

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Software Export Board (Guarantee) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Software Export Board (Guarantee) Limited (the Company), which comprise the statement of financial position as at 30 June 2019, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in general fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in general fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the surplus, other comprehensive income, the changes in general fund and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's report thereon. *Ran*

Riaz Ahmad & Company

Chartered Accountants

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in general fund and the statement of cash flows together with the notes thereon have been drawn up in

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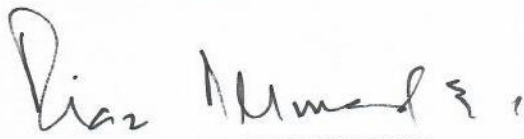
Riaz Ahmad & Company

Chartered Accountants

conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Raheel Arshad.


RIAZ AHMAD & COMPANY
Chartered Accountants *Raz.*

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Date: **1.8 AUG 2020**

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	NOTE	2019 Rupees	2018 Rupees	NOTE	2019 Rupees	2018 Rupees
FUND AND LIABILITIES						
FUND						
General fund		185,103,535	145,905,695	9	646,324,677	368,906,292
				10	35,723,511	333,293,044
					1,492,665	1,492,665
				11	35,285,639	18,353,816
				12	8,754,551	5,632,061
					<u>727,581,043</u>	<u>727,677,878</u>
ASSETS						
NON-CURRENT ASSETS						
Property and equipment						
Assets relating to PSDP and other projects - restricted funds						
Long term security deposits						
Long term advances						
Deferred taxation						
CURRENT ASSETS						
Trade debts - considered good	13	61,050,717	52,494,621		6,280,696	4,987,855
Advances and short term prepayments	14	40,575,338	677,168,935		10,139,066	6,900,051
Other receivables	5	635,015,231	356,338,542		797,162	444,687
Assets relating to PSDP and other projects - restricted funds	15	736,641,286	1,086,002,098		4,851,827	343,875,891
Short term investment	16				93,262,354	51,060,274
Cash and bank balances	17				114,723,663	121,305,769
					<u>230,054,768</u>	<u>528,574,527</u>
CONTINGENCIES AND COMMITMENTS	8					
TOTAL FUND AND LIABILITIES		<u>957,635,811</u>	<u>1,256,252,405</u>		<u>957,635,811</u>	<u>1,256,252,405</u>

The annexed notes form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019 Rupees	2018 Rupees
INCOME			
Deferred grants related to projects amortized during the year	4	98,438,380	189,560,280
Federal Government grant	5	97,995,733	98,824,945
Amortization of deferred grant - in kind	5	27,830,815	18,300,032
Revenue from bandwidth and related services	18	64,469,007	52,043,348
Registration and renewal fee	19	46,999,912	30,695,600
Other income	20	18,037,269	10,190,308
		<u>353,771,116</u>	<u>399,614,513</u>
EXPENDITURE			
Project cost - deferred grants related to projects	4	98,438,380	189,560,280
Salaries, allowances and benefits	21	101,128,313	90,035,919
Data node bandwidth and related charges	22	27,342,139	22,030,806
Travelling and conveyance		1,248,868	1,260,393
Advertisement and publicity		120,618	870,534
Communication charges	23	3,553,840	3,015,948
Utilities		4,215,275	3,506,952
Rent, rates and taxes		15,196,143	10,389,150
Vehicle running expenses		498,535	472,242
Fee and subscription	24	380,505	329,157
Printing and stationery		778,136	608,750
Newspaper and periodicals		46,794	46,701
Exhibitions and seminars		14,045,995	16,862,563
Repair and maintenance		2,875,652	2,657,526
Foreign and inland training		132,000	601,698
Auditor's remuneration	25	260,110	212,500
Legal and professional charges		502,554	295,947
Entertainment		661,994	611,362
Depreciation	9.2	2,007,464	1,803,572
Depreciation of assets related to deferred grant - in kind	9.2	27,830,815	16,788,355
Exchange loss		4,169	2,385
Impairment loss	9	-	2,286,086
Loss on disposal of property and equipment		-	11,765
Bank charges		44,204	102,136
		<u>301,312,503</u>	<u>364,362,727</u>
SURPLUS BEFORE TAXATION		52,458,613	35,251,786
Taxation	26	5,780,423	9,026,802
SURPLUS AFTER TAXATION		<u>46,678,190</u>	<u>26,224,984</u>

The annexed notes form an integral part of these financial statements.


CHIEF EXECUTIVE

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DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	2019 Rupees	2018 Rupees
SURPLUS AFTER TAXATION	46,678,190	26,224,984
OTHER COMPREHENSIVE INCOME / (LOSS)		
Items that will not be reclassified to income and expenditure		
Remeasurement of defined benefit plan - net	(1,904,179)	(3,612,418)
Related deferred income tax - net	552,212	1,083,725
	(1,351,967)	(2,528,693)
Items that may be reclassified subsequently to income and expenditure	-	-
Other comprehensive loss for the year - net of tax	(1,351,967)	(2,528,693)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	45,326,223	23,696,291

The annexed notes form an integral part of these financial statements. *Van.*


CHIEF EXECUTIVE


DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

STATEMENT OF CHANGES IN GENERAL FUND

FOR THE YEAR ENDED 30 JUNE 2019

	Rupees
Balance as at 01 July 2017	122,209,404
Surplus for the year ended 30 June 2018	26,224,984
Other comprehensive loss for the year ended 30 June 2018	(2,528,693)
Balance as at 30 June 2018	23,696,291
Adjustment on adoption of IFRS 15 (Note 2.9)	145,905,695
Adjusted General Fund balance as at 01 July 2018	(6,128,383)
Surplus for the year ended 30 June 2019	139,777,312
Other comprehensive loss for the year ended 30 June 2019	46,678,190
Balance as at 30 June 2019	(1,351,967)
	45,326,223
	185,103,535

The annexed notes form an integral part of these financial statements. *Ran*

Asim Hossain

CHIEF EXECUTIVE

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DIRECTOR

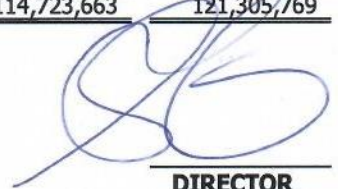
PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before taxation	52,458,613	35,251,786
Adjustment for non-cash items		
Deferred grants related to projects amortized during the year	(98,438,380)	(189,560,280)
Amortization of deferred capital grant	(135,733)	(282,945)
Amortization of deferred grant - in kind	(27,830,815)	(18,300,032)
Profit on bank deposits and investments	(13,710,259)	(6,716,112)
Depreciation	2,007,464	1,803,572
Depreciation of assets related to deferred grant - in kind	27,830,815	16,788,355
Depreciation related to restricted grant	126,296	11,475,302
Impairment loss	-	2,286,086
Loss on disposal of property and equipment	-	11,765
Exchange loss	4,169	2,385
Provision for medical facility	4,169,819	3,317,864
Provision for gratuity	8,025,564	6,468,776
Provision for employees' earned leaves	802,357	2,228,113
	<u>(97,148,703)</u>	<u>(170,477,151)</u>
Net cash used in operations before changes in working capital	(44,690,090)	(135,225,365)
Changes in working capital		
Decrease / (increase) in current assets		
Trade receivables	(1,297,010)	2,418,997
Advances and short term prepayments	(3,239,015)	(1,222,237)
Other receivables - net	344,688	(165,538)
Assets relating to PSDP and other projects - restricted funds	6,222,743	36,627,125
Increase in trade and other payables	8,072,147	829,765
	<u>10,103,553</u>	<u>38,488,112</u>
Net cash generated from / (used in) operations	(34,586,537)	(105,394,905)
Profit on bank deposits and investments received	9,750,741	6,716,112
Income tax paid	(11,004,853)	(7,694,585)
Medical facility paid	(3,801,758)	(2,552,104)
Employees' earned leaves paid	(1,316,509)	(85,747)
Gratuity paid	(1,227,556)	(1,236,460)
Net increase in long term advances	(16,931,823)	(8,732,653)
	<u>(24,531,758)</u>	<u>(13,585,437)</u>
Net cash used in operating activities	(59,118,295)	(110,247,689)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(613,427)	(3,766,450)
Additions in assets relating to restricted grants	(9,200,000)	(6,611,252)
Short term investment made - net	(38,939,725)	(25,482,117)
Proceeds from disposal of property and equipment	-	172,000
Net cash used in investing activities	(48,753,152)	(35,687,819)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted grant received	126,367,741	172,505,820
Restricted grant lapsed	(25,078,400)	(24,436,715)
Net cash from financing activities	101,289,341	148,069,105
Net (decrease) / increase in cash and cash equivalents	(6,582,106)	2,133,597
Cash and cash equivalents at the beginning of the year	121,305,769	119,172,172
Cash and cash equivalents at the end of the year	<u>114,723,663</u>	<u>121,305,769</u>

The annexed notes form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1 THE COMPANY AND ITS OPERATIONS

- 1.1** Pakistan Software Export Board (Guarantee) Limited ("the Company") was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) 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.

1.2 Geographical location and address of Company is as follows:

Sr. No.	Head office and regional offices	Address
	Head office	2nd Floor, Evacuee Trust Complex, F-5, Islamabad
	Regional offices:	
	Karachi	Regional Office Karachi, 203, 2nd Floor, Tariq Center Main Tariq Road, Karachi
	Lahore	Office 5/6, 5th Floor Shaheen Complex Edgerton Road, Lahore
	Peshawar	PSEB Office # 2, KPITB Park, PTCL Training Centre Near Board Bazar, Jamrud Road Peshawar
	Abbottabad	Office # 3, IT Park, Qayyum Plaza, Mansehra Road, Mandian, Abbottabad

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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b) Accounting convention

These financial statements have been prepared under the historical cost convention, except for certain financial instruments which are carried at their fair values.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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 historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment with a corresponding effect on the depreciation charge and impairment.

Defined benefit plan

The cost of the defined benefit plan i.e. gratuity is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provisions for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Standards, Interpretations and Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following standards, interpretations and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 15 (Amendments), 'Revenue from Contracts with Customers'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 9 and IFRS 15. These are disclosed in note 2.9 and note 2.10. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

e) Standards, Interpretations and Amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2019 or later periods:

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Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, the Company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of the amendment is not likely to have an impact on these financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing general purpose financial statements in accordance

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: re-introduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

f) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2018 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Employee 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 and unapproved 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 provides the facility to its regular employees for accumulating their annual earned leaves. Under the unfunded scheme, employees are entitled to 48 days for each completed year of service subject to maximum accumulation of 96 days. Earned leaves accruing beyond the period of 96 days shall stand lapsed. The accumulated earned leaves balance shall be encashed at the time of severance of employment of the employee or earlier subject to the approval of the competent authority. The encashment of the leaves shall be made on the last basic salary drawn by the employee plus maximum entitlement of house rent. From current year, the liability of staff gratuity is based on actuarial valuation carried out as at 30 June 2019 using the Project Unit Credit method, related detail of which are given in Note 3 to the financial statements. Actuarial valuation determined a liability of Rupees 8,681,825 against provision of Rupees 9,759,184 as at 30 June 2018. Decrease in liability against provision as determined by actuary of Rupees 1,077,359 has been recognized during the year in the statement of comprehensive income and comparative figures have not been restated due to immaterial impact.

2.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all 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 the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets 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 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 or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income and expenditure statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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2.4 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.5 Property and equipment

Owned

Property and equipment except capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection/construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Capital work-in-progress is stated at cost less any recognised impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income and expenditure statement during the period in which they are incurred.

Depreciation

Depreciation on property and equipment is charged to income and expenditure statement applying the reducing balance method so as to write off the cost / depreciable amount of the asset over their estimated useful lives at the rates given in Note 9 except for leasehold land which is depreciated on straight line basis over the lease term. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. The residual values and useful lives of assets are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

Derecognition

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income and expenditure statement in the year the asset is derecognised.

2.6 Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credited losses. Trade receivables generally do not include amount overdue by 365 days.

The company has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

2.7 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

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2.9 Revenue recognition

The Company has adopted IFRS 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. Key changes in accounting policies resulting from application of IFRS 15 are as follows:

- a) Revenue from bandwidth and related services is recognized on the basis of billing to the customers and services rendered over the year.
- b) Companies / Call centers registration and renewal fee are accounted for on receipt basis. Receipts for periods beyond the current financial year are shown as unrealized receipts.
- c) NOC remittances and surcharge on renewal fees are recognized on receipt basis.
- d) Profit on investments is accrued on the basis of effective yield of respective investments.
- e) Profit on savings account is recognised on accrual basis.

Impacts of adoption of IFRS 15 on these financial statements as on 01 July 2018

The following adjustments were made to the amounts recognized in the financial statements at 01 July 2018:

Statement of financial position

	30 June 2018 Reported	Adjustment	01 July 2018 Restated
	----- Rupees -----		
Current liabilities			
Trade and other payables	21,579,694	6,128,383	27,708,077
Fund			
General fund	145,905,695	(6,128,383)	139,777,312

2.10 Financial instruments

The Company has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

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The Company has adopted IFRS 9 without restating the prior year results. Key changes in accounting policies resulting from application of IFRS 9 are as follows:

i. Recognition of financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

ii. Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Investments and other financial assets

a) Classification

From 01 July 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

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Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is de-recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income / (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Financial liabilities

a) Classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

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iii. Impairment of financial assets

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

iv. De-recognition

a) Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate entity.

b) Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

v. Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

vi. Hedge accounting

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company during the year ended 30 June 2019.

vii. Impacts of adoption of IFRS 9 on these financial statements as on 01 July 2018

On 01 July 2018, the company's management has assessed which business models apply to financial assets held by the company at the date of initial application of IFRS 9 (01 July 2018) and has classified its financial instruments into appropriate IFRS 9 category. There is no impact of the said change on these financial statements.

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Reclassifications of financial instruments on adoption of IFRS 9

As on 01 July 2018, the classification and measurement of financial instruments of the Company were as follows:

Measurement category		Carrying amounts		
Original (IAS 39)	New (IFRS 9)	Original	New	Difference
		Rupees		

Non-current financial assets

Long term security deposits	Loans and receivables	Amortized cost	1,492,665	1,492,665	-
Long term advances	Loans and receivables	Amortized cost	18,353,816	18,353,816	-

Current financial assets

Trade debts	Loans and receivables	Amortized cost	4,987,855	4,987,855	-
Advances	Loans and receivables	Amortized cost	5,781,448	5,781,448	-
Other receivables	Loans and receivables	Amortized cost	444,687	444,687	-
Short term investments	Loans and receivables	Amortized cost	51,060,274	51,060,274	-
Cash and bank balances	Loans and receivables	Amortized cost	121,305,769	121,305,769	-

Current financial liabilities

Trade and other payables	Amortized cost	Amortized cost	19,418,317	19,418,317	-
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2.11 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the income and expenditure statement.

2.12 Government Grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

Grants related to income

Grants related to income including PSDP and other projects' restricted grants 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 income and expenditure statement in the same year in which the depreciation is charged.

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	NOTE	2019 Rupees	2018 Rupees
3 STAFF BENEFITS			
Medical facility	3.1	4,346,564	3,978,503
Gratuity	3.2	47,643,411	38,756,934
Employees' earned leaves	3.3	9,060,742	9,759,184
		<u>61,050,717</u>	<u>52,494,621</u>
3.1 Medical facility			
Balance as on 01 July		3,978,503	3,212,743
Charge for the year	21	4,169,819	3,317,864
Benefits paid during the year		(3,801,758)	(2,552,104)
Net liability as on 30 June		<u>4,346,564</u>	<u>3,978,503</u>
3.2 Gratuity			
The latest actuarial valuation was carried out as at 30 June 2019, using the projected unit credit method. The amounts recognized in financial statements are determined as follows:			
3.2.1 Balance sheet obligation for gratuity			
Present value of unfunded defined benefit obligation		<u>47,643,411</u>	<u>38,756,934</u>
3.2.2 Movement in liability recognized in the statement of financial position			
At the beginning of the year		38,756,934	29,912,200
Current service cost		4,211,248	3,759,084
Interest cost for the year		3,814,316	2,709,692
Charge to other comprehensive income		2,088,469	3,612,418
Benefit paid during the year		(1,227,556)	(1,236,460)
At the end of the year		<u>47,643,411</u>	<u>38,756,934</u>
3.2.3 Amounts recognized in income and expenditure statement			
Current service cost		4,211,248	3,759,084
Interest cost for the year		3,814,316	2,709,692
		<u>8,025,564</u>	<u>6,468,776</u>
3.2.4 Amount recognized in other comprehensive income			
Actuarial loss due to experience adjustments		<u>2,088,469</u>	<u>3,612,418</u>
3.2.5 Changes in present value of defined benefit obligations			
Present value of defined benefit obligations		38,756,934	29,912,200
Current service cost		4,211,248	3,759,084
Interest cost for the year		3,814,316	2,709,692
Remeasurement due to experience adjustment		2,088,469	3,612,418
Benefits paid during the year		(1,227,556)	(1,236,460)
		<u>47,643,411</u>	<u>38,756,934</u>
3.2.6 Allocation of charge for the year			
Salaries, allowances and benefits	21	<u>8,025,563</u>	<u>6,468,776</u>
3.2.7 Principal actuarial assumptions used		2019	2018
Discount rate		14.50%	10.00%
Expected rate of increase in salary		13.50%	9.00%
Expected mortality rate		SLIC (2001-05)	SLIC (2001-05)
3.2.8 Sensitivity analysis		2019 Rupees	2018 Rupees
Discount Rate + 1 %		43,115,956	35,162,625
Discount Rate - 1 %		53,013,513	43,466,949
Salary growth rate + 1 %		53,049,386	43,505,533
Salary growth rate - 1 %		42,995,041	34,954,484

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3.2.9 Risks associated with defined gratuity benefit plans

Through its defined gratuity benefit plan, the PSEB is exposed to a number of risks, the most significant of which are detailed below:

- Discount rate risk

The risk of changes in discount rate, since discount rate is based on corporate / government bonds, any decrease in bond yields will increase plan liabilities.

- Salary increase / inflation risk

The risk that the actual salary increase are higher than the expected salary increase, where benefits are linked with final salary at the time of cessation of service, is likely to have an impact on liability.

- Mortality risk

The risk that the actual mortality experience is lighter than that of expected i.e. the actual life expectancy is longer than assumed.

- Withdrawal risk

The risk of actual withdrawals experience may be different from that assumed in the calculation.

3.3 Employees' earned leaves

The latest actuarial valuation was carried out as at 30 June 2019, using the projected unit credit method. The amounts recognized in financial statements are determined as follows:

	2019 Rupees	2018 Rupees
3.3.1 Balance sheet obligation for employees' earned leaves		
Present value of unfunded defined benefit obligation	<u>9,060,742</u>	<u>9,759,184</u>
3.3.2 Movement in liability recognized in the statement of financial position		2019 Rupees
At the beginning of the year		9,759,184
Transitional liability		(1,077,359)
Current service cost		-
Interest cost for the year		802,357
Charge to other comprehensive income		893,069
Benefit paid during the year		<u>(1,316,509)</u>
At the end of the year		<u>9,060,742</u>
3.3.3 Amounts recognized in income and expenditure statement		
Current service cost		-
Interest cost for the year		<u>802,357</u>
		<u>802,357</u>
3.3.4 Amount recognized in other comprehensive income		
Actuarial loss due to experience adjustments		893,069
Transitional liability		<u>(1,077,359)</u>
		<u>(184,290)</u>

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	NOTE	2019 Rupees
3.3.5 Changes in present value of defined benefit obligations		
Present value of defined benefit obligations		9,759,184
Transitional liability		(1,077,359)
Current service cost		-
Interest cost for the year		802,357
Remeasurement due to experience adjustment		893,069
Benefits paid during the year		<u>(1,316,509)</u>
		<u>9,060,742</u>

3.3.6 Allocation of charge for the year

Salaries, allowances and benefits	21	<u>802,357</u>
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3.3.7 Principal actuarial assumptions used

	2019
Discount rate	14.50%
Expected rate of increase in salary	13.50%
Expected mortality rate	SLIC (2001-05)

3.3.8 Sensitivity analysis

	2019 Rupees
Discount Rate + 1 %	8,107,663
Discount Rate - 1 %	10,170,122
Salary growth rate + 1 %	10,161,568
Salary growth rate - 1 %	8,099,619

3.3.9 Risks associated with defined leave benefit plans

Through its defined leave benefit plan, the PSEB is exposed to a number of risks, the most significant of which are detailed below:

- Discount rate risk

The risk of changes in discount rate, since discount rate is based on corporate / government bonds, any decrease in bond yields will increase plan liabilities.

- Salary increase / inflation risk

The risk that the actual salary increase are higher than the expected salary increase, where benefits are linked with final salary at the time of cessation of service, is likely to have an impact on liability.

- Mortality risk

The risk that the actual mortality experience is lighter than that of expected i.e. the actual life expectancy is longer than assumed.


- Withdrawal risk

The risk of actual withdrawals experience may be different from that assumed in the calculation.

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4 DEFERRED GRANTS RELATED TO PROJECTS

Account Heads	2019				2018	
	Purchase of Land from Civil Aviation Authority (Note 4.1)	Enhancing of IT Exports Through Industry Support Program (Note 4.2)	Construction of Boundary Wall (Note 4.3)	PM ICT Internship Program (Note 4.4)	TOTAL	
	-----Rupees-----					
Balance as on 01 July	639,093,771	10,535,617	26,294,962	1,244,585	677,168,935	718,660,110
Add:						
Received during the year from:						
Government of Pakistan (Note 4.5)	-	30,000,000	9,200,000	-	39,200,000	53,525,500
Ignite National Technology Fund	-	-	-	83,224,036	83,224,036	115,506,465
Other Companies	-	3,943,705	-	-	3,943,705	3,473,855
	-	33,943,705	9,200,000	83,224,036	126,367,741	172,505,820
Less:						
Expenditures (Note 4.6)						
Consultancy/Appraisals - Capability Maturity Model Integration (CMMI) - ISO 27001/20000	-	(23,080,961)	-	-	(23,080,961)	(22,928,280)
Trainings - CMMI - ISO 27001/20000	-	-	-	-	-	(3,788,224)
Internship cost	-	-	-	(65,591,049)	(65,591,049)	(136,921,576)
Salaries and benefits	-	(5,323,061)	-	(2,360,845)	(7,683,906)	(10,393,628)
Travelling	-	(189,852)	-	-	(189,852)	(2,033,953)
Advertisement	-	(177,360)	-	(6,000)	(183,360)	(925,264)
Utilities	-	-	-	-	-	(285,741)
Depreciation (Note 10.1)	-	(76,184)	-	(50,112)	(126,296)	(11,475,302)
Others	-	(421,785)	-	(1,161,171)	(1,582,956)	(808,312)
	-	(29,269,203)	-	(69,169,177)	(98,438,380)	(189,560,280)
PSDP funds surrendered / lapsed	-	(10,831,508)	-	(14,246,892)	(25,078,400)	(24,436,715)
Funds transfer to Government treasury	(332,801,321)	-	-	-	(332,801,321)	-
Assets reclassified to PSEB owned assets (Note 5.3)	(306,292,450)	-	-	(350,787)	(306,643,237)	-
Balance as on 30 June	-	4,378,611	35,494,962	701,765	40,575,338	677,168,935

- 4.1 This project is directly linked with the strategic plan of PSEB for provision of IT enabled office space to IT companies and is a major strategic thrust area in the development of the IT industry. The objective of the project was to purchase 6 acres of land, each at Allama Iqbal International Airport (AIIAP), Lahore and Jinnah International Airport (JIAP), Karachi for establishment of IT Parks. Advance amounting to Rupees 332,801,321 was given to Civil Aviation Authority in the year 2008 - 2009 in respect of 6 acres land having purchase price of Rupees 646,305,171 situated at Allama Iqbal International Airport, Lahore for development of IT Parks. On 9th January 2018, a meeting was held among the Secretary Ministry of Information Technology and Telecommunication (MoITT), Additional Director Civil Aviation Authority (CAA) and Managing Director of the Company wherein it was agreed that CAA, being not in a position to handover the aforesaid land to the Company, will pay back the whole amount of advance to Federal Government Treasury. During the year, CAA has transferred the advance amounting to Rupees 332,801,321 to Federal Government Treasury under the account head "CO3824 - Recovery of Payment". Further, the land situated at Jinnah International Airport (JIAP), Karachi was acquired in year 2015 at a cost of Rupees 337,202,697 and currently being reclassified to PSEB owned assets for establishment of IT park.
- 4.2 Through this project, PSEB plans to support IT Industry by assisting companies in acquiring CMMI certifications and ISO 27001 & 20000. Resultantly, increasing IT Exports as per the vision 2025 set by the Government of Pakistan.
- 4.3 Pakistan Software Export Board has taken on lease 47.79 acres of land from CDA, Islamabad to construct IT park. The objective of the project is to construct a boundary wall around 47.79 areas of PSEB's land leased for the IT park and also construction of PSEB site office, guard rooms and utility connections and provision of water etc. so as to avoid encroachments and unauthorized use.
- 4.4 The project aims to provide opportunity to 3,000 graduates and their contributing members of the ICT industry by gaining processional experience through a 6 months internship in the ICT companies and IT departments of public and private sector organizations where ICT work is being performed.
- 4.5 The Company as a part of its activities, initiates, executes and implements project(s) funded through Public Sector Development Programmes (PSDP) of the Government of Pakistan to achieve specific objectives laid down in the Planning Commission Document -1 (PC-1) of each project.
- 4.6 This represents the expenditure of 2 (2018: 2) projects executed and operated by Pakistan Software Export Board (Guarantee) Limited during the year. 

5 DEFERRED GRANTS

	2019			2018		
	Purpose / utilization of grants			Grants received in kind (Note 5.3)	Total	Total
	Capital (Note 5.1)	Revenue (Note 5.2)	Total			
	Rupees					
Balance as on 01 July	1,184,603	-	1,184,603	355,153,939	356,338,542	374,921,519
Grants received during the year	-	97,860,000	97,860,000	306,643,237	404,503,237	98,542,000
Grants amortized during the year						
Disposal of property and equipment	-	-	-	-	-	(1,631,446)
Depreciation	(135,733)	-	(135,733)	(27,830,815)	(27,966,548)	(16,951,531)
Salaries and benefits	-	(61,863,000)	(61,863,000)	-	(61,863,000)	(53,170,000)
Other operating expenses	-	(35,997,000)	(35,997,000)	-	(35,997,000)	(45,372,000)
	<u>(135,733)</u>	<u>(97,860,000)</u>	<u>(97,995,733)</u>	<u>(27,830,815)</u>	<u>(125,826,548)</u>	<u>(117,124,977)</u>
Balance as on 30 June	1,048,870	-	1,048,870	633,966,361	635,015,231	356,338,542

- 5.1 This represents grant received from Ministry of Information Technology for purchase of IT equipments.
- 5.2 This represents grant received from Ministry of Information Technology for salaries, benefits of employees and other operating expenses.
- 5.3 Grants received in kind represent Public Sector Development Programme (PSDP) and other projects' assets reclassified to Pakistan Software Export Board (Guarantee) Limited assets upon completion of the projects. Such grants received in kind includes, computer and other IT equipments reclassified from the project "PM ICT Internship Program" and land previously classified as project grant assets to PSEB owned assets for the establishment of an IT park (Note 4.1).

	NOTE	2019 Rupees	2018 Rupees
6 TRADE AND OTHER PAYABLES			
Creditors	6.1	3,524,132	3,145,295
Accrued liabilities	6.1	14,209,647	7,067,600
Withholding income tax on services		1,100,956	1,006,135
Unrealized receipts	6.2	7,979,323	1,155,242
Security deposits	6.3	8,598,735	9,024,955
Other payables		367,431	180,467
		<u>35,780,224</u>	<u>21,579,694</u>
6.1 These include amounts due to following related parties:			
National Telecommunication Corporation		58,149	42,568
Pakistan Telecommunication Authority (PTA)		321,920	260,217
Pakistan Telecommunication Company Limited		1,113,774	373,746
		<u>1,493,843</u>	<u>676,531</u>
6.2 Movement of unrealized receipts			
Opening balance as at 01 July		1,155,242	1,180,303
Add: Adjustment on adoption of IFRS 15	2.9	6,128,383	-
Adjusted opening balance as at 01 July		7,283,625	1,180,303
Additions during the year		7,979,323	1,155,242
Realized during the year		(7,283,625)	(1,180,303)
Closing balance		<u>7,979,323</u>	<u>1,155,242</u>

- 6.3 These security deposits relate to deposits from bandwidth customers kept in separate bank account as per requirements of Section 217 of the Companies Act, 2017. These deposits are not utilized for the purpose of business.

	NOTE	2019 Rupees	2018 Rupees
7 PROVISION FOR TAXATION			
Opening balance		2,764,918	1,643,808
Add: Provision for the year	26	8,350,701	8,815,695
Less: Tax paid / deducted at source		(11,004,853)	(7,694,585)
Closing balance		<u>110,766</u>	<u>2,764,918</u>

8 CONTINGENCIES AND COMMITMENTS

- 8.1 **Contingency**
A case is filed by Mr. Rashid Shoab disputing a piece of land situated at Chak Shahzad possessed by the Company. The matter is pending adjudication before Civil Judge (East) Islamabad.

	2019 Rupees	2018 Rupees
8.2 Commitments	Nil	Nil

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9 PROPERTY & EQUIPMENT

	Leasehold land	Furniture & fittings	Office & electric equipment	Computer & related equipment	Data node equipment & installation	Vehicles	Total
As at 01 July 2017							
Cost	503,228,063	10,046,510	14,748,368	21,508,689	35,959,107	4,594,015	590,084,752
Accumulated depreciation	(137,034,408)	(7,135,992)	(6,647,532)	(18,696,763)	(30,052,968)	(4,315,469)	(203,883,132)
Net book value	366,193,655	2,910,518	8,100,836	2,811,926	5,906,139	278,546	366,201,620
Year ended 30 June 2018							
Opening net book value	366,193,655	2,910,518	8,100,836	2,811,926	5,906,139	278,546	386,201,620
Additions	-	294,500	1,693,504	1,441,844	336,602	-	3,766,450
Impairment loss (Note 9.1)							
Cost	-	(108,988)	(862,514)	(1,487,300)	(11,343,173)	-	(13,801,975)
Accumulated depreciation	-	57,641	294,272	1,353,815	9,810,161	-	11,515,889
	-	(51,347)	(568,242)	(133,485)	(1,533,012)	-	(2,286,086)
Disposals							
Cost	-	(602,253)	(184,175)	(3,258,329)	-	-	(4,044,757)
Accumulated depreciation	-	481,415	156,546	3,223,031	-	-	3,860,992
	-	(120,838)	(27,629)	(35,298)	-	-	(183,765)
Depreciation charge	(15,769,574)	(283,977)	(795,459)	(724,773)	(962,438)	(55,706)	(18,591,927)
Closing net book value	350,424,081	2,748,856	8,403,010	3,360,214	3,747,291	222,840	368,906,292
As at 30 June 2018							
Cost	503,228,063	9,629,769	15,395,183	18,204,904	24,952,536	4,594,015	576,004,470
Accumulated depreciation	(152,803,982)	(6,880,913)	(6,992,173)	(14,844,690)	(21,205,245)	(4,371,175)	(207,098,178)
Net book value	350,424,081	2,748,856	8,403,010	3,360,214	3,747,291	222,840	368,906,292
Year ended 30 June 2019							
Opening net book value	350,424,081	2,748,856	8,403,010	3,360,214	3,747,291	222,840	368,906,292
Additions	-	324,100	199,237	-	90,090	-	613,427
Assets reclassified (Note 5.3)							
Cost	337,202,697	-	-	536,190	-	-	337,738,887
Accumulated depreciation	(30,910,247)	-	-	(185,403)	-	-	(31,095,650)
	306,292,450	-	-	350,787	-	-	306,643,237
Depreciation charge	(27,009,655)	(281,979)	(852,190)	(883,902)	(765,975)	(44,568)	(29,838,279)
Closing net book value	629,706,866	2,790,977	7,750,057	2,827,099	3,071,406	178,272	646,324,677
As at 30 June 2019							
Cost	840,430,760	9,953,869	15,594,420	18,741,094	25,042,626	4,594,015	914,356,784
Accumulated depreciation	(210,723,894)	(7,162,892)	(7,844,363)	(15,913,995)	(21,971,220)	(4,415,743)	(268,032,107)
Net book value	629,706,866	2,790,977	7,750,057	2,827,099	3,071,406	178,272	646,324,677
Depreciation rates per annum (%)	3.117% - 3.670%	10%	10%	25%	20%	20%	

9.1 It represents loss of assets due to fire.

9.2 Breakup of depreciation for the year is as follows:

Depreciation related to assets purchased from Government grants
Depreciation related to other assets

Depreciation related to assets transferred from PSDP and other projects

NOTE	2019 Rupees	2018 Rupees
5	135,733	163,176
	1,871,731	1,640,396
	2,007,464	1,803,572
5	27,830,815	16,788,355
	29,838,279	18,591,927

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10 ASSETS RELATING TO PSDP AND OTHER PROJECTS - RESTRICTED FUNDS

	NOTE	2019 Rupees	2018 Rupees
Operating fixed assets	10.1	228,551	306,998,084
Capital work in progress - civil works	10.2	35,494,960	26,294,960
		<u>35,723,511</u>	<u>333,293,044</u>
10.1 OPERATING FIXED ASSETS			
		Leasehold land	Computers & related equipment
		Total	
----- Rupees -----			
As at 01 July 2017			
Cost		337,202,697	463,770
Accumulated depreciation		(19,670,157)	(19,324)
Net book value		<u>317,532,540</u>	<u>444,446</u>
Year ended 30 June 2018			
Opening net book value		317,532,540	444,446
Additions		-	496,400
Depreciation charge (Note 4)		(11,240,090)	(235,212)
Closing net book value		<u>306,292,450</u>	<u>705,634</u>
As at 30 June 2018			
Cost		337,202,697	960,170
Accumulated depreciation		(30,910,247)	(254,536)
Net book value		<u>306,292,450</u>	<u>705,634</u>
Year ended 30 June 2019			
Opening net book value		306,292,450	705,634
Assets reclassified (Note 5.3)			
Cost		(337,202,697)	(536,190)
Accumulated depreciation		30,910,247	185,403
		(306,292,450)	(350,787)
Depreciation charge (Note 4)		-	(126,296)
Closing net book value		<u>-</u>	<u>228,551</u>
As at 30 June 2019			
Cost		-	423,980
Accumulated depreciation		-	(195,429)
Net book value		<u>-</u>	<u>228,551</u>
Depreciation rates per annum (%)		3.33	25

10.2 This represents amount given for site development and construction of boundary wall for establishment of I.T Park at Chak Shehzad, Islamabad.

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	NOTE	2019 Rupees	2018 Rupees
11 LONG TERM ADVANCES			
Considered good:			
	11.1, 11.2 &	44,068,477	24,135,264
Advances to employees against salaries and benefits	11.3		
Less: Current portion shown under current assets	14	(8,782,838)	(5,781,448)
		<u>35,285,639</u>	<u>18,353,816</u>

- 11.1 Advances given to employees against salaries and benefits are interest free and are secured against their respective staff benefit balance and on other terms and conditions as per service regulations and policy guidelines of the Company. Further, these include outstanding balances of advances given to key management personnel namely M/s. Muhammad Sulman Hassan - Director International Marketing, Nasir Khan Afridi - Director Infrastructure, Saif ur Rehman Korai - Director Projects, Sajid Mahmood Warraich - Company Secretary, Shaukat Ali - Director Technical, Syed Ali Abbas Hasni - Director Operation and Admin, Talib Hussain Baloch - Director Finance amounting to Rupees 2,170,960, Rupees 2,885,054, Rupees 3,570,503, Rupees 3,604,839, Rupees 550,000, Rupees 2,428,076, Rupees 5,819,178 respectively (2018: M/s. Muhammad Sulman Hassan - Director International Marketing, Nasir Khan Afridi - Director Infrastructure, Saif ur Rehman Korai - Director Projects, Sajid Mahmood Warraich - Company Secretary, Shaukat Ali - Director Technical, Syed Ali Abbas Hasni - Director Operation and Admin, Talib Hussain Baloch - Director Finance aggregating to Rupees 929,327, Rupees 250,000, Rupees 1,327,732, Rupees 3,267,839, Rupees 266,668, Rupees 1,172,351, Rupees 5,549,697 respectively).
- 11.2 Advances given to key management personnel during the year amounting to Rupees 26,088,081 (2018: Rupees 14,911,840), whereas advances adjusted during the year amounting to Rupees 17,823,085 (2018: Rupees 8,591,548).
- 11.3 The maximum aggregate amount outstanding at the end of any month during the year relating to M/s. Muhammad Sulman Hassan - Director International Marketing, Nasir Khan Afridi - Director Infrastructure, Saif ur Rehman Korai - Director Projects, Sajid Mahmood Warraich - Company Secretary, Shaukat Ali - Director Technical, Syed Ali Abbas Hasni - Director Operation and Admin, Talib Hussain Baloch - Director Finance were Rupees 2,212,320, Rupees 3,215,054, Rupees 3,612,503, Rupees 3,925,839, Rupees 775,000, Rupees 2,518,076, Rupees 6,351,578 respectively (2018: M/s. Muhammad Sulman Hassan - Director International Marketing, Nasir Khan Afridi - Director Infrastructure, Saif ur Rehman Korai - Director Projects, Sajid Mahmood Warraich - Company Secretary, Shaukat Ali - Director Technical, Syed Ali Abbas Hasni - Director Operation and Admin, Talib Hussain Baloch - Director Finance had maximum aggregate amount outstanding at the end of any month during the year amounting to Rupees 1,062,103, Rupees 332,500, Rupees 1,398,282, Rupees 3,507,839, Rupees 366,667, Rupees 1,668,469, Rupees 5,721,957 respectively).

	NOTE	2019 Rupees	2018 Rupees
12 DEFERRED TAXATION			
This comprises of following:			
Taxable temporary differences			
Accelerated tax depreciation		(1,324,739)	(1,102,880)
Deductible temporary differences			
Provision for gratuity		7,865,784	4,972,427
Provision for medical facility		717,605	510,433
Provision for earned leaves		1,495,901	1,252,081
		<u>10,079,290</u>	<u>6,734,941</u>
		<u>8,754,551</u>	<u>5,632,061</u>
12.1 Movement in deferred tax balances is as follows:			
At beginning of the year		5,632,061	4,759,443
Recognized in income and expenditure statement:			
Accelerated tax depreciation		(221,859)	202,254
Provision for gratuity		2,341,145	(719,407)
Provision for medical facility		207,172	78,351
Provision for earned leaves		243,820	227,695
	26	<u>2,570,278</u>	<u>(211,107)</u>
Recognized in statement of comprehensive income:			
Remeasurement of defined benefit plan		552,212	1,083,725
		<u>8,754,551</u>	<u>5,632,061</u>

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13 TRADE DEBTS - CONSIDERED GOOD

As on 30 June 2019, trade debts of Rupees 6,280,696 (2018: Rupees 4,987,855) were neither past due nor impaired. The age analysis of these trade debts is as follows:

	NOTE	2019 Rupees	2018 Rupees
Upto 1 month	13.1	6,280,696	4,892,568
More than 1 year		-	95,287
		<u>6,280,696</u>	<u>4,987,855</u>
13.1 These include amounts due from related parties:			
SBT Pakistan		212,355	110,990
Khyber Pakhtunkhwa IT Board		484,402	-
	13.1.1	<u>696,757</u>	<u>110,990</u>
13.1.1 Following are maximum aggregate amount outstanding at the end of any month during the year:			

	NOTE	2019 Rupees	2018 Rupees
SBT Pakistan		212,355	110,990
Khyber Pakhtunkhwa IT Board		505,732	3,357,858
Engineering Development Board		-	60,526

14 ADVANCES AND SHORT TERM PREPAYMENTS

Advances to employees against expenses		100,001	115,001
Current portion of long term advances	11	8,782,838	5,781,448
Short term prepayments		<u>1,256,227</u>	<u>1,003,602</u>
		<u>10,139,066</u>	<u>6,900,051</u>

15 ASSETS RELATING TO PSDP AND OTHER PROJECTS - RESTRICTED FUNDS

Receivable from Civil Aviation Authority (CAA)	15.1	-	332,801,321
Cash with banks in current accounts		<u>4,851,827</u>	<u>11,074,570</u>
		<u>4,851,827</u>	<u>343,875,891</u>

15.1 This advance was given to Civil Aviation Authority (CAA) in the year 2008 - 2009 in respect of 6 acres land having purchase price of Rupees 646,305,171 situated at Allama Iqbal International Airport, Lahore for development of IT Parks. On 9th January 2018, a meeting was held among the Secretary Ministry of Information Technology and Telecommunication (MoITT), Additional Director CAA and Managing Director of the Company wherein it was agreed that CAA, being not in a position to handover the aforesaid land to the Company, will pay back the whole amount of advance to Federal Government Treasury. During the year, CAA has transferred the advance amounting to Rupees 332,801,321 to Federal Treasury under the account head "CO3824 - Recovery of Payment".

	NOTE	2019 Rupees	2018 Rupees
16 SHORT TERM INVESTMENT - Amortized Cost			
Term Deposit Receipts (TDRs) - cost	16.1	90,000,000	50,000,000
Accrued profit		<u>3,262,354</u>	<u>1,060,274</u>
		<u>93,262,354</u>	<u>51,060,274</u>

16.1 This represents investment in a Term Deposit Receipts (TDRs) placed with National Bank of Pakistan for terms ranging from 06 months to 1 year. These TDRs carry markup ranging from 8.85% to 10.36% (2018: 6%) per annum.

	NOTE	2019 Rupees	2018 Rupees
17 CASH AND BANK BALANCES			
Cash in hand		-	-
Cash at banks:			
- Current accounts		478	514
- Saving accounts	17.1	<u>114,723,185</u>	<u>121,305,255</u>
		<u>114,723,663</u>	<u>121,305,769</u>
		<u>114,723,663</u>	<u>121,305,769</u>

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17.1 These include funds of Rupees 11,235,978 (2018: Rupees 10,741,673) in Bank Alfalah Limited and Rupees 35,257,776 (2018: Rupees 39,231,850) in Habib Bank Limited, earmarked for Data Node Securities and employee benefits respectively.

17.2 The balances in saving accounts carry interest ranging from 4.25% to 10.25% (2018: 3.75% to 4.00%).

18 REVENUE FROM BANDWIDTH AND RELATED SERVICES

18.1 This represents revenue against provision of bandwidth and related services to various parties with bandwidth slab ranging from 1 Mbps to 99 Mbps.

	2019 Rupees	2018 Rupees
18.2 This include revenue from following related parties:		
Khyber Pakhtunkhwa IT Board	4,446,691	4,906,182
Engineering Development Board	-	123,739
SBT Pakistan	1,825,550	1,073,790
	<u>6,272,241</u>	<u>6,103,711</u>

19 REGISTRATION AND RENEWAL FEE

This represents registration and renewal fee from various I.T companies and call centers against regulatory and corporate facilitations.

	NOTE	2019 Rupees	2018 Rupees
20 OTHER INCOME			
Income from financial assets			
Profit on			
- bank deposits		8,508,177	5,655,838
- investments		5,202,082	1,060,274
		13,710,259	6,716,112
Income from non-financial assets			
Exhibition participation fee		4,320,000	3,459,000
Miscellaneous		7,010	15,196
		4,327,010	3,474,196
		<u>18,037,269</u>	<u>10,190,308</u>

21 SALARIES, ALLOWANCES AND BENEFITS

Salaries		55,287,780	49,990,698
Allowances and other benefits		32,842,794	28,030,468
Medical facility	3.1	4,169,819	3,317,864
Gratuity	3.2.6	8,025,563	6,468,776
Employees' earned leaves	3.3.6	802,357	2,228,113
		<u>101,128,313</u>	<u>90,035,919</u>

22 DATA NODE BANDWIDTH AND RELATED CHARGES

Bandwidth charges	22.1	17,367,625	13,491,982
Media charges		8,815,753	7,581,956
IP address charges		434,738	335,202
Service charges		724,023	621,666
		<u>27,342,139</u>	<u>22,030,806</u>

22.1 These include services received from Pakistan Telecommunication Company Limited during the year amounted to Rupees 8,308,674 (2018: Rupees 6,557,948).

23 COMMUNICATION CHARGES

This includes services received from National Telecommunication Corporation during the year amounting to Rupees 613,437 (2018: Rupees 640,820).

24 FEE AND SUBSCRIPTION

This includes license fee paid to Pakistan Telecommunication Authority during the year amounting to Rupees 260,217 (2018: Rupees 258,548).

25 AUDITOR'S REMUNERATION

	2019 Rupees	2018 Rupees
Audit fee	220,110	172,500
Taxation services	40,000	40,000
	<u>260,110</u>	<u>212,500</u>

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	NOTE	2019 Rupees	2018 Rupees
26 TAXATION			
Current			
Current year		8,444,990	8,815,695
Prior year		(94,289)	-
	7	<u>8,350,701</u>	<u>8,815,695</u>
Deferred	12.1	(2,570,278)	211,107
	26.1	<u>5,780,423</u>	<u>9,026,802</u>
26.1 Reconciliation of tax charge for the year			
Profit before tax		<u>52,458,613</u>	<u>35,251,786</u>
Tax on profit @ 29% (2018: 30%)		15,212,998	10,575,536
Tax effect on exempt income		(10,064,121)	(9,743,123)
Tax effect on income under minimum tax		5,133,330	6,619,116
Tax effect of permanent differences - exchange loss		1,209	716
Tax effect of prior year		(1,871,520)	-
Others		(2,631,473)	1,574,558
		<u>5,780,423</u>	<u>9,026,802</u>

27 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	2019 Rupees	2018 Rupees
Balance as on 01 July	677,168,935	718,660,110
Restricted grants received	126,367,741	172,505,820
Expenditures incurred	(98,438,380)	(189,560,280)
Restricted grants lapsed	(25,078,400)	(24,436,715)
Funds transferred to Federal Government Treasury	(332,801,321)	-
Assets transferred to PSEB	(306,643,237)	-
Balance as on 30 June	<u>40,575,338</u>	<u>677,168,935</u>

28 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive Officer		Executives	
	2019	2018	2019	2018
Managerial remuneration	2,974,519	2,661,582	26,403,937	21,387,328
Allowances				
House rent allowance	1,232,364	1,176,926	10,995,888	9,396,756
Conveyance	-	15,216	1,057,638	862,552
Medical facility	150,225	93,706	1,361,096	724,161
Earned leaves	-	-	699,783	1,019,181
Gratuity	720,851	-	5,997,528	-
Others	424,358	5,947	-	36,123
	<u>5,502,317</u>	<u>3,953,377</u>	<u>46,515,870</u>	<u>33,426,101</u>
Number of person	1	2	12	11

No remuneration was paid to non-executive directors of the Company.

29 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of Government of Pakistan and key management personnel. Detail of transactions with related parties have been specifically disclosed in relevant notes to these financial statements.

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30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Currency risk

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

The Company is not exposed to currency risk as it has no receivables and payables denominated in foreign currency.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2019 Rupees	2018 Rupees
Fixed rate instruments		
Financial asset		
Short term investment	93,262,354	51,060,274
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	114,723,185	121,305,255

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through surplus or deficit. Therefore, a change in interest rate at the statement of financial position date would not affect income and expenditure statement of the Company.

Cash flow sensitivity analysis for variable rate instruments

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If interest rate at the year end date, fluctuates by 1% higher / lower with all other variables held constant, surplus after taxation for the year would have been Rupees 814,535 (2018: Rupees 849,137) lower / higher, mainly as a result of higher / lower interest on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at statement of financial position dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2019 Rupees	2018 Rupees
Short term investment	93,262,354	51,060,274
Long term security deposits	1,492,665	1,492,665
Trade debts	6,280,696	4,987,855
Advances	44,068,477	24,135,264
Other receivables	797,162	444,687
Bank balances	<u>114,723,663</u>	<u>121,305,769</u>
	<u>260,625,017</u>	<u>203,426,514</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2019	2018
	Short term	Long term	Agency	Rupees	Rupees
Banks					
Bank Alfalah Limited	A1+	AA+	PACRA	27,316,627	22,700,825
Habib Bank Limited	A1+	AAA	VIS	83,383,456	89,076,403
National Bank of Pakistan	A1+	AAA	PACRA	4,023,580	9,528,541
				<u>114,723,663</u>	<u>121,305,769</u>
Short term investment					
National Bank of Pakistan	A1+	AAA	PACRA	<u>93,262,354</u>	<u>51,060,274</u>

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in note 13.

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. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and bank balances. At 30 June 2019, the Company had Rupees 114,723,663 bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

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Contractual maturities of financial liabilities as at 30 June 2019:

Carrying amount	Contractual cash flows	6 month or less
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----- Rupees -----

Non-derivative financial liabilities :

Trade and other payables	<u>26,699,945</u>	<u>26,699,945</u>	<u>26,699,945</u>
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Contractual maturities of financial liabilities as at 30 June 2018:

Carrying amount	Contractual cash flows	6 month or less
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----- Rupees -----

Non-derivative financial liabilities:

Trade and other payables	<u>19,418,317</u>	<u>19,418,317</u>	<u>19,418,317</u>
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30.1

Financial instruments by categories

Financial assets at amortized cost

Rupees

As at 30 June 2019

Assets as per statement of financial position

Security deposits	1,492,665
Trade debts	6,280,696
Advances	44,068,477
Other receivables	797,162
Investments	93,262,354
Bank balances	<u>114,723,663</u>
	<u>260,625,017</u>

Financial liabilities at amortized cost
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Rupees

Liabilities as per statement of financial position

Trade and other payables	<u>26,699,945</u>
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Loans and advances**Rupees****As at 30 June 2018****Assets as per statement of financial position**

Security deposits	1,492,665
Trade debts	4,987,855
Advances	24,135,264
Other receivables	444,687
Investments	51,060,274
Bank balances	121,305,769
	<u>203,426,514</u>

Financial liabilities at amortized cost**Rupees****Liabilities as per statement of financial position**

Trade and other payables

19,418,317**31 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS****(i) Fair value hierarchy**

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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	2019	2018
32 NUMBER OF EMPLOYEES		
Number of employees as on 30 June	63	73
Average number of employees during the year	68	76

33 DISCLOSURES REQUIRED BY PTA

33.1 Number of subscribers at the end of each month

Broadband subscribers of the Company at the end of each month ranges from 77 to 85 (2018: 75 to 83).

33.2 Intercity leased bandwidth with identification of terminal points

	2019	2018
	----- Mbps -----	
Lahore	227	227
Islamabad	197	197
Karachi	56	56
Peshawar	113	113

33.3 Quality of service reports

Quarterly quality of service reports have been submitted to PTA in the format prescribed in the license.

33.4 Presentation of gross profit and operating profit

Gross profit and operating profit has not been presented in the income and expenditure account keeping in view receipts of grants and not-for-profit activities of the company.

34 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 16 JUL 2020 by the Board of Directors of the Company.

35 CORRESPONDING FIGURES

No significant reclassification / rearrangement of corresponding figures has been made in these financial statements except for advances to employees amounting to Rupees 35,285,639 reclassified from advances and short term prepayments to long term advances. .

36 GENERAL

Figures have been rounded to the nearest Rupee. *Na* .



CHIEF EXECUTIVE



DIRECTOR