b>				
<b>Employees as</b>				
Remuneration	13,611	29.3	10,859	22.8
<b>Government as</b>				
Corporate tax	3,986	8.6	4,987	10.5
Dividend	5,549	11.9	5,549	11.6
Excise duty	5,958	12.8	6,704	13.9
Regulatory charges	1,639	3.4	1,195	2.5
	17,131	36.7	18,435	38.5
<b>Emirates Telecom Corporation (Etisalat) as</b>				
Dividend	2,321	5.0	2,321	4.9
TSA fee	1,764	3.8	1,822	3.8
	4,085	8.8	4,143	8.7
<b>Other shareholders as</b>				
Dividend	1,055	2.3	1,055	2.2
<b>Society</b>	47	0.1	0.3	*
<b>Retained in business</b>				
Reserves	272	0.6	431	0.9
Depreciation and amortization	11,874	25.5	12,457	26.1
Unappropriated profit	(1,769)	(3.8)	(61)	(0.1)
	10,377	22.3	12,826	26.9
<b>Financial institutions</b>	208	0.5	403	0.9
<b>Total value added</b>	<b>46,514</b>	<b>100.0</b>	<b>47,721</b>	<b>100.0</b>

\* Negligible

3G

evo WiFi  
CLOUD



## Group CEO's Message



The year ended 30th June, 2011 has seen a continuation of our resolve and commitment to maintain PTCL Group's position as market leader and flag bearer of the sea change in the telecom industry of Pakistan. The Group managed to sustain its growth despite facing many challenges, including the natural calamity of the devastating floods that rendered millions homeless while inundating millions of acres of land across the country.

I am pleased to report that our strategic positioning of PTCL as the leading integrated telecom group in Pakistan is showing results. We are now in a position where we are providing multiple solutions to enterprise, businesses and household users while also extending vital services to other telecom operators in the country. The year has witnessed several bold initiatives taken by our Company, as we introduced numerous innovative services and products in line with our philosophy to provide access to our customers to latest technological developments taking place globally.

We can rightfully label this year as year of the Broadband. As according to the data sourced from Point Topic, a global broadband tracker, Pakistan has recorded more than 46% subscriber growth and is ranked fourth in the world. I have the privilege to state that this exponential growth experienced by Pakistan was spear-headed by PTCL.

**"We remain highly conscious of the fact that our success and growth is linked directly to satisfied customers."**

Showing phenomenal growth in DSL with the foot print expanded to over 1,000 cities and towns, PTCL is firmly established as the market leader in Broadband, making it the single largest service provider in the country. Our Company achieved the unique milestone on this front by becoming the first operator in the world to use VDSL 2 bonding technology enabling provision of speeds from 10 mbps to 70 mbps on its copper network. To cater for semi urban and rural market segment, we introduced budget packages with lower speeds. This was a major step towards fulfilling our mission and mandate to take Broadband service to every household. During the year, PTCL also introduced the first Video Phone of the country.

We continued the plan to expand and enhance our wireless Broadband service ensuring that customers get seamless coverage. Towards this, we introduced new EVO products that were technologically advanced, further engaging customers while exciting and challenging their imaginations. With the introduction of EVO Wi-Fi Cloud which connects multiple devices simultaneously and the recent launch of 3G EVO Tab with built-in wireless capability, that is already creating waves in the Tablet market. Our flagship brand EVO has gained significantly in brand equity.

During the year, we introduced new services for the enterprise market, including products like Global IP Connect that allowed enterprise to connect and transfer data between various locations, whether local or global. We explored new avenues in Carrier and Wholesale services through provisioning of WLL and IP Bandwidth.

At PTCL, we remain highly conscious of the fact that our

success and growth is linked directly to satisfied customers. It remains a challenge to provide seamless and prompt customer friendly service. To ensure this we embarked on several projects that were specifically aimed at improving customer experience.

It gives me great satisfaction to mention that during the year our company won several excellence awards. However, the foremost achievement for us was the Environment Excellence Award 2011, given in recognition of PTCL's adherence to environment friendly policies.

In the year under review, our subsidiary, Ufone completed 10 years of successful operations. With its aggressive marketing initiatives and cost effective measures that included improved operational efficiency and network modernization upgrades, Ufone posted a substantial revenue growth. New initiatives included targeting untapped market segments with focus on farmers and women, opening additional revenue streams. During the year, Ufone continued to develop and implement systems that are beneficial for its business and employee growth.

Ufone also won several awards during the year. The foremost among these was the global recognition of its customer service, for which it received, "Best Customer Services Innovation" award by the prestigious Global Telecoms Business. Another feather in Ufone's cap was the Professional Excellence Award by ICAP for "Best Corporate Sector Project", for its initiatives of co-location/co-sharing of sites.

With its futuristic vision our Group is constantly exploring

emerging products and technologies in line with customers' needs and the fast evolving dynamics of the industry. New initiatives combined with our existing portfolio of diverse products, agile network and our focus on sustained long term growth form the bedrock for further consolidation of the Group's position as the leading integrated telecom service provider in the country.

I take this opportunity to thank the Government of Pakistan, Etisalat Group, Board of Directors and my fellow colleagues for their continued support and guidance. I also thank all our valued shareholders and customers for their continued patronage and loyalty.



**Walid Irshaid**

President & Chief Executive Officer

# Directors' Report

The Directors are pleased to present the Annual Report and the audited financial information of the Company for the year ended June 30, 2011.

## 1. Industry Outlook

In spite of facing the worst floods in Pakistan's history in the earlier part of the year under review, the economy did not suffer as much as expected. As reported by the State Bank of Pakistan, the GDP growth outlook for the year is 2.4% compared to 3.8% achieved during previous year. However, stubborn inflation, energy crises and security concerns impeded the business growth.

Telecom sector remained highly competitive with decreasing revenues per subscriber (ARPU) straining bottom line of operators. An overall teledensity growth of about 4% was witnessed up to end April 2011 with slight decline in fixed line teledensity.

Data services are poised to gain higher momentum and capture larger share of telecom market. In this connection, DSL technology leads and paves the way in meeting ever increasing requirements for data services in the country. The envisioned plan of 3G license issuance by Pakistan Telecommunication Authority (PTA) will create a paradigm shift from voice-centric to multimedia-oriented services. For Pakistan telecom industry, this will be a leap forward, in line with the global telecom trend.

Reaching out to the unbanked through the branchless banking platform is also an opportunity knocking at the door of telecom operators. Though costlier in the short run, new technologies like 3G and 4G will come in handy when the market is developed. Time seems ripe for diversification.

## 2. Financial Performance

During financial year 2010-11, your Company continued to grow in the emergent Broadband market – both in wireline as well as wireless segments. With the 61% growth in the Broadband customers, respective revenues increased by 77%. For the PSTN customers, introduction of various new packages commensurate with the needs of different segments of society as well as rationalization of the tariff helped in increasing the land line usage thus arresting the revenue decline.

### a. Profitability

For the year under review, PTCL group's profit after tax was Rs. 8.4 billion compared to Rs. 11.7 billion last year. PTCL's profit at Rs. 7.5 billion was 20% less than the previous year's profit resulting in earnings per share (EPS) of Rs. 1.46.

For the year 2010-11, your Company declared a dividend of Rs. 1.75 per share.

### b. Sales Turnover

PTCL group revenue at Rs. 104.6 billion for the year 2010-11 was 6% higher as compared to the previous year. PTCL's revenue for the year under review was Rs. 55.3 billion compared to Rs. 57.2 billion last year. Of this, revenue from Broadband segment showed a remarkable growth of 77%. Revenue from local telephony and international incoming segments, however, remained subdued due to fierce price competition. Corporate services registered 5% increase in its revenues.

### c. Cost Management and Control

The overall operating expenses during the year under review increased by 8% compared to last year mainly due to high inflation, hike in fuel and power prices and

salary increase. The cost of services at Rs. 41.8 billion increased by 9%. However, the cost control measures exercised during the year resulted in only 4% increase in administrative and general expenses of Rs. 7.4 billion for the year. The selling and marketing expenses at Rs. 2.3 billion for the year under review increased by 6% because of various advertisement campaigns relating to a variety of products and services introduced to meet diversified customer needs.

### d. Funds Management

The other operating income at Rs. 7.8 billion increased by 53% as compared to the previous year. Efficient funds management and improved yield on investments made were the main reasons for such increase. Also, the finance cost at Rs. 0.2 billion was 49% less than the previous year because of the financial risk mitigating strategies.

## 3. Commercial Performance

Being the largest telecom operator providing a varied range of telecommunication services, PTCL continued to introduce innovative products and services based on the latest technological developments during the year. The commercial activities undertaken are described in succeeding paragraphs.

### a. Broadband

#### DSL Wireline

The DSL customer base registered an increase of 50% during the year taking PTCL's market share to 95%. The product has remained the most preferred choice of broadband users across all income brackets. The growth in DSL Broadband was made possible by introduction of various value-added packages.



PTCL achieved the unique distinction of becoming the first operator in the world to launch “Ultra Net” with speeds up to 50 Mbps using the VDSL2 Bonding technology. High speed broadband packages of 8 Mbps and 10 Mbps were also launched for the premium customers.

For the regular packages, PTCL doubled the existing bandwidth at no extra cost to its customers. Also, special promotions and bundled deals were offered for upgradation of connections. For the new and existing users of Broadband Student Package, PTCL offered fifty scholarships which supplemented the already attractive offers for student community. PTCL also introduced a 256 Kbps DSL broadband service to serve semi urban and rural areas by offering affordable yet faster alternative to dial-up service.

Your Company also launched the first-ever Video Phone service in the country for landline subscribers using regular DSL connection as the link for this service.

PTCL's efforts in broadband expansion were instrumental in making Pakistan one of the fastest growing countries in the world in terms of broadband growth. According to World Broadband Statistics Q1 2011 report published by Point Topic Limited, Pakistan is ranked second and fourth in quarterly and annual broadband subscribers' growth respectively among all the countries in the world.

#### **EVO - 3G Wireless Broadband**

3G EVO wireless broadband service has transformed the internet experience for its users. In a short span of time 3G EVO has become the country's largest and fastest growing wireless broadband network with connectivity and roaming in more than 100 cities. During

the year under review, PTCL achieved the distinction of becoming the first operator in the world to commercially launch EVO Nitro Rev. B service with internet speed up to 9.3 Mbps. PTCL also introduced the innovative product of “3G EVO Wi-Fi Cloud” which can connect multiple Wi-Fi devices simultaneously.

In recognition of PTCL 'EVO' being the most innovative product, the brand won the “**Consumer Choice Award 2010**” in the category of Best Wireless Broadband by Consumers Association of Pakistan.

#### **b. PTCL Landline**

With the objective to increase landline usage and to enrich customer experience, new products and services offering more value to the customers along with tariff optimization were introduced.

During the year under review, new international packages, with addition of many global destinations, were introduced, making the tariff cost-effective across Europe, Far East and South Asia. Residential customers were offered off-peak deals for unlimited nation-wide and mobile calls. The introduction of four new Budget Packages was well received. The “Bonanza Package” allowed subscribers to pay for the first three minutes while the rest of the call became free. During the World Cup Cricket event, a mega subscriber engagement opportunity was created by announcing a series of lucky draws on new subscriptions. The “Super Sunday” promotion was launched to facilitate the subscribers to make unlimited free calls on entire day of Sunday.

Special promotions and offers were developed for Ramadan, Hajj, Christmas, Eid and New Year. Bill Alert Service through SMS on mobile phones was introduced to further facilitate the landline subscribers.

#### **PTCL V-fone**

PTCL V-fone, the largest Wireless Local Loop (WLL) network in the country offers simple and flexible tariffs for the voice and data connectivity at affordable rates.

During the year, various packages were introduced offering attractive call rates to promote calls made on-net and to various mobile networks. Packages enhancing internet usage with V-V and V-PSTN unlimited calls plans were also offered. These efforts resulted in increased sales and subscriber loyalty.

#### **c. Carrier & Wholesale Services**

PTCL Carrier & Wholesale provides interconnection, leased lines and traffic routing services to other telecom operators in the country. During the year under review, competition in the telecom sector as well as certain changes in the regulatory regime resulted in reduced opportunities and pricing for wholesale business with resultant revenue erosion. However, new avenues of wholesale of WLL Services and IP Bandwidth were successfully explored by your Company resulting in finalizing a few arrangements in this regard including PTCL's first STM-16 IP Bandwidth deal with a wholesale customer.

#### **d. International Business**

During the year under review, PTCL maintained its dominant position as preferred carrier for international traffic for overseas operators. The volume of international traffic was higher than the last year. International circuits were enhanced with multiple carriers to cater this growth in volume.

However, because of declining settlement rates, the expected growth in revenue from international incoming



**Broadband**  
Pakistan

*Mega*

**NATIONAL**  
PACKAGE





calls did not materialize. In order to offset the decline, special focus was placed on increasing capacity sales to neighboring countries and international operators.

In order to support ever-growing bandwidth requirements of the diversified array of PTCL customer base, IP bandwidth capacity was continuously augmented during the year under review. The year 2010-11 marked the commissioning of I-ME-WE submarine cable system, which extends from Asia to Europe terminating in France and spanning 14,000 kms. This submarine cable is providing additional capacity to already operational SEA-ME-WE 3 and SEA-ME-WE 4 cable consortiums in which PTCL has equity investment. Your Company also participated in the 3rd Upgrade project of SEA-ME-WE 4 submarine cable.

#### e. Corporate Services

During the year under review, PTCL continued to serve the enterprise market with various innovative products like “Global IP Connect” - allowing companies to connect and transfer data between various locations, national or abroad, in a private and secure environment. Another product was “Business in a Box” - a small gateway device that provides broadband internet connection sharing, Firewall security, VPN connectivity, IP telephony, IP Camera Surveillance audio/video streaming and wireless LAN connectivity. These are in addition to already-introduced services like Data Centers, Telepresence, Unified Communication etc. which were well received by enterprise market. A basic feature of all these products is the flexibility and scalability to address the needs of our corporate customers.

Your Company is cognizant of importance of growing volume of ICT (information and communication technologies) business in the enterprise segment vis-à-vis the fact that in order to remain competitive, the corporate entities need state-of-the-art technological solutions from the service providers. In order to meet this requirement, PTCL constantly evolves products and services based on latest available technologies yet affordable for its valued customers.

### 4. Operations Performance

#### a. Technical

Keeping in view the high demand of PTCL Broadband, your Company expanded the DSL Broadband footprint to over one million installed lines covering all the major areas of the country. Likewise, for ‘EVO’ - the wireless broadband, over 1,000 sites spread all over the country



provide the required coverage. The said coverage is EVDO Rev- B enabled, making PTCL the first operator in the world to offer such technology on commercial basis.

In order to sustain the growth in bandwidth requirements, the additional national backbone network of 1,700 Km of optical fibre cable with enhanced capabilities was completed. Further, the additional 1,980 Km of optical fibre cable was laid down in Balochistan providing connectivity to remote towns and tehsils in the province. The microwave back haul is also being transformed to IP technology.

For the first time in Pakistan, PTCL acquired VDSL2 Bonding Technology which enabled delivery up to 50 Mbps bandwidth on existing copper lead. The product's brand name is "UltraNet". The technology has widened the choice for Broadband customers as they can now opt for connections from less than 1 Mbps up to 50 Mbps depending upon their needs.

The Next Generation Switching Network (NGN) using the MSAGs (Multi Service Access Gateway) is being completed for 1.3 million customers. Metro network in major places is being up-graded with Carrier Ethernet technology adding new IP based high capacity metro nodes in broadband core infrastructure. PTCL has also undertaken a project to transform its network at selected places by deploying GPON (Gigabit Passive Optic Network) based on access fiber technology. At the same time, service quality was enhanced by improving the existing Access network through rehabilitation of related network elements. The Access network was also extended to green field areas to provide for expanded PSTN and Broadband connectivity.

For the corporate customers to store their valuable data on a hosted services platform in a cost effective manner, PTCL has established most modern data centers at Karachi, Islamabad and Lahore. These Data Centers conform to latest standards and have been internationally certified for Tier-III level compliance.

Also, expansion in Digital Cross Connect network footprint supplemented by availability of Virtual Private Network (VPN) service on Broadband (DSL and EVO both) has further enhanced technical capabilities of your Company to provide innovative and cost effective solutions to enterprise customers.

#### **b. Information Technology**

During the year under review, all IT infrastructure relating to Billing & Customer Care as well as ERP were migrated to newly built Tier-III Data Center equipped with latest technologies not only to enhance the application availability but to reduce related costs as well. Likewise, core network infrastructure was replaced with new and better technology. The newly provisioned unified solution with tracking and escalation capabilities helps in constant monitoring of IT network infrastructure, systems and applications thus improving the quality levels. Also, a fully functional disaster recovery site was established in Karachi during the year.



The improved IT capabilities not only helped your Company to launch various commercial packages that meet the needs of various customers' strata, but also significantly improved the systems for fault rectification and in obtaining related customer feed-back.

Your Company is also implementing a state-of-the-art Customer Relationship Management (CRM) system. The CRM will integrate various network elements and IT systems relating to provisioning of services and rectification of complaints thus providing a 360° view of customer information through its interface enabling management to improve customers' satisfaction level significantly.

#### c. Human Resource Development

During the year, PTCL implemented the Performance Management System with the principal objective of rewarding the employees according to individual performance evaluated in a professional manner. To keep employees abreast of latest development in respective technical field, a Knowledge Portal encompassing detailed information was also launched.

A comprehensive HR Manual consisting of unified policies applicable to all categories of PTCL employees has been completed. Also, a program on Employees' Workplace Safety was rolled out which included provision of industrial grade Safety Kits to the field staff. An awareness campaign was also launched across the organization disseminating detailed information on Health, Safety and Environment (HSE) issues.

Various training programs were conducted during the year to equip employees with soft and technical skills to prepare them to serve our customers with improved productivity.

#### d. Market Communication

Your Company proactively promoted and created awareness about various PTCL brands and associated services, products and initiatives announced during the year. Creative communication messages combined with effective media placement, both in electronic and print, resulted in widespread public awareness about PTCL's innovative products and services.

During the year under review, PTCL received the **Presidential Award for Excellence in PR and Corporate Communications** by All Pakistan Newspapers Society (APNS). Also, PTCL was rated among the top two companies in the print and electronic media by Aurora, a Dawn Media Group Publication on Ideas and Marketing Approaches.

#### e. Customer Care

Your Company fully recognizes that customer satisfaction is the key to business success.

Accordingly, PTCL has provided for and is continuously improving upon various customer engagement points, geographical and virtual, like PTCL website with interactive capabilities; walk-in channels through One Stop Shops (OSS), exchanges and PTCL franchisees and phone-in channels managed by four Contact Centers, both for inbound and outbound calls.

The complaint / feedback process of web-based queries was streamlined to ensure remote registration of customer complaints with SMS alerts which helps in speedy resolution thereof as well as timely provisioning of services.

Through initiatives like "Voice of Customer", efficacy of various PTCL services is gauged on monthly basis.

Using the capabilities of the Contact Centers, regular customer satisfaction surveys are conducted. Customers are proactively engaged through telemarketing, regular bill payment reminders, SMS and win back campaigns. Also, initiative of email billing was well received by customers.

During the year under review, venues for bill payment by customer with instant update of record were further augmented. At present over 800 cash collection points, in house as well as franchises, are available to serve the customers. These locations include over 190 One Stop Shops (OSS) which also offer various packages to customers and register and rectify customer complaints. Introduction of Public Cash Payment Machines (PCPM) at prominent public places has also facilitated bill payment by customers.

Customer care processes are being strengthened by implementing a new automated and comprehensive Customer Relationship Management (CRM) system which will enable PTCL to further improve the service levels for individual customers encompassing all the aspects of customer relationship in a synchronized manner.

#### **f. Corporate Strategy**

With a focus on sustained long-term growth in shareholders' value, PTCL continues to consolidate its position in traditional revenue streams while exploring emerging products and technologies considering customers' needs and dynamics of the industry.

Customers' satisfaction through improved service experience at affordable price remains at the core of our future vision. Focusing the high value to volume ratio of

broadband, PTCL is maintaining its leadership in both wire-line and wireless broadband.

#### **g. Regulatory Affairs**

During the year under review, progress on implementation of projects undertaken by PTCL under Universal Service Fund (USF) scheme remained satisfactory. Three projects for Basic Telephony services in rural areas of Dadu, Pishin and Larkana have been successfully completed. Six broadband projects for underserved areas of Faisalabad, Multan, Hyderabad, Hazara, Gujranwala and Central Telecom Regions are progressing well. Two optical fiber cable system development projects to connect Tehsil HQs of Baluchistan are under way on fast track and more than 1980 km of optical fiber cable has been laid in Baluchistan province.

PTCL also acquired Service Based Operator license in Singapore to establish its IP based Point of Presence (PoP) enabling on-site interconnection with Tier one carriers and content providers.

Further, in line with related legal provisions, national security requirements were duly taken care of through monitoring system by integrating designated exchanges, gateways, NGN Switches etc.

#### **h. Quality and Revenue Assurance**

During the year, PTCL successfully achieved ISO certification for the Information Technology (IT) department which is in addition to the certification obtained last year for Corporate Quality Department, Contact Centers, One Stop Shops and Procurement. Through further improvement in the processes, your

Company has now ensured that induction of new network elements as well as equipment provided to customers is vigorously checked for quality assurance before provisioning of service to the customers.

The revenue assurance department capabilities were strengthened during the year through induction of Signaling Monitoring System for Voice and Data streams. Further, the revenue assurance team conducted detailed analysis of all the major business processes and improved the same to secure against possible threats of fraud and revenue leakage.

### **5. Awards and Achievements**

The President & CEO of PTCL was awarded the TeleTimes International Leadership Award for Best Broadband services in the region by the TeleTimes Annual International Industry Excellence Awards.





3G EVO won the “Consumer Choice Award 2010” in the category of Best Wireless Broadband by Consumers Association of Pakistan. The selection is based on consumers’ choice.

Your Company was also awarded 8th Environment Excellence Award 2011 recognizing PTCL’s adherence to environment-friendly policies.

PTCL was rated among the top 2 companies in print and electronic media by Aurora, a Dawn Media Group Publication on Ideas and Marketing Approaches, based on data provided by Gallup.

The Presidential Award for Excellence in PR and Corporate Communications by All Pakistan Newspapers Society (APNS) for the year 2009-10 was conferred upon PTCL.

PTCL was among the six operators of the world nominated for Telecom Management Forum (TMF) Operational Excellence Award 2010 for Network Operation Centre (NOC) platform.

The two commercial Data Centers built by PTCL were certified by an international certification body.

## 6. Subsidiaries

### Pakistan Telecom Mobile Limited - Ufone

The year under review marked 10th year of successful operations by Ufone. Compared to the previous year, revenues grew by 15% and the profit after tax enhanced by 57% because of substantial cost savings. The earnings per share (EPS) increased to Rs. 6.36 from Rs. 5.20 of last year.

In spite of adverse economic conditions hampering growth in the country, Ufone continued to modernize its network with various upgrades and improve effectiveness of the supply chain resulting in superior quality of customer service. These measures, inter-alia, encompassed initiatives like aggressive network co-location saving sizeable amounts of CAPEX and implementation of 1-SIM concept in the regions reducing inventory management complexities. Also, the customers were further facilitated by expanding IVR, USSD and Online Self Care based platforms with re-engineered processes reducing turnaround time.

During the year, Ufone introduced various innovative services at attractive call rates catering to the needs of different customer segments. The youth segment was further strengthened by launching new offers e.g. Uth Nonstop Offer, Uth Full Time Mufta Offer and Uth Alaa Offer. These offers gained tremendous popularity in the youth segment contributing major revenues. In its efforts

to find new revenue streams, Ufone tapped fresh market segments targeting farmers as well as females for the first time in Pakistan. Also, the active BlackBerry subscriber base was doubled during the year with first time launches such as BlackBerry Curve 9300, BlackBerry Torch 9800 and BlackBerry Bold 9700.

The existing range of Value Added Services was augmented by launching, “My Mail” enabling users to check their Email accounts without accessing internet; “Double Number” enabling customers to get a secondary number against their primary number and “Star Name” whereby users have the option to select a personalized ID against their number based on Intelligent Number Translation.

To empower the retailer leading to greater proximity with consumer and constant presence near every household, “Ustar” channel was launched in addition to “Ushops”. Currently 25,000 “Ushops” and “Ustars” are serving the customers, which by far is the largest and most effective network of sales and service points in Pakistan.

In its continuing endeavors to achieve greater proficiency, an interface between banks and Ufone Customer Relationship Module (CRM) was developed. Collections can now be realized in real time with greater comfort of systemized verification and automated updating in CRM. This has allowed our distributors to pay and purchase new electronic recharge within seconds.

In recognition of the improved operational efficiencies, Ufone was recently awarded with Professional Excellence Award by the Institute of Chartered Accountants of Pakistan (ICAP) on ‘**Best Corporate Sector Project**’ for Telecom Passive Infrastructure Sharing. Likewise, one of the projects focusing on high value customers was recognized

at international level and Ufone was bestowed with “**Best Customer Services Innovation**” award by the prestigious Global Telecoms Business.

Ufone has been able to develop information systems in close alignment with business strategy in terms of its products and services. It brings the biggest differentiator in the local telecom industry by ensuring minimal lead time to market new services and products. Ufone IT extended its services and implemented its home grown solution of CRM to Etisalat Affiliates.

### MAXCOM

During the year under review, Maskatiya Communications (Pvt) Limited (MAXCOM), a 100% owned subsidiary of PTCL acquired last year was voluntarily wound up and net assets thereof amounting to Rs. 68 million were transferred to PTCL books.

### 7. Financial Reporting Frame Work

The Company has complied with all the material requirements of the Code of Corporate Governance and Directors are pleased to confirm the following:

- The financial information prepared by the management of the Company present fairly its state of affairs, the results of its operations, its cash flows and its changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial information and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial information and if any departure therefrom, the same has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in listed regulations.
- The Audit Committee has recommended the appointment of M/s A. F. Ferguson & Co., and Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as joint auditors of the Company for the financial year ending June 30, 2012.
- Information regarding outstanding taxes and levies is given in notes to the accounts of the financial information.





- The audited value of Pension Assets as per audited accounts amounted to Rs. 56.5 billion at June 30, 2011 (2010: 53.5 billion).
- Historic business indicators, composition of Audit Committee, Human Resource Committee, number of Board Meetings, attendance of Directors and Shareholding Pattern are part of this report and appear in the following pages.

## 8. Corporate Social Responsibility

As a responsible corporate citizen, PTCL undertook various projects for community welfare during the year, some of which are described here.

### a. Help to Flood Victims

The devastating floods in the middle of 2010 left millions displaced and exposed to harsh weather conditions. To help ease their suffering, PTCL contributed in various ways. In continuation of the donations made and assistance provided in last financial year, PTCL's further contributions in this regard during the year under review are as follows:

- A donation of Rs. 5 million in Punjab Government's Fund for the Flood Affectees.
- Donations amounting Rs. 3.9 million by PTCL's regional offices to various local agencies in providing direct assistance to the victims affected areas.
- Medicines worth Rs. 0.5 million provided in the flood-affected areas.
- Free medical treatment to more than 8,000 flood victims through 45 Flood Relief Camps and 252 visits of Mobile Medical Units to remote areas.
- PTCL also introduced a Fund Raising Service to facilitate people to donate to the Prime Minister's Fund for Flood Affectees. The subscriber simply dialed the short code to donate Rs. 10/call to the fund.

### b. Health & Safety

PTCL is providing life coverage health services to its employees and their families and at the same time educating its employees through Health Awareness

Programs about common preventable diseases. On World Hepatitis Day 2010, PTCL arranged a health awareness program.

Also, a program on Employees' Workplace Safety was implemented including provisioning of industrial grade Safety Kits to the field staff. An awareness campaign was also launched across the organization disseminating detailed information on Health, Safety and Environment (HSE) issues.

Blood donation campaign with blood grouping was conducted in collaboration with Pakistan Red Crescent Society.

PTCL supported the cause of visually impaired persons, through sponsorship of cricket matches between Pakistan and Nepal.

### c. Environment

PTCL initiated a tree plantation campaign and more than three hundred saplings were planted in PTCL residential colonies.





PTCL was awarded the 8th Environment Excellent Award 2011 by the National Forum of Environment and Health.

#### d. Education

PTCL made a donation of Rs.10 million to Danish School – a project by Punjab Government to provide free modern education to children of under developed areas.

### 9. Challenges and Way Forward

Operators around the globe realize that deployment of next-generation Fixed-line/Mobile-Convergence (FMC) services is essential for meeting evolving customer requirements of data-centric applications.

Pakistan Telecommunication Authority (PTA) plans to issue licenses for 3G mobile telecom services by end of 2011. 3G wireless technologies represent a shift from voice-centric to multimedia-oriented services like video, voice, data and fax. 3G will be a big leap for Pakistan telecom industry in line with prevailing international practices.

For PTCL, the introduction of 3G in Pakistan is expected to bring in additional data business as well as increased competition. To meet the challenges and to reap benefits of the opportunity, PTCL is not only strengthening its network capabilities but is also continuously coming up with superior data services, both for wireline and wireless customers. PTCL is also in the process of transforming its microwave backhaul to IP technology to meet envisaged high bandwidth requirements of 3G/4G networks.

An interesting opportunity exists for your Company on branchless banking with the basic objective for PTCL to provide its communication infrastructure integrating banks, telecom operators and consumers. This will result in establishment of a mobile banking hub in a many-to-many model as being encouraged by the State Bank of Pakistan where banks and telecom operators join hands to offer branchless banking services to virtually all bankable customers. The model offers maximum connectivity and hence utmost outreach to all desired audience with the mobile operators and banks.


### 10. Acknowledgements

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

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



**Saeed Ahmad Khan**  
Chairman PTCL Board



**Walid Irshaid**  
President & Chief Executive Officer

Islamabad: September 07, 2011



## Composition of Audit Committee

### Chairman

Abdulaziz H. Taryam

### Members

Abdulrahim A. Al Nooryani  
Dr. Syed Ismail Shah  
Mohamed Zuhair

### Secretary

Farah Qamar

### Functions of Audit Committee

Assists the Board of Directors in approving the Company's financial statements, appointment of External Auditor(s), reviews scope of internal control, monitors statutory compliance, determines the appropriate measures to safeguard the Company's assets and recommends placement & borrowing of funds. It ensures the coordination between the internal and external auditors of the Company.

## Composition of Human Resource Committee

### Chairman

Abdulaziz A. Al Sawaleh

### Members

Abdulrahim A. Al Nooryani  
Dr. Syed Ismail Shah  
Fadhil Al Ansari  
Abdulaziz H. Taryam  
Walid Irshaid  
Syed Mazhar Hussain

### Secretary

Farah Qamar

### Functions of Human Resource Committee

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

## Attendance of PTCL Board Members

Total 05 Board meetings were held during the financial year 2010-11.

S #	Name of Board Member	Meetings Attended
1.	<b>Naguibullah Malik</b> Chairman PTCL Board Resigned during the year	02
	<b>Saeed Ahmad Khan</b> Chairman PTCL Board Appointed during the year	03
2.	<b>Mushtaq Ahmad Bhatti</b> Resigned during the year	04
	<b>Dr. Syed Ismail Shah</b> Appointed during the year	01
3.	<b>Khurshed Ahmed Junejo</b> Resigned during the year	01
	<b>Jamil Ahmed Khan</b> Appointed during the year	02
4.	<b>Salman Siddique</b> Resigned during the year	Nil
	<b>Dr. Waqar Masood Khan</b> Appointed during the year	02
5.	<b>Abdulrahim A. Al Nooryani</b>	05
6.	<b>Abdulaziz A. Al Sawaleh</b>	03
7.	<b>Fadhil Al Ansari</b>	05
8.	<b>Abdulaziz H. Taryam</b>	05
9.	<b>Dr. Ahmed Al Jarwan</b>	05

## Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance ("the Code") as contained in the Listing Regulation No. 35 of the Karachi & Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Board of Directors ('the Board') comprises of nine Members. The Government of Pakistan nominates four Members on the Board of the Company while Etisalat International Pakistan (EIP) nominates five Members. All Members of the Board are non-executive Directors and were elected in the AGM held on October 31, 2009.
2. The Directors of the Company have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. All casual vacancies occurred on the Board during the financial year ended June 30, 2011 were filled up by the Directors within 30 days thereof, except for one vacancy that occurred on February 24, 2011 and was filled up on April 27, 2011.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Directors of the Company and has been circulated and duly acknowledged by all employees.
6. The Board has developed a Vision/Mission Statement, overall corporate strategy of the Company and most of its significant policies. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the employment of the Chief Executive Officer (CEO) have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman of the Board of Directors and held at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers were circulated at least seven days before the Meetings. The minutes of the Meetings were appropriately recorded and circulated.
9. An orientation course and presentations on the "Code of Corporate Governance" have earlier been made for all existing Directors in order to acquaint them with their duties and responsibilities and enable them to manage the affairs of the listed companies on behalf of shareholders. During the financial year ended June 30, 2011, one Director had become a certified Director under 'The Board Development Series' program offered by the Pakistan Institute of Corporate Governance. Moreover, certification of another Director is underway.
10. The Board approves the appointment, remuneration and terms and conditions of employment of Chief Financial Officer (CFO) and Company Secretary as determined by the CEO. However, there were no new appointments of CFO and Company Secretary during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee of the Board. It comprises of four members, all members are non-executive Directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of the interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance. A total of 04 Audit Committee meetings were held during the year.
17. The Board has set up an effective internal audit function managed by qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants Committee (IFAC) guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations. The auditors have confirmed that they have observed IFAC guidelines in this regard.
20. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.
21. All related party transactions have been placed before the audit committee and approved by the Board along with pricing method for transactions carried out on terms equivalent to those that prevailed in the arms length transactions.
22. We confirm that all other material principles contained in the Code have been complied with.

Islamabad.  
September 07, 2011



**Walid Irshaid**  
President & Chief Executive  
Officer

## Review Report to the Members

*On Statement of Compliance with Best practices of Code of Corporate Governance*

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2011 prepared by the Board of Directors of Pakistan Telecommunication Company Limited (the Company) to comply with the Listing Regulation No. 35 of The Karachi Stock Exchange (Guarantee) Limited, Listing Regulations No. 35 of The Lahore Stock Exchange (Guarantee) Limited and Chapter XI of Listing Regulations of The Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

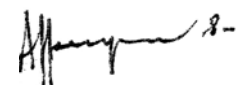
The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent

of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

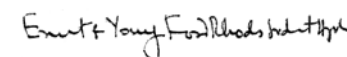
Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended June 30, 2011.



**A. F. Ferguson & Co.**  
Chartered Accountants Islamabad

**Engagement Partner:**  
M. Imtiaz Aslam

Dated: September 07, 2011



**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants Islamabad

**Engagement Partner:**  
Pervez Muslim



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