

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

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**



**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**, which comprise the statement of financial position as at 30 June 2020, and the statement of income and expenditure, 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 statement of income and expenditure, 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 2020 and of the surplus and 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 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**

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the Financial Statements and Auditor's Report thereon.

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:

- 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 the 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 statement of income and expenditure, 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 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 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).

**Other Matter**

The financial statements of **PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED**, for the year ended 30 June 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 18 August 2020.

The engagement partner on the audit resulting in this independent auditor's report is Shahid Farid, FCA.

  
Chartered Accountants

Place: Islamabad.

Date: 3<sup>rd</sup> December 2020

**PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Note	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
<b><u>FUND AND LIABILITIES</u></b>			
General fund		242,473,523	185,103,535
<b>NON-CURRENT LIABILITIES</b>			
Staff benefits	4	69,975,844	61,050,717
Deferred grants related to projects	5	132,422,831	40,575,338
Deferred grants	6	641,057,023	635,015,231
		843,455,698	736,641,286
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	35,162,982	35,780,224
Liabilities relating to PSDP and other projects - restricted funds		606,206	-
Provision for taxation	8	1,885,875	110,766
		37,655,063	35,890,990
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9	-	-
		<u>1,123,584,284</u>	<u>957,635,811</u>
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	10	652,287,173	646,324,677
Assets relating to PSDP and other projects - restricted funds	11	15,557,862	35,723,511
Long term security deposits		1,209,540	1,492,665
Long term advances	12	43,494,697	35,285,639
Deferred taxation	13	10,241,789	8,754,551
		722,791,061	727,581,043
<b>CURRENT ASSETS</b>			
Trade debts - considered good	14	7,847,762	6,280,696
Advances and short term prepayments	15	19,454,339	10,139,066
Other receivables	16	7,943,225	4,059,516
Assets relating to PSDP and other projects - restricted funds	17	117,471,176	4,851,827
Short term investment	18	120,000,000	90,000,000
Cash and bank balances	19	128,076,721	114,723,663
		400,793,223	230,054,768
		<u>1,123,584,284</u>	<u>957,635,811</u>

**AUDITORS' REPORT ANNEXED**

Annexed notes form an integral part of these financial statements.



**CHIEF EXECUTIVE**



**DIRECTOR**

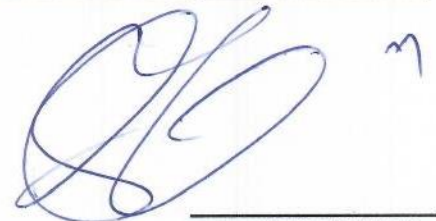
**PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
<b>INCOME</b>			
Amortization of deferred grants	5	26,666,475	98,438,380
Federal Government grant	6	106,180,296	97,995,733
Amortization of deferred grant - in kind	6	29,334,931	27,830,815
Revenue from bandwidth and related services	20	62,769,144	64,469,007
Registration and renewal fee	21	52,070,611	46,999,912
Other income	22	25,291,493	18,037,269
		302,312,950	353,771,116
<b>EXPENDITURE</b>			
Project cost - deferred grants related to projects	5	26,666,475	98,438,380
Salaries, allowances and benefits	23	114,523,653	101,128,313
Data node bandwidth and related charges	24	31,561,099	27,342,139
Travelling and conveyance		1,198,690	1,248,868
Advertisement and publicity		706,413	120,618
Communication charges	25	2,696,863	3,553,840
Utilities		5,080,499	4,215,275
Rent, rates and taxes		13,773,397	15,196,143
Vehicle running expenses		552,658	498,535
Fee and subscription	26	384,248	380,505
Printing and stationery		884,250	778,136
Newspaper and periodicals		54,660	46,794
Exhibitions and seminars		5,992,434	14,045,995
Repair and maintenance		3,346,932	2,875,652
Foreign and inland training		54,000	132,000
Auditor's remuneration	27	260,110	260,110
Legal and professional charges		220,400	502,554
Entertainment		-	661,994
Depreciation	10.2	1,731,311	2,007,464
Depreciation of assets related to deferred grant - in kind	10.2	29,334,931	27,830,815
Exchange Loss		1,182	4,169
Bank charges		52,983	44,204
		239,077,188	301,312,503
<b>SURPLUS BEFORE TAXATION</b>		63,235,762	52,458,613
Taxation	28	9,630,770	5,780,423
<b>SURPLUS FOR THE YEAR</b>		53,604,992	46,678,190

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



**CHIEF EXECUTIVE**



**DIRECTOR**

**PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	<b>AMOUNT (Rupees) 2020</b>	<b>AMOUNT (Rupees) 2019</b>
<b>SURPLUS FOR THE YEAR</b>	53,604,992	46,678,190
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>		
<b>Items that will not to be reclassified to income and expenditure</b>		
Remeasurement of defined benefit plan - net	4,508,875	(1,904,179)
Related deferred income tax - net	(743,879)	552,212
	3,764,996	(1,351,967)
<b>Items that may be reclassified subsequently to income and expenditure</b>	-	-
Other comprehensive income / (loss) for the year - net of tax	3,764,996	(1,351,967)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	57,369,988	45,326,223

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



**CHIEF EXECUTIVE**



**DIRECTOR**

**PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
	Note	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus before taxation	63,235,762	52,458,613
<b>Adjustment for non-cash items</b>		
Deferred grants related to projects amortized during the year	(26,666,475)	(98,438,380)
Amortization of deferred capital grant	(118,237)	(135,733)
Amortization of deferred grant - in kind	(29,334,931)	(27,830,815)
Profit on bank deposits and investments	(23,964,207)	(13,710,259)
Depreciation	1,731,311	2,007,464
Depreciation of assets related to deferred grant - in kind	29,334,931	27,830,815
Depreciation related to restricted grant	305,218	126,296
Exchange loss	1,182	4,169
Provision for medical facility	4,015,275	4,169,819
Provision for gratuity	11,510,255	8,025,563
Provision for employees' earned leaves	1,358,252	802,357
	<u>(31,827,426)</u>	<u>(97,148,704)</u>
<b>Net cash generated from / (used in) operations before changes in working capital</b>	<b>31,408,336</b>	<b>(44,690,091)</b>
<b>Changes in working capital</b>		
Trade debts - considered good	(1,567,066)	(1,297,010)
Advances and short term prepayments	(6,596,408)	(3,239,015)
Other receivables - net	-	(2,917,666)
Assets relating to PSDP and other projects - restricted funds	(112,013,143)	6,222,743
Liabilities relating to PSDP and other projects - restricted funds	606,206	-
Increase in trade and other payables	(618,424)	8,072,147
	<u>(120,188,835)</u>	<u>6,841,199</u>
<b>Net cash used in operations</b>	<b>(88,780,499)</b>	<b>(37,848,892)</b>
Profit on bank deposits and investments received	20,080,498	9,750,741
Income tax paid	(10,086,778)	(11,004,853)
Medical facility paid	(3,345,924)	(3,801,758)
Employees' earned leaves paid	(63,075)	(1,316,509)
Gratuity paid	(40,782)	(1,227,556)
Net increase in long term advances	(10,927,923)	(16,931,823)
	<u>(4,383,984)</u>	<u>(24,531,758)</u>
<b>Net cash used in operating activities</b>	<b>(93,164,483)</b>	<b>(62,380,650)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(1,533,778)	(613,427)
Additions in assets relating to restricted grants	(15,634,529)	(9,200,000)
Receipt from security deposits	283,124	-
Short term investment made - net	(30,000,000)	(35,677,370)
<b>Net cash used in investing activities</b>	<b>(46,885,183)</b>	<b>(45,490,797)</b>



**CASH FLOWS FROM FINANCING ACTIVITIES**

Restricted grant received

Restricted grant lapsed

**Net cash from financing activities****Net increase / (decrease) in cash and cash equivalents****Cash and cash equivalents at the beginning of the year****Cash and cash equivalents at the end of the year**

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

Note	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
29	183,913,000	126,367,741
	(30,510,276)	(25,078,400)
	<b>153,402,724</b>	<b>101,289,341</b>
	<b>13,353,058</b>	<b>(6,582,106)</b>
	<b>114,723,663</b>	<b>121,305,769</b>
	<b>128,076,721</b>	<b>114,723,663</b>

**CHIEF EXECUTIVE****DIRECTOR**

**PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED**  
**STATEMENT OF CHANGES IN GENERAL FUND**  
**FOR THE YEAR ENDED 30 JUNE 2020**

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	<u>Rupees</u>
<b>Balance as at 1 July 2018</b>	<b>139,777,312</b>
Surplus for the year	46,678,190
Other comprehensive loss for the year	(1,351,967)
	<u>45,326,223</u>
<b>Balance as at 30 June 2019</b>	<b>185,103,535</b>
Surplus for the year	53,604,992
Other comprehensive income for the year	3,764,996
	<u>57,369,988</u>
<b>Balance as at 30 June 2020</b>	<b>242,473,523</b>

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

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CHIEF EXECUTIVE

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DIRECTOR

**PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**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 (Information Technology) 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
1	<b>Head office</b>	2nd Floor, Evacuee Trust Complex, F-5, Islamabad
2	<b>Regional offices:</b>	
a)	Karachi	Regional Office Karachi, 203, 2nd Floor, Tariq Center Main Tariq Road, Karachi
b)	Lahore	Office 5/6, 5th Floor Shaheen Complex Edgerton Road, Lahore
c)	Peshawar	PSEB Office # 2, KPITB Park, PTCL Training Centre Near Board Bazar, Jamrud Road Peshawar
d)	Abbottabad	Office # 3, IT Park, Qayyum Plaza, Mansehra Road, Mandian, Abbottabad

**2 BASIS OF PREPARATION**

**2.1 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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## **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, unless otherwise specifically stated.

## **2.3 Functional and presentation currency**

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

## **2.4 Significant accounting judgments, estimates and assumptions**

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:

### **2.4.1 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.

### **2.4.2 Defined benefit plan**

The cost of the defined benefit plan i.e. gratuity and employees' earned leaves 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.

### **2.4.3 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.

### **2.4.4 Provisions**

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

## **2.5 New standards, interpretations and amendments to published approved accounting and reporting standards which are effective during the year**

The following standard and interpretation to accounting and reporting standards as applicable in Pakistan became effective during the year and are relevant to the Company:

- IAS-19 'Employee Benefits'
- IFRIC - 23 'Uncertainty over Income Tax Treatments'

The adoption of the above standards and interpretation to accounting standards did not have any material effect on the financial statements.

## 2.6 New accounting standards, amendments and Interpretations that are not yet effective

The following amendments to the accounting and reporting standards as applicable in Pakistan are relevant to the Company and would be effective from the dates mentioned below against the respective standards or interpretation.

Accounting and reporting standards	Effective Date Annual reporting period beginning on or after
- IFRS-3 Definition of a Business	1 January 2020
- IAS-1/ IAS-8 Definition of Material	1 January 2020
- IAS-1 Classification of Liabilities as Current and Non-current	1 January 2023
- IAS-37 Amendments to Onerous Contracts	1 January 2022

The above amendments to accounting and reporting standards are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan;

- IFRS 1 - First-time Adoption of International Financial Reporting Standards
- IFRS 7 - Insurance contracts

The following interpretation issued by the IASB has been waived of by SECP:

- IFRIC 12 - Service concession arrangement

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.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and also not relevant to the company and therefore, have not been presented here.

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### 3 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:

#### 3.1 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. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gain or loss (remeasurements) are immediately recognised in 'Other comprehensive income/(loss)' as they occur. The amount recognised in the statement of financial position represents the present value of defined benefit obligations. Current service costs and any past service costs together with net interest cost are charged to the statement of income and expenditure.

##### 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. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gain or loss (remeasurements) are immediately recognised in 'Other comprehensive income/(loss)' as they occur. The amount recognised in the statement of financial position represents the present value of defined benefit obligations. Current service costs and any past service costs together with net interest cost are charged to the statement of income or expenditure.

#### 3.2 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.

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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.

### **3.3 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.

### **3.4 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 10 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.

### **3.5 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.

### **3.6 Trade and other payables**

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

### **3.7 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.

### **3.8 Revenue recognition**

Revenue is recognized when or as performance obligation is satisfied by rendering of services to a customer over time or at point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

### **3.9 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.

### **3.10 Financial instruments**

#### **Financial Assets**

##### **Classification and measurement**

##### **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 income and expenditure 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 income and expenditure.

##### **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 derecognized, 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 income and expenditure.

##### **Fair value through profit or loss (FVTPL)**

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 the statement of income and expenditure and presented net within other income / (other expenses) in the period in which it arises.

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## **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).

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.

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**

### **i. 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.

### **ii. Impairment of financial assets**

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.

### **iii. De-recognition**

#### **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.

#### **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.

#### **iv. 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.

#### **3.11 Foreign currencies**

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.

	Note	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
<b>4 STAFF BENEFITS</b>			
Medical facility	4.1	5,015,916	4,346,564
Gratuity	4.2	55,400,535	47,643,411
Employees' earned leaves	4.2	9,559,393	9,060,742
		<u>69,975,844</u>	<u>61,050,717</u>

#### 4.1 Medical facility

Balance as on 01 July		4,346,564	3,978,503
Charge for the year	23	4,015,275	4,169,819
Benefits paid during the year		<u>(3,345,924)</u>	<u>(3,801,758)</u>
Net liability as on 30 June		<u>5,015,915</u>	<u>4,346,564</u>

The latest actuarial valuation for gratuity and earned leaves was carried out at 30 June 2020, using projected unit credit method. The amount recognised are determined as follows:

#### 4.2 Financial position obligation

Gratuity	55,400,535	47,643,411
Employees' earned leaves	9,559,393	9,060,742
	<u>64,959,928</u>	<u>56,704,153</u>

#### 4.2.1 Movement in liability recognised in the statement of financial position

	Gratuity		Employees' earned leaves	
	2020	2019	2020	2019
At the beginning of the year	47,643,411	38,756,934	9,060,742	9,759,184
Transitional liability			-	(1,077,359)
Current service cost	4,604,917	4,211,248	49,017	-
Interest cost for the year	6,905,338	3,814,316	1,309,235	802,357
Charge to other comprehensive income	(3,712,349)	2,088,469	(796,526)	893,069
Benefit paid during the year	<u>(40,782)</u>	<u>(1,227,556)</u>	<u>(63,075)</u>	<u>(1,316,509)</u>
At the end of the year	<u>55,400,535</u>	<u>47,643,411</u>	<u>9,559,393</u>	<u>9,060,742</u>

#### 4.2.2 Amounts recognised in the statement of income and expenditure

	Gratuity		Employees' earned leaves	
	2020	2019	2020	2019
Current service cost	4,604,917	4,211,248	49,017	-
Interest cost for the year	6,905,338	3,814,316	1,309,235	802,357
	<u>11,510,255</u>	<u>8,025,564</u>	<u>1,358,252</u>	<u>802,357</u>

#### 4.2.3 Amounts recognised in the statement of comprehensive income

	Gratuity		Employees' earned leaves	
	2020	2019	2020	2019
Actuarial (gain) / loss due to experience adjustments	(3,712,349)	2,088,469	(796,526)	893,069
Transitional liability	-	-	-	(1,077,359)
	<u>(3,712,349)</u>	<u>2,088,469</u>	<u>(796,526)</u>	<u>(184,290)</u>

#### 4.2.4 Principal actuarial assumptions used

	Gratuity		Employees' earned leaves	
	2020	2019	2020	2019
Discount rate	9.25%	14.50%	9.25%	14.50%
Expected rate of increase in salary	8.25%	13.50%	8.25%	13.50%
Expected mortality rate	SLIC (2001-05)	SLIC (2001-05)	SLIC (2001-05)	SLIC (2001-05)

#### 4.2.5 Allocation of charge for the year

	Gratuity		Employees' earned leaves	
	2020	2019	2020	2019
Salaries, allowances and benefits	11,510,255	8,025,563	1,358,252	802,357
	<u>11,510,255</u>	<u>8,025,563</u>	<u>1,358,252</u>	<u>802,357</u>

#### 4.2.6 Sensitivity analysis

	Gratuity		Employees' earned leaves	
	2020	2019	2020	2019
Discount Rate + 1 %	50,080,429	43,115,956	8,516,221	8,107,663
Discount Rate - 1 %	61,724,944	53,013,513	10,776,888	10,170,122
Salary growth rate + 1 %	61,762,884	53,049,386	10,768,824	10,161,568
Salary growth rate - 1 %	49,938,270	42,995,041	8,505,366	8,099,619

#### 4.2.7 Risks associated with defined gratuity and employees' earned leaves benefit plans

Through its defined gratuity benefit plan and employees' earned leaves, 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 is 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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5 DEFERRED GRANTS RELATED TO PROJECTS

Account Heads	2020						2019
	Certification of IT Professionals (Note 5.1)	Enhancing of IT Exports Through Industry Support Program (Note 5.2)	Construction of Boundary Wall (Note 5.3)	Replacement of Data Node Infrastructure at KSL (Note 5.4)	PM ICT Internship Program (Note 5.5)	TOTAL	TOTAL
	Rupees						
Balance as on 01 July	-	4,378,611	35,494,962	-	701,765	40,575,338	677,168,935
<b>Add:</b>							
Received during the year from:							
Government of Pakistan (Note 5.6)	114,242,000	45,758,000	-	19,350,000	-	179,350,000	39,200,000
Ignite National Technology Fund	-	-	-	-	-	-	83,224,036
Other Companies	-	4,563,000	-	-	-	4,563,000	3,943,705
Receivable from AGPR	606,206	-	-	-	-	606,206	-
	114,848,206	50,321,000	-	19,350,000	-	184,519,206	126,367,741
<b>Less:</b>							
Expenditures (Note 5.7)							
Consultancy/Appraisals - Capability Maturity Model Integration (CMMI) - ISO 27001/20000	-	(10,488,550)	-	-	-	(10,488,550)	(23,080,961)
Trainings - CMMI - ISO 27001/20000	-	(3,060,760)	-	(2,273,573)	-	(5,334,333)	-
Internship cost	-	-	-	-	-	-	(65,591,049)
Salaries and benefits	(4,058,789)	(5,354,832)	-	-	-	(9,413,621)	(7,683,906)
Travelling	(97,914)	(77,051)	-	-	-	(174,965)	(189,852)
Advertisement	-	(391,920)	-	-	-	(391,920)	(183,360)
Depreciation (Note 11.1)	(22,972)	(57,138)	-	(225,109)	-	(305,219)	(126,296)
Others	(507,867)	(50,000)	-	-	-	(557,867)	(1,582,956)
	(4,687,542)	(19,480,251)	-	(2,498,682)	-	(26,666,475)	(98,438,380)
PSDP funds surrendered / lapsed	(10,486,734)	(16,722,122)	-	(2,599,655)	-	(29,808,511)	(25,078,400)
Funds Transfer to Government treasury /others	-	-	-	-	(701,765)	(701,765)	(332,801,321)
Assets reclassified to PSEB owned assets (Note 5.3)	-	-	(35,494,962)	-	-	(35,494,962)	(306,643,237)
Balance as on 30 June	99,673,930	18,497,238	-	14,251,663	-	132,422,831	40,575,338

- 5.1 Through this project, PSEB plans to create a highly skilled resource pool within Pakistan IT industry and training of 10,000 participants including IT industry professionals to match advanced specialized international technological requirements.
- 5.2 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.
- 5.3 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 acres 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.
- 5.4 The aim of this project to procure the Data Node equipment for KSL IT Park which will provide a better infrastructure of bandwidth to the IT companies.
- 5.5 The project aims to provide opportunity to 3000 graduates and their contributing members of the ICT industry by gaining professional 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.
- 5.6 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 -I (PC-I) of each project.
- 5.7 This represents the expenditure of three (3) (2019: two) projects executed and operated by Pakistan Software Export Board (Guarantee) Limited during the year.

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**6 DEFERRED GRANTS**

	2020			2019		
	Purpose / utilization of grants			Grants received in kind (Note 6.3)	Total	Total
	Capital (Note 6.1)	Revenue (Note 6.2)	Total			
----- Rupees -----						
Balance as on 01 July	1,048,870	-	1,048,870	633,966,361	635,015,231	356,338,542
Grants received during the year	-	106,062,059	106,062,059	35,494,960	141,557,019	404,503,237
<b>Grants amortized during the year</b>						
- Disposal of property, plant and equipment	-	-	-	-	-	-
- Depreciation	(118,237)	-	(118,237)	(29,334,931)	(29,453,168)	(27,966,548)
- Salaries and benefits	-	(72,757,130)	(72,757,130)	-	(72,757,130)	(61,863,000)
- Other operating expenses	-	(33,304,929)	(33,304,929)	-	(33,304,929)	(35,997,000)
	(118,237)	(106,062,059)	(106,180,296)	(29,334,931)	(135,515,227)	(125,826,548)
Balance as on 30 June	930,633	-	930,633	640,126,390	641,057,023	635,015,231

- 6.1** This represents grant received from Ministry of Information Technology for purchase of IT
- 6.2** This represents grant received from Ministry of Information Technology for salaries, benefits of employees and other operating expenses.
- 6.3** Grants received in kind represent Public Sector Development Programme (PSDP) and other projects' assets reclassified to Pakistan Software Export Board (Guarantee) Limited owned assets upon completion of the projects. Such grants received in kind includes, boundary wall reclassified from the project "Construction of boundary wall" (Note 5.3).

	Note	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
<b>7 TRADE AND OTHER PAYABLES</b>			
Creditors	<b>7.1</b>	2,069,915	3,524,132
Accrued liabilities		6,909,676	14,209,647
Withholding income tax on services		1,806,389	1,100,956
Unrealized receipts	<b>7.2</b>	14,063,545	7,979,323
Advances from customers		2,405,928	-
Security deposits	<b>7.3</b>	7,907,253	8,598,735
Other payables		276	367,431
		<u>35,162,982</u>	<u>35,780,224</u>
<b>7.1</b> These include amounts due to following related parties:			
National Telecommunication Corporation		45,022	58,149
Pakistan Telecommunication Authority (PTA)		313,846	321,920
Pakistan Telecommunication Company Limited		1,042,589	1,113,774
		<u>1,401,457</u>	<u>1,493,843</u>
<b>7.2 Movement of unrealized receipts - Relating to data node and bandwidth charges</b>			
Opening balance as at 01 July		7,979,323	1,155,242
Add: Adjustment on adoption of IFRS 15		-	6,128,383
Adjusted opening balance as at 01 July		7,979,323	7,283,625
Additions during the year		14,063,545	7,979,323
Realized during the year		(7,979,323)	(7,283,625)
Closing balance		<u>14,063,545</u>	<u>7,979,323</u>
<b>7.3</b> 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	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
<b>8</b>			
<b>PROVISION FOR TAXATION</b>			
Opening balance		110,766	2,764,918
Add: Provision for the year	28	11,861,887	8,350,701
Less: Tax paid / deducted at source		(10,086,778)	(11,004,853)
Closing balance		<u>1,885,875</u>	<u>110,766</u>
<b>9</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>9.1</b>			
<b>Contingency</b>			
a)			
Civil suit for declaration and permanent injunctions titled as "Rashid Shoaib Kayani and two others" filed by Mr. Rashid Shoaib in March 2017 disputing a piece of land situated at Chak Shahzad possessed by the Company. The matter is pending for adjudication before Civil Judge (East) Islamabad.			
b)			
A case is filed by an ex-employee of PSEB for reinstatement in October 2014 before the Islamabad High Court and is pending for adjudication.			
<b>9.2</b>			
<b>Commitments</b>			
The company has no commitments as at reporting date.			
<b>10</b>			
<b>PROPERTY AND EQUIPMENT</b>			
See attached schedule		<u>652,287,173</u>	<u>646,324,677</u>
<b>11</b>			
<b>ASSETS RELATING TO PSDP AND OTHER PROJECTS - RESTRICTED FUNDS</b>			
See attached schedule		<u>15,557,862</u>	<u>35,723,511</u>
<b>12</b>			
<b>LONG TERM ADVANCES</b>			
Considered good:			
Advances to employees against salaries and benefits	12.1	54,996,400	44,068,477
Less: Current portion shown under current asse	15	(11,501,703)	(8,782,838)
		<u>43,494,697</u>	<u>35,285,639</u>
<b>12.1</b>			
Advances given to employees against salaries and benefits are interest free and are secured against their respective staff benefit balance. 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 2,608,772/-, Rupees 2,525,054/-, Ruppes 2,658,503/-, Rupees 5,105,267/-, Rupees 950,000/-, Rupees 2,735,917/-, Rupees 6,919,578/- respectively (2019: 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).			
<b>12.2</b>			
Advances given to key management during the year amounting to Rupees 19,389,685/- ( 2019: Rupees 26,088,081/-) whereas advances adjusted during the year amounting to Rupees 16,914,204/- ( 2019: 17,823,085/- ).			

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- 12.3 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 2,631,107/-, Rupees 2,855,054/-, Rupees 2,404,503/-, Rupees 5,650,267/- Rupees 1,050,000/- Rupees 3,065,917/- Rupees 7,748,378/- ( 2019: 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).

Note	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
<b>13 DEFERRED TAXATION</b>		
This comprises of following:		
<b>Taxable temporary differences</b>		
Accelerated tax depreciation	(1,302,896)	(1,324,739)
<b>Deductible temporary differences</b>		
Provision for gratuity	9,140,036	7,865,784
Provision for medical facility	827,531	717,605
Provision for earned leaves	1,577,118	1,495,901
	11,544,685	10,079,290
	<u>10,241,789</u>	<u>8,754,551</u>
<b>13.1 Movement in deferred tax balances is as follows:</b>		
At beginning of the year	8,754,551	5,632,061
<b>Recognized in income and expenditure statement:</b>		
Accelerated tax depreciation	21,843	(221,859)
Provision for gratuity	1,886,719	2,341,145
Provision for medical facility	109,926	207,172
Provision for earned leave	212,629	243,820
	2,231,117	2,570,278
<b>Recognized in statement of comprehensive income:</b>		
Remeasurement of defined benefit plan	(743,879)	552,212
	<u>10,241,789</u>	<u>8,754,551</u>
<b>14 TRADE DEBTS - CONSIDERED GOOD</b>		
As on 30 June 2020, trade debts were neither past due nor impaired. The aging analysis of these trade debts is as follows:		
Up to 1 month	7,847,762	6,280,696
More than 1 month	-	-
	<u>7,847,762</u>	<u>6,280,696</u>
<b>15 ADVANCES AND SHORT TERM PREPAYMENTS</b>		
Advances to employees against expenses	74,501	100,001
Current portion of long term advances	11,501,703	8,782,838
Advances to Suppliers	6,241,235	-
Short term prepayments	1,636,900	1,256,227
	<u>19,454,339</u>	<u>10,139,066</u>



	Note	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
<b>16 OTHER RECEIVABLES</b>			
Profit receivable from deposits in saving accounts		1,052,509	697,162
Profit receivable on TDR		6,790,716	3,262,354
Others		100,000	100,000
		<u>7,943,225</u>	<u>4,059,516</u>
<b>17 ASSETS RELATING TO PSDP AND OTHER PROJECTS - RESTRICTED FUNDS</b>			
Advances to vendors for trainings	17.1	111,121,644	-
Receivable from Accountant General Pakistan Revenues		606,206	-
Cash with banks in current accounts		5,743,326	4,851,827
		<u>117,471,176</u>	<u>4,851,827</u>
17.1	The advance is given to the vendors for the purpose of IT Trainings which comprises Rs 12,582,500 under project titled "Enhancing of IT Exports through Industry Program" and Rs 98,539,144 under project titled "Certification of IT Professionals".		
<b>18 SHORT TERM INVESTMENT - Amortized Cost</b>			
Term Deposits Receipts (TDRs) - cost	18.1	<u>120,000,000</u>	<u>90,000,000</u>
18.1	This represents investment in a Term Deposit Receipts (TDRs) placed with National Bank of Pakistan for a period of 1 year. These TDRs carry markup of 12.75% (2019: 8.85% to 10.36%) per annum.		
<b>19 CASH AND BANK BALANCES</b>			
Cash in hand		6,466	-
Cash at banks:			
- Current accounts		802	478
- Saving accounts	19.1	128,069,453	114,723,185
		<u>128,070,255</u>	<u>114,723,663</u>
		<u>128,076,721</u>	<u>114,723,663</u>
19.1	These include funds of Rupees 11,525,691/- (2019: Rupees 11,235,978/-) in Bank Alfalah Limited and Rupees 45,294,369/- (2019: Rupees 39,224,729/-) in Habib Bank Limited, earmarked for Data Node Securities and employee benefits respectively.		
19.2	The balances in saving accounts carry interest ranging from 5.25% to 8.25% (2019: 4.25% to 10.25%).		
<b>20 REVENUE FROM BANDWIDTH AND RELATED SERVICES</b>			
	This represents revenue against provision of bandwidth and related services to various parties with bandwidth slab ranging from 1 Mbps to 99 Mbps.		
<b>21 REGISTRATION AND RENEWAL FEE</b>			
	This represents registration and renewal fee from various I.T companies and call centers against regulatory and corporate facilitations.		

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	Note	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
<b>22 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Profit on			
- bank deposits		14,242,369	8,508,177
- Term Deposits Receipt		9,721,838	5,202,082
		23,964,207	13,710,259
<b>Income from non-financial assets</b>			
Exhibition participation fee		1,320,000	4,320,000
Miscellaneous		7,286	7,010
		1,327,286	4,327,010
		25,291,493	18,037,269
<b>23 SALARIES, ALLOWANCES AND BENEFITS</b>			
Salaries		58,283,084	55,287,780
Allowances and other benefits		39,356,787	32,842,794
Medical facility	4.1	4,015,275	4,169,819
Gratuity	4.2.5	11,510,255	8,025,563
Employees' earned leaves	4.2.5	1,358,252	802,357
		114,523,653	101,128,313
<b>24 DATA NODE BANDWIDTH AND RELATED CHARGES</b>			
Bandwidth charges	24.1	21,164,107	17,367,625
Media charges		8,994,655	8,815,753
IP address charges		463,146	434,738
Service charges		939,191	724,023
		31,561,099	27,342,139
<b>24.1</b>			
These include services received from Pakistan Telecommunication Company Limited during the year amounted to Rupees 11,082,420/- (2019: Rupees 8,308,674/-).			
<b>25 COMMUNICATION CHARGES</b>			
This includes services received from Pakistan Telecommunication Company Limited Rupees 833,756/- and National Telecommunication Company Rupees 707,073/- during the year.			
<b>26 FEE AND SUBSCRIPTION</b>			
This includes license fee payable to Pakistan Telecommunication Authority for the year amounting to Rupees 313,846/-.			
<b>27 AUDITOR'S REMUNERATION</b>			
Audit fee		220,110	220,110
Taxation services		40,000	40,000
		260,110	260,110
<b>28 TAXATION</b>			
<b>Current</b>			
Current year		11,861,887	8,444,990
Prior year		-	(94,289)
	8	11,861,887	8,350,701
<b>Deferred</b>	13.1	(2,231,117)	(2,570,278)
	28.1	9,630,770	5,780,423

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	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
<b>28.1 Reconciliation of tax charge for the year</b>		
Profit before tax	63,235,762	52,458,613
Tax on profit @ 29% (2019: 29%)	18,338,371	15,212,998
Tax effect on exempt income	(11,824,843)	(10,064,120)
Tax effect on income under minimum tax	4,434,760	5,133,330
Tax effect of permanent differences - exchange loss	343	1,209
Tax effect of prior year	-	(1,871,520)
Others	-	(2,631,473)
Tax impact of temporary differences	913,256	-
Deferred tax	(2,231,117)	-
	<u>9,630,770</u>	<u>5,780,424</u>

**29 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**

Balance as on 01 July	40,575,338	677,168,935
Restricted grants received	183,913,000	126,367,741
Receivable from Auditor General Pakistan Revenues	606,206	-
Expenditures incurred	(26,666,475)	(98,438,380)
Restricted grants lapsed	(29,808,511)	(25,078,400)
Funds transferred to Federal Government Treasury/others-Lapsed	(701,765)	(332,801,321)
Assets transferred to PSEB	(35,494,962)	(306,643,237)
Balance as on 30 June	<u>132,422,831</u>	<u>40,575,338</u>

**30 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	
	2020	2019	2020	2019
Managerial remuneration	3,057,696	2,974,519	27,724,788	26,403,937
<b>Allowances</b>				
House rent allowance	1,375,968	1,232,364	12,476,149	10,995,888
Conveyance	308,423	-	3,260,852	1,057,638
Medical facility	166,455	150,225	1,626,490	1,361,096
Earned leaves	-	-	448,528	699,783
Gratuity	637,025	720,851	3,642,390	5,997,528
Others	144,000	424,358	-	-
	<u>5,689,567</u>	<u>5,502,317</u>	<u>49,179,197</u>	<u>46,515,870</u>
<b>Number of person</b>	1	1	13	12

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

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### 31 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.

Following are the related parties with whom the Company had entered into transactions or had agreements and/or arrangements in place during the year:

Name of related party	Relationship	Basis of relationship
Pakistan Telecommunication Authority	Associated company	Common director
Pakistan Telecommunication Company Limited	Associated company	Common director
National Telecommunication Corporation	Associated company	Common director
Syed Ali Abbas Hasni	Director	
Talib Hussain Baloch	Key management personnel	
Sajid Mahmood Warrach	Key management personnel	
Muhammad Sulman Hassan	Key management personnel	
Saif ur Rehman Korai	Key management personnel	
Shaukat Ali	Key management personnel	
Salman Ahmed Khan	Key management personnel	
Nasir Khan Afridi	Key management personnel	

### 32 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 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.

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The Company has no significant long-term interest-bearing liabilities. The Company's interest rate risk arises from bank balances in saving accounts and short term investment. 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 financial position date the interest rate profile of the Company's interest bearing financial instruments was:

	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
<b>Fixed rate instruments</b>		
<b>Financial asset</b>		
Short term investment	120,000,000	90,000,000
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - saving accounts	128,069,453	114,723,185

**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 profit or loss. Therefore, a change in interest rate at the statement of financial position date would not affect the statement of income and expenditure of the Company.

**Cash flow sensitivity analysis for variable rate instruments**

If interest rate at the year end date, fluctuates by 1% higher / lower with all other variables held constant, surplus before taxation for the year would have been Rupees 1,280,695/- (2019: Rupees 1,147,232/-) higher / lower. 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:

	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
Long term advances	54,996,400	44,068,477
Long term security deposits	1,209,540	1,492,665
Trade debts - considered good	7,791,834	6,280,696
Other receivables	7,943,225	4,059,516
Assets relating to PSDP and other projects - restricted funds	6,349,532	4,851,827
Short term investment	120,000,000	90,000,000
Bank balances	128,070,255	114,723,663
	<u>326,360,786</u>	<u>265,476,844</u>

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Outstanding receivable are regularly monitored.

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			2020	2019
	Short term	Long term	Agency	Rupees	Rupees
<b>Banks</b>					
Bank Alfalah Limited	A1+	AA+	PACRA	20,857,759	27,316,627
Habib Bank Limited	A1+	AAA	VIS	98,247,382	83,383,456
National Bank of Pakistan	A1+	AAA	PACRA	8,965,114	4,023,580
				<u>128,070,255</u>	<u>114,723,663</u>
<b>Short term investment</b>					
National Bank of Pakistan	A1+	AAA	PACRA	<u>120,000,000</u>	<u>90,000,000</u>
<b>Assets relating to PSDP and other projects - restricted funds</b>					
Habib Bank Limited	A-1+	AAA	VIS	<u>6,349,532</u>	<u>4,851,827</u>

Due to the Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. 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 2020, the Company had Rupees 128,070,255/- 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:

Contractual maturities of financial liabilities as at 30 June 2020:

	Carrying amount	Contractual cash flows	6 month or less
	----- Rupees -----		
<b>Non-derivative financial liabilities :</b>			
Trade and other payables	<u>26,695,500</u>	<u>26,695,500</u>	<u>26,695,500</u>

Contractual maturities of financial liabilities as at 30 June 2019:

	Carrying amount	Contractual cash flows	6 month or less
	----- Rupees -----		
<b>Non-derivative financial liabilities:</b>			
Trade and other payables	<u>19,418,317</u>	<u>19,418,317</u>	<u>19,418,317</u>

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	AMOUNT (Rupees) 2020	AMOUNT (Rupees) 2019
<b>32.1 Financial instruments by categories</b>		
<b>Financial assets</b>		
<b>- amortised cost</b>		
Long term advances	54,996,400	44,068,477
Long term security deposits	1,209,540	1,492,665
Trade debts - considered good	7,791,834	6,280,696
Other receivables	7,943,225	4,059,516
Assets relating to PSDP and other projects - restricted funds	6,349,532	4,851,827
Short term investment	128,000,000	90,000,000
Bank balances	128,070,255	114,723,663
	<u>326,360,786</u>	<u>265,476,844</u>
<b>Financial liabilities</b>		
<b>- amortised cost</b>		
Staff benefits	69,975,844	61,050,717
Trade and other payables	16,887,120	26,699,945
	<u>86,862,963.72</u>	<u>87,750,662</u>

### 32.2 FUND MANAGEMENT

The Management's objective when managing fund is to safeguard the Company's ability to continue as a going concern so that it can achieve its primary objective, provide benefits for other stakeholders and to maintain a strong fund base to support the sustained development.

### 33 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### (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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	NUMBER 2020	NUMBER 2019
<b>34 NUMBER OF EMPLOYEES</b>		
Number of employees as on 30 June	78	63
Average number of employees during the year	69	68

**35 DISCLOSURES REQUIRED BY PTA**

**35.1 Number of subscribers at the end of each month**

Broadband subscribers of the Company at the end of each month ranges from 75 to 80 (2019: 77 to 85 ).

**35.2 Intercity leased bandwidth with identification of terminal points**

	2020	2019
	----- Mbps -----	
Lahore	453	227
Islamabad	324	197
Karachi	86	56
Peshawar	83	113

**35.3 Quality of service reports**

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

**35.4 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.

**36 IMPACT OF COVID-19 ON FINANCIAL STATEMENTS**

Management has evaluated and concluded that there are no material implications of COVID - 19 that require specific disclosures in the financial statements.

**37 CORRESPONDING FIGURES**

The Comparative figures have been rearranged/reclassified, wherever necessary, for the purpose of comparison. However these are not material enough to be disclosed separately except for the following.

**STATEMENT OF FINANCIAL POSITION**

FROM	TO	AMOUNT
Short term investment	Other receivable - Profit from TDR Investment	3,262,354

**38 GENERAL**

Figures have been rounded to the nearest Rupee.

**39 DATE OF AUTHORIZATION**

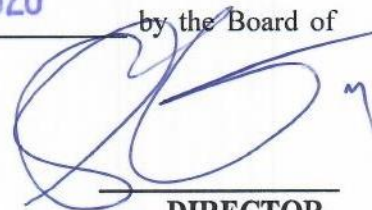
These financial statements were authorized for issue on \_\_\_\_\_  
Directors of the Company.

10 3 DEC 2020

by the Board of



**CHIEF EXECUTIVE**



**DIRECTOR**



## PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Furniture & fittings	Office and electric equipment	Computer and related equipment	Data node equipment & installation	Vehicles	Total
<b>As at 30 June 2018</b>	503,228,063	9,629,769	15,395,183	18,204,904	24,952,536	4,594,015	576,004,470
Addition	-	324,100	199,237	-	90,090	-	613,427
Disposal	-	-	-	-	-	-	-
Reclassification	337,202,697	-	-	536,190	-	-	337,738,887
<b>As at 30 June 2019</b>	840,430,760	9,953,869	15,594,420	18,741,094	25,042,626	4,594,015	914,356,784
Addition	-	203,580	291,874	1,000,300	38,025	-	1,533,779
Reclassification	35,494,960	-	-	-	-	-	35,494,960
Disposal	-	-	-	-	-	-	-
<b>As at 30 June 2020</b>	875,925,720	10,157,449	15,886,294	19,741,394	25,080,651	4,594,015	951,385,523

## COST

<b>As at 30 June 2018</b>	152,803,982	6,880,913	6,992,173	14,844,690	21,205,245	4,371,175	207,098,178
For the year	27,009,665	281,979	852,190	883,902	765,975	44,568	29,838,279
Reclassification	30,910,247	-	-	185,403	-	-	31,095,650
Disposal	-	-	-	-	-	-	-
<b>As at 30 June 2019</b>	210,723,894	7,162,892	7,844,363	15,913,995	21,971,220	4,415,743	268,032,107
For the year	28,623,072	281,965	781,121	727,615	616,816	35,654	31,066,243
Reclassification	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
<b>As at 30 June 2020</b>	239,346,966	7,444,857	8,625,484	16,641,610	22,588,036	4,451,397	299,096,350

## DEPRECIATION

<b>Written down value as at 30 June 2019</b>	629,706,866	2,790,977	7,750,057	2,827,099	3,071,406	178,272	646,324,677
<b>Written down value as at 30 June 2020</b>	636,578,754	2,712,592	7,260,810	3,099,784	2,492,615	142,618	652,287,173

Annual rate of depreciation

10%

15%

15%

15%

15%

## 10.1 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

	Rupees	Rupees	Rupees
	2019	2020	2019
	135,733	118,237	135,733
	1,871,731	1,613,075	1,871,731
	2,007,464	1,731,312	2,007,464
	27,830,815	29,334,931	27,830,815
	29,838,279	31,066,243	29,838,279

11 ASSETS RELATING TO PSDP AND OTHER PROJECTS - RESTRICTED FUNDS

	Note	Rupees 2020	Rupees 2019
Operating fixed assets			
Capital work in progress - civil works	11.1	15,557,862	228,551
		-	35,494,960
		<b>15,557,862</b>	<b>35,723,511</b>

11.1 OPERATING FIXED ASSETS

	Leasehold land	Furniture & fittings	Office and electric equipment	Computer and related equipment	Data node equipment & installation	Total
As at 30 June 2018	337,202,697	-	-	960,170	-	338,162,867
Addition	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Reclassification	(337,202,697)	-	-	(536,190)	-	(337,738,887)
As at 30 June 2019	-	-	-	423,980	-	423,980
Addition	-	91,845	2,134,700	1,454,412	11,953,572	15,634,529
Reclassification	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
As at 30 June 2020	-	91,845	2,134,700	1,878,392	11,953,572	16,058,509

COST

	Leasehold land	Furniture & fittings	Office and electric equipment	Computer and related equipment	Data node equipment & installation	Total
As at 30 June 2018	30,910,247	-	-	254,536	-	31,164,783
For the year	-	-	-	126,296	-	126,296
Reclassification	(30,910,247)	-	-	(185,403)	-	(31,095,650)
Disposal	-	-	-	-	-	-
As at 30 June 2019	-	-	-	195,429	-	195,429
For the year	-	765	17,789	87,438	199,226	305,218
Reclassification	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
As at 30 June 2020	-	765	17,789	282,867	199,226	500,647

DEPRECIATION

Written down value as at 30 June 2019	-	-	-	228,551	-	228,551
Written down value as at 30 June 2020	-	91,080	2,116,911	1,595,525	11,754,346	15,557,862

Annual rate of depreciation

3.3%      10%      10%      25%      20%