Riaz Ahmad & Company
Chartered Accountants

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

A member of
Nexia
International

Riaz Ahmad & Company
Chartered Accountants

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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 2018, 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 2018 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 annual report, but does not include the financial statements of the Company and our 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);

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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 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 & Co.

RIAZ AHMAD & COMPANY
Chartered Accountants

Islamabad

Date: 24 JAN 2019

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTE	2018 Rupees	2017 Rupees
FUND AND LIABILITIES			
FUND			
General fund		145,905,695	122,209,404
NON-CURRENT LIABILITIES			
Staff benefits	3	52,494,621	40,741,761
Deferred grants related to projects	4	677,168,935	718,660,110
Deferred grants	5	356,338,542	374,921,519
		1,086,002,098	1,134,323,390
CURRENT LIABILITIES			
Trade and other payables	6	21,579,694	20,749,929
Provision for taxation	7	2,764,918	1,643,808
		24,344,612	22,393,737
Total Liabilities		1,110,346,710	1,156,717,127
CONTINGENCIES AND COMMITMENTS	8	-	-
TOTAL EQUITY AND LIABILITIES		1,256,252,405	1,278,926,531

	NOTE	2018 Rupees	2017 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	9	368,906,292	386,201,620
Assets relating to PSDP and other projects' restricted funds	10	333,293,044	670,958,415
Long term security deposits		1,492,665	1,492,665
Deferred taxation	11	5,632,061	4,759,443
		709,324,062	1,063,412,143
CURRENT ASSETS			
Trade debts - considered good	12	4,987,855	7,409,237
Advances	13	24,250,265	14,638,963
Short term prepayments		1,003,602	735,015
Other receivables		444,687	279,149
Assets relating to PSDP and other projects' restricted funds	14	343,875,891	47,701,695
Short term investment	15	51,060,274	25,578,157
Cash and bank balances	16	121,305,769	119,172,172
		546,928,343	215,514,388
TOTAL ASSETS		1,256,252,405	1,278,926,531

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

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CHIEF EXECUTIVE

DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 Rupees	2017 Rupees
INCOME			
Deferred grants related to projects amortized during the year	4	189,560,280	92,193,417
Federal Government grant	5	98,824,945	86,745,622
Amortization of deferred grant - in kind	5	18,300,032	17,318,764
Revenue from bandwidth and related services	17	52,043,348	51,709,696
Registration and renewal fee	18	30,695,600	23,735,600
Other income	19	10,190,308	7,943,594
		399,614,513	279,646,693
EXPENDITURE			
Project cost - deferred grants	4	189,560,280	92,193,417
Salaries, allowances and benefits	20	90,035,919	80,490,717
Data node bandwidth and related charges	21	22,030,806	20,675,128
Travelling and conveyance		1,260,393	972,302
Advertisement and publicity		870,534	643,681
Communication charges		3,015,948	2,545,477
Utilities		3,506,952	4,360,332
Rent, rates and taxes		10,389,150	10,267,854
Vehicle running expenses		472,242	469,773
Fee and subscription		329,157	312,405
Printing and stationery		608,750	652,204
Newspaper and periodicals		46,701	42,062
Exhibitions and seminars		16,862,563	14,991,139
Repair and maintenance		2,657,526	2,298,012
Foreign and inland training		601,698	153,300
Auditor's remuneration	22	212,500	212,500
Legal and professional charges		295,947	452,152
Entertainment		611,362	746,179
Bad debts written off		-	181,525
Depreciation	9.2	1,803,572	1,860,825
Depreciation of assets related to deferred grant - in kind	9.2	16,788,355	17,318,764
Exchange Loss		2,385	10,445
Impairment loss	9	2,286,086	-
Loss on disposal of property and equipment		11,765	-
Bank charges		102,136	66,258
		364,362,727	251,916,451
SURPLUS BEFORE TAXATION		35,251,786	27,730,242
Taxation	23	9,026,802	2,715,696
SURPLUS AFTER TAXATION		26,224,984	25,014,546

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 2018

	2018 Rupees	2017 Rupees
SURPLUS AFTER TAXATION	26,224,984	25,014,546
OTHER COMPREHENSIVE INCOME		
Items that will not to be reclassified to income and expenditure		
Remeasurement of defined benefit plan	(3,612,418)	(1,950,722)
Related deferred income tax	1,083,725	585,217
	(2,528,693)	(1,365,505)
Items that may be reclassified subsequently to income and expenditure	-	-
Other comprehensive loss for the year - net of tax	(2,528,693)	(1,365,505)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	23,696,291	23,649,041

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

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CHIEF EXECUTIVE

DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

STATEMENT OF CHANGES IN GENERAL FUND

FOR THE YEAR ENDED 30 JUNE 2018

	General fund
	Rupees
Balance as at 01 July 2016	98,560,363
Surplus for the year ended 30 June 2017	25,014,546
Other comprehensive loss for the year ended 30 June 2017	(1,365,505)
	23,649,041
Balance as at 30 June 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)
	23,696,291
Balance as at 30 June 2018	145,905,695

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 2018

	NOTE	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before taxation		35,251,786	27,730,242
Adjustment for non-cash items			
Deferred grants related to projects amortized during the year		(189,560,280)	(92,193,417)
Amortization of deferred capital grant		(282,945)	(207,622)
Amortization of deferred grant - in kind		(18,300,032)	(17,318,764)
Profit on bank deposits		(6,716,112)	(4,971,642)
Depreciation		1,803,572	1,860,825
Depreciation of assets related to deferred grant - in kind		16,788,355	17,318,764
Depreciation related to restricted grant		11,475,302	11,259,414
Impairment loss		2,286,086	
Loss on disposal of property and equipment		11,765	-
Bad debts written off		-	181,525
Exchange loss		2,385	10,445
Provision for medical facility		3,317,864	2,747,665
Provision for gratuity		6,468,776	5,290,855
Provision for employees' earned leaves		2,228,113	1,185,257
		(170,477,151)	(74,836,695)
Net cash used before changes in working capital		(135,225,365)	(47,106,453)
Changes in working capital			
Decrease / (increase) in current assets			
Trade receivables		2,418,997	476,480
Advances		(9,611,302)	(2,023,184)
Short term prepayments		(268,587)	120,581
Other receivables		(165,538)	272,396
Assets relating to PSDP and other projects' restricted funds		36,627,125	(32,132,499)
Increase in trade and other payables		829,765	504,852
		29,830,460	(32,781,374)
Net cash used in operations		(105,394,905)	(79,887,827)
Profit on bank deposits received		6,716,112	5,064,356
Income tax paid		(7,694,585)	(4,287,811)
Medical facility paid		(2,552,104)	(2,377,719)
Employees' earned leaves paid		(85,747)	(534,748)
Gratuity paid		(1,236,460)	(258,417)
		(4,852,784)	(2,394,339)
Net cash used in operating activities		(110,247,689)	(82,282,166)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(3,766,450)	(1,990,409)
Additions in assets relating to restricted grants		(6,611,252)	(10,731,769)
Short term investment made - net		(25,482,117)	(578,157)
Proceeds from disposal of property and equipment		172,000	-
Net cash used in investing activities		(35,687,819)	(13,300,335)
CASH FLOWS FROM FINANCING ACTIVITIES			
Restricted grant received	24	172,505,820	141,343,410
Restricted grant lapsed		(24,436,715)	(17,545,138)
Net cash from financing activities		148,069,105	123,798,272
Net increase in cash and cash equivalents		2,133,597	28,215,771
Cash and cash equivalents at the beginning of the year		119,172,172	90,956,401
Cash and cash equivalents at the end of the year		121,305,769	119,172,172

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 2018

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:	
1	Karachi	Regional Office Karachi, 203, 2nd Floor, Tariq Center Main Tariq Road, Karachi
2	Lahore	Office 5/6, eth Floor Shaheen Complex Edgerton Road, Lahore
3	Peshawar	FF 527 & 529, Deans Trade Center Islamia Road, Peshawar
4	Abbottabad	Office # 3, IT Park, Qayyum Plaza, Mansehra Road, Mandian, Abbottabad

1.3 Summary of significant transactions and events affecting the Company's financial position and performance

For a detailed discussion about the Company's financial position and performance, please refer to Directors' report.

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.

b) Preparation of financial statements under the Companies Act, 2017

The Fifth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its Fifth Schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, change in threshold for identification of executives (refer note 25), etc.

c) 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.

d) 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.

e) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

The following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2017:

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments have resulted in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments have no significant impact on Company's financial statements.

The application of the above amendments does not result in any impact on surplus or deficit, other comprehensive income and total comprehensive income.

f) 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 2017 or later periods:

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.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 July 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's 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.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

g) 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 2017 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.

h) 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 2017 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 accounts for the liability in respect of employees' earned leaves in the year in which these are earned. Provision to cover the obligation is made using the current salary level of employees.

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.

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 freehold land and 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 debts and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts. Known bad debts are written off, when identified.

2.7 Trade and other payables

Liabilities for trade and other amounts payable are initially recognised 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.

2.9 Revenue recognition

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

a) Revenue from bandwidth and related services is recognized on the basis of billing to the customers.

b) Annual registration and renewal fee is recognized on cash basis.

c) Return on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and the applicable rate of return.

2.10 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.

2.11 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "investment at fair value through profit or loss" which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments.

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income and expenditure statement when the investments are de-recognized or impaired, as well as through the amortization process.

2.12 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, advances, accrued interest, other receivables, cash and bank balances and trade and other payables etc. Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which are initially measured at fair value.

Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and derecognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in income and expenditure statement except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.13 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.

2.14 Off setting

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.

		NOTE	2018 Rupees	2017 Rupees
3	**STAFF BENEFITS**			
	Medical facility	3.1	3,978,503	3,212,743
	Gratuity	3.2	38,756,934	29,912,200
	Employees' earned leaves	3.3	9,759,184	7,616,818
			52,494,621	40,741,761
3.1	**Medical facility**			
	Balance as on 01 July		3,212,743	2,842,797
	Charge for the year	20	3,317,864	2,747,665
	Benefits paid during the year		(2,552,104)	(2,377,719)
	Net liability as on 30 June		3,978,503	3,212,743

3.2 **Gratuity**

The latest actuarial valuation was carried out as at 30 June 2018, using the projected unit credit method. The amounts recognized in financial statements are determined as follows:

		NOTE	2018 Rupees	2017 Rupees
3.2.1	**Balance sheet obligation for gratuity**			
	Present value of unfunded defined benefit obligation		38,756,934	29,912,200
3.2.2	**Movement in liability recognized in the statement of financial position**			
	At the beginning of the year		29,912,200	22,929,040
	Current service cost		3,759,084	3,238,870
	Interest cost for the year		2,709,692	2,051,985
	Charge to other comprehensive income		3,612,418	1,950,722
	Benefit paid during the year		(1,236,460)	(258,417)
	At the end of the year		38,756,934	29,912,200
3.2.3	**Amounts recognized in income and expenditure statement**			
	Current service cost		3,759,084	3,238,870
	Interest cost for the year		2,709,692	2,051,985
			6,468,776	5,290,855
3.2.4	**Amount recognized in other comprehensive income**			
	Actuarial loss due to experience adjustments		3,612,418	1,950,722
3.2.5	**Changes in present value of defined benefit obligations**			
	Present value of defined benefit obligations		29,912,200	22,929,040
	Current service cost		3,759,084	3,238,870
	Interest cost for the year		2,709,692	2,051,985
	Remeasurement due to experience adjustment		3,612,418	1,950,722
	Benefits paid during the year		(1,236,460)	(258,417)
			38,756,934	29,912,200
3.2.6	**Allocation of charge for the year**			
	Salaries, allowances and benefits	20	6,468,776	5,290,855
3.2.7	**Principal actuarial assumptions used**			
	Discount rate		10.00%	9.25%
	Expected rate of increase in salary		9.00%	8.25%
	Expected mortality rate		SLIC (2001-05)	SLIC (2001-05)
3.2.8	**Sensitivity analysis**			
	Discount Rate + 1 %		35,162,625	26,691,032
	Discount Rate - 1 %		43,466,949	34,155,804
	Salary growth rate + 1 %		43,505,533	34,177,824
	Salary growth rate - 1 %		34,954,484	26,533,950

3.2.9 The expected benefit payment for next financial year is Rupees 1,419,127.

3.2.10 **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.

		NOTE	2018 Rupees	2017 Rupees
3.3	**Employees' earned leaves**			
	Balance as on 01 July		7,616,818	6,966,309
	Charge for the year	20	2,228,113	1,185,257
	Benefits paid during the year		(85,747)	(534,748)
	Net liability as on 30 June		9,759,184	7,616,818
4	**DEFERRED GRANTS RELATED TO PROJECTS**			
	Balance as at 01 July		718,660,110	687,055,255
	Add:			
	Received during the year from:			
	Government of Pakistan	4.1	53,525,500	57,843,000
	Ignite National Technology Fund (Formerly National ICT R & D Fund)		115,506,465	64,125,935
	Other Companies		3,473,855	19,374,475
			172,505,820	141,343,410
	Less:			
	Expenditure during the year	4.2 & 4.3	(189,560,280)	(92,193,417)
	PSDP funds surrendered / lapsed		(24,436,715)	(17,545,138)
			(213,996,995)	(109,738,555)
	Balance as at 30 June		677,168,935	718,660,110

4.1 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.

4.2 This represents the expenditure of 3 (2017: 3) projects executed and operated by Pakistan Software Export Board (Guarantee) Limited during the year.

4.3 **Project wise break up of expenditure is as follows:**

Account Heads	2018 Enhancing of IT Exports Through Industry Support Program	2018 Prime Minister ICT Internship Program	2018 Purchase of Land from Civil Aviation Authority	2018 Total	2017 Total
	Rupees				
Consultancy/Appraisals - Capability Maturity Model Integration (CMMI) - ISO 27001/20000	22,928,280	-	-	22,928,280	41,423,245
Trainings - CMMI - ISO 27001/20000	3,788,224	-	-	3,788,224	3,613,672
Internship Cost	-	136,921,576	-	136,921,576	32,782,556
Salaries and benefits	5,463,209	4,930,419	-	10,393,628	2,157,952
Travelling	1,503,934	530,019	-	2,033,953	464,720
Advertisement	414,430	510,834	-	925,264	250,739
Utilities	14,772	270,969	-	285,741	24,000
Depreciation (Note 10.1)	101,579	133,633	11,240,090	11,475,302	11,259,414
Others	120,286	688,026	-	808,312	217,119
Total	**34,334,714**	**143,985,476**	**11,240,090**	**189,560,280**	**92,193,417**

5 DEFERRED GRANTS

	2018 Purpose / utilization of grants Capital	Revenue (Note 5.1)	Total	Grants received in kind (Note 5.2)	Total	2017 Total
	Rupees					
Balance as on 01 July	1,467,548	-	1,467,548	373,453,971	374,921,519	392,447,905
Grants received during the year	-	98,542,000	98,542,000	-	98,542,000	86,538,000
Grants amortized during the year						
Disposal / impairment of property and equipment	(119,769)	-	(119,769)	(1,511,677)	(1,631,446)	-
Expenses	(163,176)	(98,542,000)	(98,705,176)	(16,788,355)	(115,493,531)	(104,064,386)
Balance as on 30 June	1,184,603	-	1,184,603	355,153,939	356,338,542	374,921,519

5.1 This represents grant received from Ministry of Information Technology for salaries, benefits of employees and other operating expenses.

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

	NOTE	2018 Rupees	2017 Rupees
6 TRADE AND OTHER PAYABLES			
Security deposits	6.1	9,024,955	8,617,621
Creditors	6.2	4,222,495	3,715,261
Accrued liabilities		7,177,002	7,236,744
Unrealized receipts		1,155,242	1,180,303
		21,579,694	20,749,929

6.1 This represents security deposits received against Data Node. These are not utilizable for company's business.

6.2 These include amounts due to following related parties:

National Telecommunication Corporation	42,568	48,466
Public Procurement Regulatory Authority	-	18,000
Pakistan Telecommunication Authority (PTA)	260,217	258,548
Pakistan Telecommunication Company Limited	373,746	1,367,360
Pakistan State Oil	34,145	33,263
	710,676	1,725,637

7 PROVISION FOR TAXATION

Opening balance		1,643,808	(2,110,780)
Add: Provision for the year	23	8,815,695	8,042,399
Less: Tax paid / deducted at source		(7,694,585)	(4,287,811)
Closing balance		2,764,918	1,643,808

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingency

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

	2018 Rupees	2017 Rupees
8.2 **Commitments**	Nil	Nil

9 PROPERTY & EQUIPMENT

	Leasehold land	Furniture & fittings	Office & electric equipment	Computer & related equipment	Data node equipment & installation	Vehicle	Total
	----------	----------	----------	Rupees	----------	----------	----------
As at 01 July 2016							
Cost	503,228,063	9,994,852	14,191,898	20,712,584	35,372,931	4,594,015	588,094,343
Accumulated depreciation	(121,264,833)	(6,816,428)	(5,774,469)	(17,956,917)	(28,645,064)	(4,245,832)	(184,703,543)
Net book value	**381,963,230**	**3,178,424**	**8,417,429**	**2,755,667**	**6,727,867**	**348,183**	**403,390,800**
Year ended 30 June 2017							
Opening net book value	381,963,230	3,178,424	8,417,429	2,755,667	6,727,867	348,183	403,390,800
Additions	-	51,658	556,470	796,105	586,176	-	1,990,409
Depreciation charge	(15,769,575)	(319,564)	(873,063)	(739,846)	(1,407,904)	(69,637)	(19,179,589)
Closing net book value	**366,193,655**	**2,910,518**	**8,100,836**	**2,811,926**	**5,906,139**	**278,546**	**386,201,620**
As at 30 June 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**	**386,201,620**
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)	-	(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	9,738,757	16,257,697	19,692,204	36,295,709	4,594,015	589,806,445
Accumulated depreciation	(152,803,982)	(6,989,901)	(7,854,687)	(16,331,990)	(32,548,418)	(4,371,175)	(220,900,153)
Net book value	**350,424,081**	**2,748,856**	**8,403,010**	**3,360,214**	**3,747,291**	**222,840**	**368,906,292**
Depreciation rates per annum (%)	3.117% - 3.141%	10%	10%	25%	20%	20%	

9.1 It represents loss of assets due to fire.

	NOTE	2018 Rupees	2017 Rupees
9.2 **Breakup of depreciation for the year is as follows:**			
Depreciation related to assets purchased from Government grants	5	163,176	207,622
Depreciation related to other assets		1,640,396	1,653,203
		1,803,572	1,860,825
Depreciation related to assets transferred from PSDP and other projects	5	16,788,355	17,318,764
		18,591,927	19,179,589

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10 ASSETS RELATING TO PSDP AND OTHER PROJECTS' RESTRICTED FUNDS

	NOTE	2018 Rupees	2017 Rupees
Operating fixed assets	10.1	306,998,084	317,976,986
Advance against purchase of land	10.2	-	332,801,321
Capital work in progress - civil works	10.3	26,294,960	20,180,108
		333,293,044	670,958,415

10.1 OPERATING FIXED ASSETS

	Leasehold land	Computers & related equipment	Total
	---------- Rupees ----------		
As at 01 July 2016			
Cost	337,202,697	-	337,202,697
Accumulated depreciation	(8,430,067)	-	(8,430,067)
Net book value	328,772,630	-	328,772,630
Year ended 30 June 2017			
Opening net book value	328,772,630	-	328,772,630
Additions	-	463,770	463,770
Depreciation charge (Note 4.3)	(11,240,090)	(19,324)	(11,259,414)
Closing net book value	317,532,540	444,446	317,976,986
As at 30 June 2017			
Cost	337,202,697	463,770	337,666,467
Accumulated depreciation	(19,670,157)	(19,324)	(19,689,481)
Net book value	317,532,540	444,446	317,976,986
Year ended 30 June 2018			
Opening net book value	317,532,540	444,446	317,976,986
Additions	-	496,400	496,400
Depreciation charge (Note 4.3)	(11,240,090)	(235,212)	(11,475,302)
Closing net book value	306,292,450	705,634	306,998,084
As at 30 June 2018			
Cost	337,202,697	960,170	338,162,867
Accumulated depreciation	(30,910,247)	(254,536)	(31,164,783)
Net book value	306,292,450	705,634	306,998,084
Depreciation rates per annum (%)	3.33	25	

10.2 This advance 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. Accordingly, the said amount has now been classified under current assets (Note 14).

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

		NOTE	2018 Rupees	2017 Rupees
11	**DEFERRED TAXATION**			
	This comprises of following:			
	Taxable temporary differences			
	Accelerated tax depreciation		(1,102,880)	(1,305,134)
	Deductible temporary differences			
	Provision for gratuity		4,972,427	4,608,109
	Provision for medical facility		510,433	432,082
	Provision for earned leaves		1,252,081	1,024,386
			6,734,941	6,064,577
			5,632,061	4,759,443
11.1	**Movement in deferred tax balances is as follows:**			
	At beginning of the year		4,759,443	(1,152,477)
	Recognized in income and expenditure statement:			
	Accelerated tax depreciation		202,254	117,065
	Provision for gratuity		(719,407)	3,753,170
	Provision for medical facility		78,351	432,082
	Provision for earned leave		227,695	1,024,386
		23	(211,107)	5,326,703
	Recognized in statement of comprehensive income:			
	Remeasurement of defined benefit plan		1,083,725	585,217
			5,632,061	4,759,443

12 TRADE DEBTS - CONSIDERED GOOD

As on 30 June 2018, trade debts of Rupees 4,987,855 (2017: Rupees 7,409,237) were past due but not impaired. The age analysis of these trade debts is as follows:

		NOTE	2018 Rupees	2017 Rupees
	Upto 1 month	12.1	4,892,568	7,092,610
	More than 1 year		95,287	316,627
			4,987,855	7,409,237
12.1	These include amounts due from related parties:			
	SBT Pakistan		110,990	97,104
	Khyber Pakhtunkhwa IT Board		-	2,719,199
	Engineering Development Board		-	61,332
			110,990	2,877,635
12.1.1	Following are maximum aggregate amount outstanding at the end of any month during the year:			
	SBT Pakistan		110,990	166,146
	Khyber Pakhtunkhwa IT Board		3,357,858	7,367,194
	Engineering Development Board		60,526	73,844
13	**ADVANCES**			
	Advances to employees - considered good			
	- salaries and benefits		24,135,264	14,563,962
	- expenses		115,001	75,001
			24,250,265	14,638,963
14	**ASSETS RELATING TO PSDP AND OTHER PROJECTS' RESTRICTED FUNDS**			
	Receivable from Civil Aviation Authority (CAA)	10.2	332,801,321	-
	Other receivable		-	30,342
	Cash with banks in current accounts		11,074,570	47,671,353
			343,875,891	47,701,695

15 SHORT TERM INVESTMENT - Held to maturity

This represents investment in a Term Deposit Receipt (TDR) having face value of Rupees 50 million (2017: Rupees 25 million) placed with National Bank of Pakistan for a term of 365 days. This TDR carries markup at the rate of 6% (2017: 5.65%) per annum and is maturing on 22 February 2019.

16 CASH AND BANK BALANCES

	NOTE	2018 Rupees	2017 Rupees
Cash in hand		-	7,194
Cash at banks:			
- Current accounts		514	9,839
- Saving accounts	16.1	121,305,255	119,155,139
		121,305,769	119,164,978
		121,305,769	119,172,172

16.1 These include funds of Rupees 10,741,673 (2017: Rupees 9,653,865) in Bank Alfalah Limited and Rupees 39,231,850 (2017: Rupees 36,897,562) in Habib Bank Limited, earmarked for Data Node Securities and employee benefits.

16.2 The balances in saving accounts carry interest ranging from 3.75% to 4.00% (2017: 3.85% to 4.05%).

17 REVENUE FROM BANDWIDTH AND RELATED SERVICES

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

17.2 This include revenue from following related parties:

	2018 Rupees	2017 Rupees
Khyber Pakhtunkhwa IT Board	4,906,182	8,127,555
Engineering Development Board	123,739	571,736
SBT Pakistan	1,073,790	1,208,012
	6,103,711	9,907,303

18 REGISTRATION AND RENEWAL FEE

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

19 OTHER INCOME

	NOTE	2018 Rupees	2017 Rupees
Income from financial assets			
Profit on bank deposits		6,716,112	4,971,642
Income from non-financial assets			
Exhibition participation fee		3,459,000	2,790,000
Miscellaneous		15,196	181,952
		3,474,196	2,971,952
		10,190,308	7,943,594

20 SALARIES, ALLOWANCES AND BENEFITS

	NOTE	2018 Rupees	2017 Rupees
Salaries		49,990,698	43,334,548
Allowances and other benefits		28,030,468	27,932,392
Medical facility	3.1	3,317,864	2,747,665
Gratuity	3.2.6	6,468,776	5,290,855
Employees' earned leaves	3.3	2,228,113	1,185,257
		90,035,919	80,490,717

		NOTE	2018 Rupees	2017 Rupees
21	**DATA NODE BANDWIDTH AND RELATED CHARGES**			
	Bandwidth charges		13,491,982	14,737,939
	Media charges		7,581,956	4,952,234
	IP address charges		335,202	308,383
	Service charges		621,666	676,572
			22,030,806	20,675,128
22	**AUDITOR'S REMUNERATION**			
	Audit fee		172,500	172,500
	Taxation services		40,000	40,000
			212,500	212,500
23	**TAXATION**			
	Current			
	Current year	23.1	8,815,695	6,035,624
	Prior year		-	2,006,775
		7	8,815,695	8,042,399
	Deferred			
	Current year	11.1	211,107	(5,326,703)
			9,026,802	2,715,696

23.1 Provision for current tax represents minimum tax on services rendered. Numeric tax reconcilliation has not been presented, being impracticable.

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

	2018 Rupees	2017 Rupees
Balance as on 01 July	718,660,110	687,055,255
Restricted grants received	172,505,820	141,343,410
Expenditure incurred	(189,560,280)	(92,193,417)
Restricted grants lapsed	(24,436,715)	(17,545,138)
Balance as on 30 June	677,168,935	718,660,110

25 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	
	2018	2017	2018	2017
	---Rupees---		---Rupees---	
Managerial remuneration	2,661,582	3,848,100	21,387,328	19,375,339
Allowances				
House rent allowance	1,176,926	1,212,000	9,396,756	8,203,032
Conveyance	15,216	1,150,920	862,552	508,548
Medical facility	93,706	28,189	724,161	882,176
Earned leaves	-	-	1,019,181	527,954
Others	5,947	157,200	36,123	-
	3,953,377	6,396,409	33,426,101	29,497,049
Number of person	2	1	11	10

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

26 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of Government of Pakistan and key management personnel. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2018 Rupees	2017 Rupees
Pakistan Telecommunication Company Limited		
Services received	6,557,948	8,606,359
Pakistan Telecommunication Authority		
License fee paid	(258,548)	(253,929)

27 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 Organization 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:

	2018 Rupees	2017 Rupees
Fixed rate instruments		
Financial asset		
Short term investment	51,060,274	25,578,157
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	121,305,255	119,155,139

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

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 1,212,053 (2017: Rupees 1,191,551) 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:

	2018 Rupees	2017 Rupees
Short term investment	51,060,274	25,578,157
Long term security deposits	1,492,665	1,492,665
Trade debts	4,987,855	7,409,237
Advances	24,135,264	14,563,962
Assets relating to PSDP and other projects' restricted funds	343,875,891	47,701,695
Bank balances	121,305,769	119,164,978
	546,857,718	215,910,694

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			2018	2017
	Short term	Long term	Agency	Rupees	Rupees
Banks					
Bank Alfalah Limited	A1+	AA+	PACRA	22,700,825	21,472,156
Habib Bank Limited	A-1+	AAA	JCR-VIS	89,076,403	93,844,739
National Bank of Pakistan	A1+	AAA	PACRA	9,528,541	3,848,083
				121,305,769	119,164,978
Short term investment					
National Bank of Pakistan	A1+	AAA	PACRA	51,060,274	25,578,157
Assets relating to PSDP and other projects' restricted funds					
Habib Bank Limited	A-1+	AAA	JCR-VIS	11,074,570	47,671,353

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in note 12. 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 2018, the Company had Rupees 121,305,255 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 2018:

	Carrying amount	Contractual cash flows	6 month or less
	----------------	Rupees	----------------
Non-derivative financial liabilities :			
Trade and other payables	7,177,002	7,177,002	7,177,002

Contractual maturities of financial liabilities as at 30 June 2017:

	Carrying amount	Contractual cash flows	6 month or less
	----------------	Rupees	----------------
Non-derivative financial liabilities :			
Trade and other payables	7,236,744	7,236,744	7,236,744

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28 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 recognised 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 maximise 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.

29 NUMBER OF EMPLOYEES

	2018	2017
Number of employees as on 30 June	73	77
Average number of employees during the year	76	69

30 DISCLOSURES REQUIRED BY PTA

30.1 Number of subscribers at the end of each month

Broadband subscribers of the Company at the end of each month ranges from 75 to 83 (2017: 75 to 83).

30.2 Intercity leased bandwidth with identification of terminal points

	2018	2017
	----- Mbps -----	
Lahore	227	202
Islamabad	197	198
Karachi	56	56
Peshawar	113	153

30.3 Quality of service reports

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

30.4 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.

31 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 24 JAN 2019 by the Board of Directors of the Company.

32 CORRESPONDING FIGURES

No significant reclassification / rearrangement of corresponding figures has been made in these financial statements.

33 GENERAL

Figures have been rounded to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR