

**PAKISTAN SOFTWARE EXPORT BOARD
(GUARANTEE) LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

AUDITED BY



MUNIFF ZIAUDDIN & CO
Chartered Accountants

**AUDITORS' REPORT
TO THE MEMBERS**


We have audited the annexed balance sheet of **PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED** as at 30 June 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in funds together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control and prepare and present the above said financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance 1984. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that;

- a) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984.
- b) In our opinion;
 - i) the balance sheet and profit and loss account together with the notes forming part thereof have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts and further in accordance with accounting policies consistently applied except for the changes as stated in note 3.2 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in funds together with notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance 1984, in the manner so required and respectively give true and fair view of the state of the company's affairs as at 30 June 2016 and of the profit, its cash flows and changes in funds for the year then ended; and
- d) In our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Islamabad. 11-01-2017


MUNIFF ZIAUDDIN & CO
Chartered Accountants
(Sardar Shahid Farid, FCA)

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
BALANCE SHEET
AS AT 30 JUNE 2016

	Note	AMOUNT (Rupees) 2016	AMOUNT (Rupees) 2015 (Restated)
<u>FUNDS AND LIABILITIES</u>			
FUNDS			
General fund		98,560,363	72,000,848
PSDP and other projects' fund	4	687,055,255	670,076,959
		<u>785,615,618</u>	<u>742,077,807</u>
NON-CURRENT LIABILITIES			
Staff benefits	5	32,738,146	25,444,052
Deferred grants	6	392,447,905	410,323,695
Deferred taxation	7	1,152,477	154,337
		<u>426,338,528</u>	<u>435,922,084</u>
CURRENT LIABILITIES			
Trade and other payables	8	20,245,077	26,591,475
Liabilities relating to PSDP and other projects		-	162,700
		<u>20,245,077</u>	<u>26,754,175</u>
CONTINGENCIES AND COMMITMENTS			
	9	-	-
		<u>1,232,199,223</u>	<u>1,204,754,066</u>
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property, plant and equipment - operating	10	403,390,800	419,458,226
Assets relating to PSDP and other projects	11	671,486,060	670,661,493
Long term security deposits		1,492,665	1,477,665
		<u>1,076,369,525</u>	<u>1,090,997,384</u>
CURRENT ASSETS			
Trade receivables, unsecured - considered good		8,077,687	6,244,332
Advances, prepayments and other receivables	12	16,226,414	11,157,355
Assets relating to PSDP and other projects	13	15,569,196	178,166
Short term investment	14	25,000,000	-
Cash and bank balances	15	90,956,401	96,176,829
		<u>155,829,698</u>	<u>113,756,682</u>
		<u>1,232,199,223</u>	<u>1,204,754,066</u>

AUDITORS' REPORT ANNEXED

Annexed notes form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	AMOUNT (Rupees) 2016	AMOUNT (Rupees) 2015 (Restated)
REVENUE			
Federal government grant	6	88,244,396	62,289,538
Amortization of deferred grant - in kind	6	17,681,685	18,137,374
Revenue from bandwidth and related services		50,785,716	40,007,891
Registration and renewal fee		20,776,000	19,143,000
Other income	16	11,855,921	7,645,886
		189,343,718	147,223,689
EXPENDITURE			
Salaries, allowances and benefits		74,464,391	64,927,160
Datanode bandwidth and related charges		20,594,020	17,440,573
Travelling and conveyance		877,553	653,776
Advertisement and publicity		529,852	486,451
Communication		2,629,084	1,757,754
Utilities		4,696,021	4,218,090
Rent, rates and taxes		9,359,686	8,473,090
Vehicle running expenses		516,377	441,927
Fee and subscription		313,955	247,216
Printing and stationary		569,768	552,830
Newspaper and periodicals		51,986	36,858
Exhibitions and seminars		15,586,268	10,414,772
Repair and maintenance		2,623,785	2,656,158
Foreign and inland training		4,144,697	2,954,518
Auditors' remuneration		172,500	150,000
Legal and professional charges		419,515	232,500
Entertainment		803,976	669,700
Bad debts written off		124,627	1,552,992
Depreciation of deferred grant - in kind	10	17,681,685	18,137,374
Depreciation	10	1,675,905	1,392,883
Exchange loss		-	5,606
Bank charges		42,663	42,360
		157,878,314	137,444,588
Profit before taxation		31,465,404	9,779,101
Taxation	17	(3,862,058)	(4,001,549)
Profit for the year		27,603,346	5,777,552

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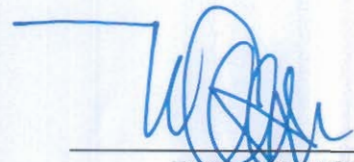
DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	AMOUNT (Rupees) 2016	AMOUNT (Rupees) 2015 (Restated)
Profit for the year		27,603,346	5,777,552
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain / (loss) on remeasurement of defined benefit plan		(1,535,045)	671,189
Tax effect		491,214	(221,492)
		(1,043,831)	449,697
Total comprehensive income for the year		<u>26,559,515</u>	<u>6,227,249</u>

M. Ansari

CHIEF EXECUTIVE



DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Note	AMOUNT (Rupees) 2016	AMOUNT (Rupees) 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		31,465,404	9,779,101
<i>Adjustment for non-cash items</i>			
Federal Government grant		(88,244,396)	(62,289,538)
Amortization of deferred grant - in kind		(17,681,685)	(18,137,374)
Profit on bank deposits		(4,329,069)	(5,322,854)
Bad debts written off		-	1,552,992
Depreciation		1,675,905	1,392,883
Amortization of deferred grant - in kind		17,681,685	18,137,374
Provision for medical facility		909,292	1,729,880
Provision for gratuity		4,517,068	4,232,338
Provision for employees' earned leaves		1,299,751	599,473
		<u>(84,171,449)</u>	<u>(58,104,826)</u>
Cash used before changes in working capital		<u>(52,706,045)</u>	<u>(48,325,725)</u>
<i>Changes in working capital</i>			
(Increase) / decrease in current assets			
- Trade receivables		(1,833,355)	(1,926,333)
- Advances, prepayments and other receivables		(4,692,856)	(2,415,652)
		<u>(6,526,211)</u>	<u>(4,341,985)</u>
Increase / (decrease) in current liabilities			
- Trade and other payables		(6,346,398)	1,600,948
		<u>(12,872,609)</u>	<u>(2,741,037)</u>
Cash used in operations		<u>(65,578,654)</u>	<u>(51,066,762)</u>
Federal Government grant received		88,050,291	62,000,000
Profit on bank deposits received		4,283,287	5,304,505
Income tax paid		(2,703,125)	(2,633,451)
Medical facility paid		(461,937)	(1,737,428)
Employees' earned leaves paid		(242,125)	(2,013,263)
Gratuity paid		(263,000)	(310,842)
Cash generated from operating activities		<u>23,084,737</u>	<u>9,542,759</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(3,290,164)	(4,121,257)
Long term security deposits		(15,000)	(14,750)
Cash used in investing activities		<u>(3,305,164)</u>	<u>(4,136,007)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		19,779,572	5,406,752
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		96,176,829	90,770,077
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	19	<u>115,956,401</u>	<u>96,176,829</u>


CHIEF


DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 JUNE 2016

	AMOUNT IN RUPEES		
	General fund	PSDP & other projects' fund	Total
Balance as at 1 July 2014 - restated	65,773,599	675,209,706	740,983,305
Profit for the year ended 30 June 2015	5,777,552	-	5,777,552
Other comprehensive income for the year	449,697	-	449,697
PSDP and other projects' fund received during the year	-	4,040,500	4,040,500
Expenditure incurred on PSDP and other projects during the year	-	(9,173,247)	(9,173,247)
Balance as at 30 June 2015 - restated	72,000,848	670,076,959	742,077,807
Profit for the year	27,603,346	-	27,603,346
Other comprehensive income for the year	(1,043,831)	-	(1,043,831)
PSDP and other projects' fund received during the year	-	38,257,400	38,257,400
Expenditure incurred on PSDP and other projects during the year	-	(21,279,104)	(21,279,104)
Balance as at 30 June 2016	98,560,363	687,055,255	785,615,618

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CHIEF EXECUTIVE

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DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. STATUS and NATURE OF BUSINESS

Pakistan Software Export Board (Guarantee) Limited ("the company") was incorporated in Pakistan under the Companies Ordinance, 1984 on 13 June 1998 as company limited by guarantee not having share capital to carry on business activities previously performed by the Pakistan Software Export Board more independently, effectively and dynamically. The registered office of the company is situated at 2nd Floor, Evacuee Trust Complex, Sector F-5/1, Islamabad. The company is fully owned and controlled by the Federal Government through Ministry of Information Technology.

The principal objective of the Company is to make Pakistan a preferred destination for the business process outsourcing, placing Pakistan as a key player in the global information technology market, creating an environment that is conducive for IT business in the country and develop and strengthen domestic IT industry through various support programs and projects to deliver higher value added services and enhance IT and IT enabled services (ITeS) export from Pakistan.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of or the directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

2.1 Amendments to published approved standards that are effective in current year but are not relevant to the company

The following new standards, amendments and interpretations became effective during the year which are not considered to be relevant to the company's financial statements:

- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurements

2.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following are the standards and interpretations, which have been issued but are not yet effective for the current financial year and have not been early adopted by the company:

Standard or Interpretation	Effective date (Annual period beginning or after)
IAS – 16 Clarification of acceptable method of depreciation	January 1, 2016
IAS – 38 Clarification of acceptable method of amortization	January 1, 2016

The above standards and amendments are not expected to have any material impact on the company's financial statements

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In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January, 2016. The company expects that such improvements to the standards will not have any impact on the company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan

Standard or Interpretation	Effective date (Annual period beginning or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 15 – Revenue from Contracts with Customers	January 1, 2018

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

2.3.1 Property, plant and equipment

The Company has made certain estimations with respect to residual value, depreciation method and depreciable lives of property, plant and equipments. Further, the Company reviews the value of assets for possible impairment on each reporting period.

2.3.2 Income taxes

The Company has made certain estimations with respect to residual value, In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in the past. Accordingly, the recognition of deferred tax is also made taking into account these judgments and the best estimates of future results of the operations of the company.

2.3.3 Provision for doubtful debt

The company review its receivables against any provision required for any doubtful balances on an on going basis. The provision is made while taking into consideration expected recoveries, if

2.3.4 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non occurrence of the uncertain future events.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Following accounting policies have been applied consistently in dealing with items, which are considered material in relation to the financial statements of the Company, except as stated in note 3.2.

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention using accrual basis of accounting, except for cash flow information.

3.2 Change in accounting policy

During the year the Company has changed its accounting policy to comply with the requirement of IAS - 19 (Employees Benefits (Revised)). As per the previous policy, provision of gratuity made was equal to last drawn basic salary immediately preceding the date of his service for each completed years in the company.

The change in accounting policy has been accounted for in respect of recognition of actuarial gains and losses, current & past service costs and interest on defined benefit obligation under the requirements of IAS-19 (Employees Benefits (Revised)), whereby with effect from current period, the company has recognised the followings:

- a) The amount recognized in the balance sheet represents the present value of defined benefits obligation.
- b) Actuarial gains/losses as they occur were charged in other comprehensive income.
- c) All past service costs at the earlier of when the amendment occurs and when the company has recognised relating restructuring or termination benefits, were charged to profit & loss account. Current service cost is charged to profit & loss account.
- d) Interest on defined benefit obligation, which is calculated using the discount rate used to measure the present value of defined obligation, was also charged to profit & loss account.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected only by the change in accounting policy relating to prior years. The effects of change in accounting policies on the financial statements of 2015 have been summarised below:

Balance Sheet

Increase in general fund	2,440,329
Increase in deferred tax liability	221,492
Decrease in staff benefits - gratuity	(2,661,821)

Profit and loss account

Decrease in expenditure, salaries, allowances and benefits	(251,397)
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Statement of comprehensive income

Actuarial gain on remeasurement of defined benefit plan - net of tax	449,697
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3.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional currency.

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3.4 Property, plant and equipment

a) Cost

Property, plant and equipments are stated at cost less accumulated depreciation and impairment losses, if any except for land, which is stated at cost.

b) Depreciation

Depreciation is provided on diminishing balance method to write off the cost of an asset over its estimated useful life without taking into account any residual value. The company charge depreciation in the period of use on proportionate basis.

c) Repair and maintenance

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gain and losses on disposal of assets, if any, are included in profit and loss account.

d) Gain and losses on disposal

Gain and losses on deletion of assets are included in profit and loss account, if any.

3.4 Staff retirement benefits

Medical facility

Employees are entitled to medical facility allowance as determined in accordance with service regulations of the company. During the year employees can get their actual medical expenses reimbursed and remaining balance of unused entitlement, if any, is forwarded to succeeding years which employees can get reimbursed in succeeding years or can encash on termination / resignation from the service.

Gratuity scheme

The company operates an unfunded gratuity scheme for its employees. Provision for gratuity is made annually to cover obligation under the scheme on the basis of forty five days basic pay for each respective completed year of service.

Employees' earned leaves

The company accounts for the liability in respect of employees' earned leaves in the year in which these are earned. Provision to cover the obligation is made using the current salary level of employees.

3.5 Provisions

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.6 Taxation

Current

Provision for current taxation is based on taxable income computed at the current rates of taxation after taking into account the available tax rebates and credits under the Income Tax Ordinance, 2001.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.7 Foreign currency transactions

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of transaction. Assets and liabilities in foreign currencies at the balance sheet date are translated into rupees at the rate prevailing on the balance sheet date or at the contracted rate where exchange risk cover has obtained. Exchange gains and losses are included in the profit and loss account.

3.8 Financial Instruments

Financial Assets

These are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Trade debts and other receivables

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

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Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts and other short term highly liquid investments, if any, that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

Financial liabilities

The Company initially recognizes non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise markup bearing borrowings and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.9 Impairment

Non - Financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

3.10 Public Sector Development Programme (PSDP) Projects

Grants related to PSDP and other projects are categorized separately as these cannot be used for other purposes.

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3.11 Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue and the associated cost incurred or to be incurred can be measured reliably, on the following basis

- i) Revenue from bandwidth and related service is recognized on the basis of billing to the customers.
- ii) Annual registration and renewal fee is recognized on cash basis.
- iii) Return on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and the applicable rate of return.

3.12 Government grants

Grants related to income

Grants related to income are recognized on a systematic basis as income over the periods necessary to match them with related expenses incurred in accordance with terms of the respective grant agreements.

Grants related to assets

Grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by setting up the grant as "Capital Grant". An amount equivalent to the depreciation for each year on such assets is credited to profit and loss account in the same year in which the depreciation is charged.

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		AMOUNT (Rupees) 2016	AMOUNT (Rupees) 2015
4. PSDP AND OTHER PROJECTS' FUND			
Balance as at 01 July 2015		670,076,959	675,209,706
Add:			
Received during the year			
- Government of Pakistan		30,000,000	4,040,500
- Received from National ICT R&D Fund		8,257,400	-
		38,257,400	4,040,500
Less:			
Expenditure	4.1	(18,493,653)	(9,173,247)
Assets transferred to PSEB		(50,291)	-
PSDP funds surrendered / lapsed		(2,735,160)	-
		(21,279,104)	(9,173,247)
Balance as at 30 June 2016		<u>687,055,255</u>	<u>670,076,959</u>
4.1	This represents the expenditure of 4 (2015 : 2) projects executed and operated by Pakistan Software Export Board (Guarantee) Limited during the year.		
5. STAFF BENEFITS			
Medical facility	5.1	2,842,797	2,395,442
Gratuity	5.2	22,929,040	17,139,927
Employees' earned leaves	5.3	6,966,309	5,908,683
		<u>32,738,146</u>	<u>25,444,052</u>
5.1 Medical facility			
Balance as on 01 July		2,395,442	2,402,990
Charge for the year		909,292	1,729,880
Benefits paid during the year		(461,937)	(1,737,428)
Net liability as on 30 June		<u>2,842,797</u>	<u>2,395,442</u>
5.2 Gratuity		22,929,040	17,139,927
5.2.1 The amounts recognized in balance sheet are as follows:			
Fair value of plan assets		-	-
Present value of defined benefit obligation		(22,929,040)	(17,139,927)
Surplus / (deficit)		<u>(22,929,040)</u>	<u>(17,139,927)</u>
5.2.2 Movement in the present value of defined benefit obligation:			
Opening balance		17,139,927	13,889,620
Current service cost		2,731,183	2,378,220
Interest cost		1,785,885	1,854,117
Benefits paid		(263,000)	(310,842)
Actuarial (gain) / loss		1,535,045	(671,189)
Closing balance		<u>22,929,040</u>	<u>17,139,927</u>

	AMOUNT (Rupees) 2016	AMOUNT (Rupees) 2015
5.2.3 Movement in the net assets / (liability) recognized in the balance sheet are:		
Opening balance	(17,139,927)	(13,889,620)
Net charge to profit and loss	(4,517,068)	(4,232,338)
Other comprehensive income	(1,535,045)	671,189
Payments made during the year	263,000	310,842
Closing balance	<u>(22,929,040)</u>	<u>(17,139,927)</u>

5.2.4 The amounts recognized in the profit and loss account against defined benefit scheme are as follows:

Current service cost	2,731,183	2,378,220
Interest cost	1,785,885	1,854,117
Net charge to profit and loss for the year	<u>4,517,068</u>	<u>4,232,337</u>

5.2.5 The amounts recognized in the other comprehensive income against defined benefit scheme are as follows:

(Gain) / loss on obligation	1,535,045	(671,189)
Gain / (loss) on plan assets	-	-
	<u>1,535,045</u>	<u>(671,189)</u>

5.2.6 The principal actuarial assumptions at the reporting date were as follows:

Discount rate	9.00%	10.50%
Rate of salary increase	8.00%	9.50%

5.2.7 Impact of changes in assumptions on defined benefit scheme is as follows:

	1% Increase	1% Decrease
Discount rate	20,726,139	26,604,011
Rate of salary increase	26,621,853	20,603,659

5.3 Employees' earned leaves

Balance as on 01 July	5,908,683	7,322,473
Charge for the year	1,299,751	599,473
Benefits paid during the year	(242,125)	(2,013,263)
Net liability as on 30 June	<u>6,966,309</u>	<u>5,908,683</u>

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		AMOUNT (Rupees) 2016	AMOUNT (Rupees) 2015
6. DEFERRED GRANTS			
Government grants - in cash	6.1	1,675,170	1,919,566
Government grants others - in kind	6.2	390,772,735	408,404,129
		<u>392,447,905</u>	<u>410,323,695</u>

6.1 Government grants

		2016			
		Opening	Grants received during the year	Grants amortized during the	Balance
Capital		1,919,566	-	(244,396)	1,675,170
Revenue		-	88,000,000	(88,000,000)	-
	2016	<u>1,919,566</u>	<u>88,000,000</u>	<u>(88,244,396)</u>	<u>1,675,170</u>
	2015	<u>2,209,104</u>	<u>62,000,000</u>	<u>(62,289,538)</u>	<u>1,919,566</u>

6.2 Government grants others - in kind

		2016			
		Opening	Grants received during the year	Grants amortized during the	Balance
In kind		408,404,129	50,291	(17,681,685)	390,772,735
	2016	<u>408,404,129</u>	<u>50,291</u>	<u>(17,681,685)</u>	<u>390,772,735</u>
	2015	<u>426,541,503</u>	<u>-</u>	<u>(18,137,374)</u>	<u>408,404,129</u>

6.2.1 Grants received in kind represent Public Sector Development Programme (PSDP) and other projects' assets acquired by Pakistan Software Export Board (Guarantee) Limited upon completion of projects.

7. DEFERRED TAXATION

The liability / (asset) for deferred taxation originated due to timing differences relating to:

Taxable/ (deductible) temporary difference

Accelerated tax depreciation allowance	1,422,199	2,177,457
Remeasurement of defined benefit plans	(269,722)	221,492
Tax losses	-	(2,244,612)
	<u>1,152,477</u>	<u>154,337</u>

8. TRADE AND OTHER PAYABLES

Pakistan Telecommunication Company Limited	-	9,000,000
Advances from customers	9,156,362	7,877,655
Accrued liabilities	11,007,996	9,622,916
Other payables	80,719	90,904
	<u>20,245,077</u>	<u>26,591,475</u>

9. CONTINGENCIES AND COMMITMENTS

The company has no significant contingencies and commitments.

10. PROPERTY, PLANT & EQUIPMENT

	LEASE HOLD LAND	FURNITURE & FITTINGS	OFFICE & ELECTRIC EQUIPMENT	COMPUTER & RELATED EQUIPMENT	DATA NODE EQUIPMENT & INSTALLATION	VEHICLES	TOTALS
As at 01 July 2014							
Cost	503,228,063	9,622,713	8,916,874	19,225,094	35,096,163	4,594,015	580,682,922
Accumulated depreciation	(89,725,683)	(6,121,095)	(4,483,093)	(16,489,239)	(24,946,607)	(4,049,979)	(145,815,696)
Net book value	<u>413,502,380</u>	<u>3,501,618</u>	<u>4,433,781</u>	<u>2,735,855</u>	<u>10,149,556</u>	<u>544,036</u>	<u>434,867,226</u>
Year ended 30 June 2015							
Operating net book value	413,502,380	3,501,618	4,433,781	2,735,855	10,149,556	544,036	434,867,226
Additions	-	157,569	3,393,189	498,544	71,955	-	4,121,257
Depreciation charge	(15,769,575)	(357,457)	(501,592)	(756,919)	(2,035,907)	(108,807)	(19,530,257)
Closing net book value	<u>397,732,805</u>	<u>3,301,730</u>	<u>7,325,378</u>	<u>2,477,480</u>	<u>8,185,604</u>	<u>435,229</u>	<u>419,458,226</u>
As at 01 July 2015							
Cost	503,228,063	9,780,282	12,310,063	19,723,638	35,168,118	4,594,015	584,804,179
Accumulated depreciation	(105,495,258)	(6,478,552)	(4,984,685)	(17,246,158)	(26,982,514)	(4,158,786)	(165,345,953)
Net book value	<u>397,732,805</u>	<u>3,301,730</u>	<u>7,325,378</u>	<u>2,477,480</u>	<u>8,185,604</u>	<u>435,229</u>	<u>419,458,226</u>
Year ended 30 June 2016							
Operating net book value	397,732,805	3,301,730	7,325,378	2,477,480	8,185,604	435,229	419,458,226
Additions	-	214,570	1,881,835	988,946	204,813	-	3,290,164
Depreciation charge	(15,769,575)	(337,876)	(789,784)	(710,759)	(1,662,550)	(87,046)	(19,357,590)
Closing net book value	<u>381,963,230</u>	<u>3,178,424</u>	<u>8,417,429</u>	<u>2,755,667</u>	<u>6,727,867</u>	<u>348,183</u>	<u>403,390,800</u>
As at 01 July 2016							
Cost	503,228,063	9,994,852	14,191,898	20,712,584	35,372,931	4,594,015	588,094,343
Accumulated depreciation	(121,264,833)	(6,816,428)	(5,774,469)	(17,956,917)	(28,645,064)	(4,245,832)	(184,703,543)
Net book value	<u>381,963,230</u>	<u>3,178,424</u>	<u>8,417,429</u>	<u>2,755,667</u>	<u>6,727,867</u>	<u>348,183</u>	<u>403,390,800</u>
Depreciation rates per annum (%)	3.117% - 3.141%	10%	10%	25%	20%	20%	

- 10.1 Depreciation related to assets purchased out of Government grants
 Depreciation related to assets purchased out of own income
 Depreciation related to assets acquired from PSDP and other projects
 Depreciation charge for the year

	2016	2015
NOTE		
Rupees	244,396	289,538
Rupees	1,431,509	1,103,345
Rupees	1,675,905	1,392,883
Rupees	17,681,685	18,137,374
Rupees	19,357,590	19,530,257

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11. ASSETS RELATING TO PSDP & OTHER PROJECTS

Operating fixed assets
 Advance to Civil Aviation Authority against purchase of land
 Capital work in Process, civil works

11.1 OPERATING FIXED ASSETS

	2016	2015
	Rupees	Rupees
11.1	328,772,630	57,475
	332,801,321	670,004,018
	9,912,109	-
	671,486,060	670,061,493

	Rupees						
	LEASEHOLD LAND	FURNITURE & FITTINGS	OFFICE & ELECTRIC EQUIPMENT	COMPUTERS & RELATED EQUIPMENT	DATA NODE EQUIPMENT & INSTALLATION	VEHICLES	TOTAL
As at 01 July 2014							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-
Year ended 30 June 2015							
Opening net book value	-	-	-	-	-	-	-
Additions	-	-	-	72,600	-	-	72,600
Transfers:							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Depreciation charge	-	-	-	(15,125)	-	-	(15,125)
Closing net book value	-	-	-	57,475	-	-	57,475
As at 01 July 2015							
Cost	-	-	-	72,600	-	-	72,600
Accumulated depreciation	-	-	-	(15,125)	-	-	(15,125)
Net book value	-	-	-	57,475	-	-	57,475
Year ended 30 June 2016							
Opening net book value	-	-	-	57,475	-	-	57,475
Additions	337,202,697	-	-	-	-	-	337,202,697
Transfers:							
Cost	-	-	-	(72,600)	-	-	(72,600)
Depreciation	8,430,067	-	-	7,184	-	-	8,437,251
Accumulated depreciation	-	-	-	15,125	-	-	15,125
Depreciation charge	(8,430,067)	-	-	-	-	-	(8,437,251)
Closing net book value	328,772,630	-	-	-	-	-	328,772,630
Depreciation rates per annum (%)	3.33	10	10	25	20	20	

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	AMOUNT (Rupees) 2016	AMOUNT (Rupees) 2015
12. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advances to employees against;		
- salaries and benefits	12,548,213	8,481,223
- expenses	67,566	80,001
	12,615,779	8,561,224
Advance income tax	2,110,780	1,780,359
Prepayments	855,596	360,373
Other receivables	644,259	455,399
	<u>16,226,414</u>	<u>11,157,355</u>
13. ASSETS RELATING TO PSDP and OTHER PROJECTS		
Advances against project activities	15,259,840	8,175
Cash at bank, current accounts, Pak Rupees	309,356	169,991
	<u>15,569,196</u>	<u>178,166</u>
14. SHORT TERM INVESTMENT		
Held - till- maturity	25,000,000	-
	<u>25,000,000</u>	<u>-</u>
<p>This represents investment in a Term Deposit Receipt (TDR) having face value of Rs. 25.00 million placed with National Bank of Pakistan for a term of 180 days. This TDR carries mark - up at the rate of 6 % percent per annum and is maturing on July 12, 2016.</p>		
15. CASH AND BANK BALANCES		
Cash in hand	-	35,205
Cash at bank		
- current accounts, Pak rupees	748	21,647
- savings accounts, Pak rupees	90,084,772	95,275,694
- savings accounts, US dollars	870,881	844,283
	90,956,401	96,141,624
	<u>90,956,401</u>	<u>96,176,829</u>
16. OTHER INCOME		
Income from financial assets		
Profit on bank deposits	4,329,069	5,322,854
Income from non-financial assets		
Exhibition participation fee	2,981,000	2,235,910
Miscellaneous	4,545,852	87,122
	7,526,852	2,323,032
	<u>11,855,921</u>	<u>7,645,886</u>

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	AMOUNT (Rupees) 2016	AMOUNT (Rupees) 2015
17. TAXATION		
Current	2,372,704	591,509
Deferred	1,489,354	3,410,040
	<u>3,862,058</u>	<u>4,001,549</u>

17.1 Tax charge reconciliation

Profit before taxation	31,465,404	-
Applicable tax rate	32%	33%
Tax at applicable tax rate	10,068,929	-
Exempt income	(7,122,674)	-
Tax credits	(1,447,938)	-
Tax effect of items non deductible for tax purpose	874,387	-
Temporary differences	1,489,354	-
	<u>3,862,058</u>	<u>-</u>

17.2 No comparative amounts have been given in reconciliation as the company was subject to minimum taxation.

18. REMUNERATION OF CHIEF EXECUTIVE

The aggregate amount charged in the financial statements for the year in respect of remuneration and other benefits to the Chief Executive of the company are:

	<u>1</u>	<u>1</u>
Number of person(s)		
Managerial remuneration	3,387,613	3,045,710
Allowances		
House rent allowance	1,212,000	1,167,645
Conveyance	1,150,920	1,262,406
Others	181,235	173,173
	<u>5,931,768</u>	<u>5,648,934</u>

19. CASH AND CASH EQUIVALENTS

Short term investment	25,000,000	-
Cash and bank balances	90,956,401	96,176,829
	<u>115,956,401</u>	<u>96,176,829</u>

	AMOUNT	AMOUNT
	(Rupees)	(Rupees)
	2016	2015
20 FINANCIAL INSTRUMENTS		
FINANCIAL ASSETS		
Trade receivables, unsecured - considered good	8,077,687	6,244,332
Advances and other receivables	15,370,818	10,796,982
Short term Investment	25,000,000	-
Cash and bank balances	90,956,401	96,176,829
	<u>139,404,906</u>	<u>113,218,143</u>

FINANCIAL LIABILITIES		
Trade and other payables	20,245,077	26,591,475
Liabilities relating to PSDP and other projects	-	162,700
	<u>20,245,077</u>	<u>26,754,175</u>

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities exposed to certain financial risk. Such financial risk emanate from various factors that include, but not limited to, market risk, credit risk and liquidity risk. The company's overall risk management focuses on the predictability of financial market and seeks to minimize potential adverse effects on the company's financial performance. Risk measures and managed by company are explained below.

21.1 Market risk

Market risk is the risk that the fair value of future cashflows of financial instrument will fluctuate due to changes in the market variables such as foreign exchange rates.

(i) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or financial liabilities will fluctuate due to a change in foreign exchange rate. It arises mainly where receivables and payables exist due to transaction in foreign currency. As at 30 June 2016, the company is not exposed to risk in respect of financial assets or financial liabilities.

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21.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter parties fail completely to perform as contracted.

Credit risk arises from cash and cash equivalents, derivative financial instrument and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. Out of total financial assets of Rs. 139,404,906 (2015: Rs. 113,218,143), the financial assets that are subject to credit risk amounted to Rs. 139,404,906 (2015: Rs. 113,182,938).

The maximum exposure to credit risk as at 30 June 2016, along with comparative is tabulated below:

	2016	2015
Trade receivables, unsecured - considered good	8,077,687	6,244,332
Advances and other receivables	15,370,818	10,796,982
Short term investment	25,000,000	-
Bank balances	90,956,401	96,141,624
	<u>139,404,906</u>	<u>113,182,938</u>
Bank balances		
Ratings		
A1 and A1+	<u>90,956,401</u>	<u>96,141,624</u>

Due to the company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the company.

21.3 Liquidity risk

Liquidity risk is a risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with the financial instruments. The management believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the company on basis of expected cashflow considering the level of liquid assets necessary to meet such risks. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financial liabilities in accordance with their contractual maturities are presented below:

	Carrying Amount	Contractual Cashflows	6 Months or less	6-12 Months	1-2 years	More than 2 years
<u>2016</u>						
Trade and other payables	20,245,077	(20,245,077)	(20,245,077)	-	-	-
<u>2015</u>						
Trade and other payables	26,591,475	(26,591,475)	(26,591,475)	-	-	-
Liabilities relating to PSDP and other projects	162,700	(162,700)	(162,700)	-	-	-

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21.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transactions. Consequently, differences may arise between the carrying value and fair value estimated.

As at 30 June 2016 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying value.

22 NUMBER OF EMPLOYEES

Total number of employees as at 30 June 2016 was 76 (2015: 66) and average number of employees during the year was 74 (2015: 66).

23 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Company on

11-01-2017

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CHIEF EXECUTIVE



DIRECTOR