SUPERNET LIMITED

Financial Statements
For the Year ended
June 30, 2016

Parker Randall-A.J.S.
CHARTERED ACCOUNTANTS

Parker Randall International

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **Supernet Limited** (the Company) as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

 (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

 (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its comprehensive income, cash flows and changes in equity and for the year then ended; and

(a) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Parker Randall AJS

Chartered Accountants

Audit Engagement Partner:
Muhammad Shabbir Kasbati

Date: 07 OCT 2016
Place: Karachi

SUPERNET LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2016

	Note	2016	2015
		------- (Rupees in '000') ------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	186,758	138,489
Intangible assets	5	840	920
		187,598	139,409
Long term deposits	6	10,022	6,568
Deferred taxation	7	25,926	31,120
		223,546	177,097
CURRENT ASSETS			
Communication stores	8	111,232	102,062
Trade debts	9	930,308	761,502
Advances	10	82,847	17,640
Deposits and prepayments	11	47,119	35,635
Other receivables	12	15,844	14,796
Taxation - net		171,535	153,446
Cash and bank balances	13	15,923	77,027
		1,374,808	1,162,108
TOTAL ASSETS		**1,598,354**	**1,339,205**
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 60,000,000 (2015: 60,000,000) ordinary shares of Rs.10 each		**600,000**	**600,000**
Issued, subscribed and paid-up capital	14	387,717	387,717
Revenue reserves			
Share premium		13,424	13,424
Unappropriated profit		387,091	383,546
		400,515	396,970
		788,232	784,687
NON CURRENT LIABILITIES			
Long term deposits	15	5,914	5,914
Deferred liabilities	16	3,319	4,367
		9,233	10,281
CURRENT LIABILITIES			
Trade and other payables	17	605,060	377,797
Short term running finance	18	162,872	127,831
Short term borrowings	19	30,000	-
Current maturity of long term deposits		2,957	38,609
		800,889	544,237
Contingencies & commitment	20		
TOTAL EQUITY AND LIABILITIES		**1,598,354**	**1,339,205**

The annexed notes from 1 to 38 from an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

SUPERNET LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		------- (Rupees in '000') -------	
Revenue - net	21	1,905,293	1,735,581
Cost of services	22	(1,522,228)	(1,414,993)
Gross profit		**383,065**	**320,588**
Administrative expenses	23	(143,844)	(147,313)
Distribution costs	24	(83,094)	(71,886)
Other operating expenses	25	(5,748)	(2,944)
		(232,686)	**(222,143)**
Other income	26	2,666	12,918
		(230,020)	(209,225)
Operating profit		**153,045**	**111,363**
Finance costs	27	(16,702)	(17,404)
Profit before taxation		**136,343**	**93,959**
Taxation	28	(132,798)	(40,368)
Net profit for the year		**3,545**	**53,591**
Earnings per share - basic and diluted	29	**0.09**	**1.38**

The annexed notes from 1 to 38 from an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

SUPERNET LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	------ (Rupees in '000') ------	
Net profit for the year	3,545	53,591
Other comprehensive income	-	-
Total comprehensive income	**3,545**	**53,591**

The annexed notes from 1 to 38 from an integral part of these financial statement

CHIEF EXECUTIVE **DIRECTOR**

SUPERNET LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		----- (Rupees in '000') -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	173,294	96,934
Income tax paid		(145,693)	(66,528)
Finance costs paid		(15,837)	(17,661)
Gratuity paid		(1,048)	-
Net cash generated from operating activities		**10,716**	**12,745**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(97,755)	(66,847)
Purchase of computer software		-	(400)
Long term deposits - net		(3,454)	-
Net cash used in investing activities		**(101,209)**	**(67,247)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term deposits		(35,652)	-
Short term running finance		35,041	(1,768)
Short term borrowings		30,000	-
Net decrease in cash and cash equivalents		(61,104)	(56,270)
Cash and cash equivalents at the beginning of the year		77,027	133,297
Cash and cash equivalents at the end of the year	31	**15,923**	**77,027**

The annexed notes from 1 to 38 from an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed and paid-up capital	REVENUE RESERVES		Total
		Share premium	Un appropriated profit	
	(Rupees in '000')			
Balance as at July 01, 2014	387,717	13,424	329,955	731,096
Total comprehensive income for the year	-	-	53,591	53,591
Balance as at June 30, 2015	**387,717**	**13,424**	**383,546**	**784,687**
Total comprehensive income for the year	-	-	3,545	3,545
Balance as at June 30, 2016	**387,717**	**13,424**	**387,091**	**788,232**

The annexed notes from 1 to 38 from an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SUPERNET LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. THE COMPANY AND ITS OPERATIONS

Supernet Limited (the Company) was incorporated in Pakistan on March 14, 1995 as an unquoted public limited company under the Companies Ordinance, 1984. The Company is a wholly owned subsidiary of Telecard Limited (the Holding Company). The Company has been granted a license by the Ministry of Communications, Government of Pakistan to establish and operate a data network system in Pakistan. The Company is engaged in providing satellite and microwave communication services e.g. internet, radio links, Single channel per carrier (SCPC), Time division multiple access (TDMA), etc., and sale and installation of related equipment and accessories.

The registered office of the Company is located at World Trade Centre, 75-East Blue Area, Fazal-ul-Haq Road, Islamabad. The principal place of business of the Company is located at World Trade Centre, 10, Khayaban-e-Roomi, Clifton, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

2.3 Functional and presentation currency

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). These financial statements are presented in Pakistan Rupees (Rs), which is the Company's functional and presentation currency.

2.4 Standards, interpretations and amendments to approved accouting standards

2.4.1 Standards, interpretations and amendments to published accounting standards that are not yet effective and have not been early adopted by the Company.

The following standards, interpretations and amendments to published accounting standards would be effective from the dates mentioned below against the respective standards or amendments:

Standards/ amendements/ interpretations		Effective date (accounting periods beginning on or after)
IFRS 2	Share-based Payment (Amendments)	January 01, 2018
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	January 01, 2016
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 01, 2016
IFRS 16	Leases	January 01, 2019
IFRS 10, 12 & IAS 28	Investment Entities: Applying the Consolidation Exception (Amendments)	January 01, 2016
IFRS 10 & IAS 28	Sale or Contribution of Assets between an Investor and its Associate	January 01, 2016
IFRS 11	Accounting for Acquisition of Interest in Joint Operation (Amendments)	January 01, 2016
IAS 1	Disclosure Initiative (Amendments)	January 01, 2016
IAS 7	Statement of Cash Flows (Amendments)	January 01, 2017
IAS 12	Income Taxes (Amendments)	January 01, 2017
IAS 19	Employee Benefits (Amendments)	January 01, 2016
IAS 16 & 38	Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41	Agriculture Bearer Plants (Amendment)	January 01, 2016
IAS 27	Equity Method in Separate Financial Statements (Amendments)	January 01, 2016
IAS 34	Interim Financial Reporting (Amendments)	January 01, 2016

The management anticipates that, the adoption of the above standards and amendments in future periods will not affect materially the Company's financial statements in the period of initial application.

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

Standards

IFRS 1	First - Time adoption of International Financial Reporting Standards	July, 01 2009
IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2018

2.4.2 Standards, amendments and interpretations adopted during the year

The Company has adopted the following standards and amendments to published accouting standards which become effective during the year and have been adopted by the Company.

IFRS 10	Consolidated Financial Statements
IFRS 10, 12 & IAS 27	Investment Entities (Amendment)

IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurements

2.4.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
Determining the residual values and useful lives of fixed assets	3.1, 4 & 5
Impairment of operating fixed assets	3.1.2 & 5
Provisions for doubtful debts and other receivables	3.3, 9 & 11
Recognition of tax and deferred tax	3.11, 7 & 28
Other provisions and contingent liabilities	3.6 & 20

3. SUMMARY OF SIGNIFICANT ACCOUTING POLICIES

The signficant accouting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years for which financial information is presented in these financial statements, unless otherwise stated.

3.1 Fixed assets

3.1.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs, if reliably measureable, are included in the asset's carrying amount, or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Company. The carrying amount of any replaced parts as well as other repair and maintenance costs, are charged to profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the straight-line method after taking into account the residual value, if any, whereby the depreciable amount of an asset is written off over its estimated useful life at the rates specified in note 4.1 to these financial statements. The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment loss, if any, or its reversal, is also charged to statement of comprehensive income for the year. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its estimated useful life.

In respect of additions and deletions of assets during the year, depreciation is charged for the month of acquisition and upto the month preceding the deletion, respectively.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss on derecognition of an asset (calculated as the difference between the sale proceeds and the carrying amount of the asset) is recognized in profit and loss account for the year.

3.1.2 Computer software

These are carried at cost less accumulated amortization, and any identified impairment losses. Amortization is calculated, using the straight line method, to allocate the cost of software over their estimated useful lives specified in note 5, and is charged to income for the year. Costs associated with maintaining computer software, are recognised as an expense as and when incurred.

The amortization on computer software acquired during the year is charged from the month in which the software is acquired or capitalized, while no amortization is charged for the month in which the software in disposed off.

3.2 Communication stores

These are valued at the lower of cost and net realisable value. Cost is determined using the first-in first-out method. Items-in-transit are stated at cost comprising invoice value plus other related charges measured thereon up to the date of statement of financial position.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

3.3 Trade debts and other receivables

These are recognized and carried at their original invoice amount, less any estimate made for doubtful debts based on review of all outstanding amounts at the year end. Bad debts are written off when identified.

3.4 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise balance with banks only.

3.5 Trade and other payables

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.6 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each date of statement of financial position and are adjusted to reflect the current best estimate.

3.7 Financial instruments

All the financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e., when the obligation specified in the contract is discharged, cancelled, or expired. All financial assets and liabilities are initially recognized at fair value plus transaction costs other than financial assets and liabilities carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction cost are charged to profit and loss account for that year. These are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account in the period in which they arise.

3.8 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.9 Impairment

Financial assets

The Company assesses at the end of each reporting period whether there is an objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset, and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Non financial assets

The carrying amounts of non-financial assets are assessed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. An asset's recoverable amount is the higher of its fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non financial assets that suffered an impairment, are reviewed for possible reversal of the impairment at each date of statement of financial position. Reversal of impairment loss are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized. An impairment loss, or the reversal of an impairment loss, are both recognized in the comprehensive income of that year.

3.10 Employees' benefits

Gratuity fund

The Company operated an unfunded gratuity scheme for its employees upto March 31, 2008. Provision has been made to cover the obligation in accordance with the actuarial valuation using " Projected Unit Credit Method ". The scheme was replaced by recognized provident fund scheme effective from April 01, 2008.

Provident fund

The Holding Company operates a recognised provident fund scheme for all its eligible employees. Equal monthly contributions are made by the Company and the employees to the fund at 8.33% of basic salary of the eligible employees.

Compensated absences

The Company accounts for these benefits in the period in which the absences are earned. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of statement of financial position.

3.11 Taxation

Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the date of the statament of financial position. Management periodically evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions, where appropriate, on the basis of amounts expected to be paid to tax authorities.

Deferred

Deferred income tax is recognized, using the balance sheet liability method, on all temporary differences arising at the date of statement of financial position between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the assets can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of statement of financial position.

3.12 Foreign currencies

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the functional currency using the exchange rate prevailing on the date of statement of financial position. Exchange differences arising from the settlement of such transactions, and from the translation of monetary items at the end of the year exchange rates, are charged to profit and loss account.

3.13 Revenue recognition

- Revenue from data networking services is recognised upon the rendering of such services.
- Revenue from internet cards is recognised upon sale of cards to customers.
- Revenue from sale of equipment is recognised when equipment is dispatched to customers.
- Return on bank balances is accrued using effective interest method.

3.14 Dividend and other appropriation of reserves

Dividends and appropriation to general reserves are recognized in the financial statements in the period in which these are approved.

	Note	2016	2015
		------ (Rupees in '000') ------	

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2016	2015
Operating fixed assets	4.1	186,758	138,489

4.1 Operating fixed assets

	Note	Cost			Accumulated depreciation			WDV as at June 30, 2016	Depreciation rate per annum %
		As at July 01, 2015	Additions	As at June 30, 2016	As at July 01, 2015	For the year	As at June 30, 2016		
		---------- Rupees ----------							
Leasehold improvements		23,143	405	23,548	14,329	1,963	16,292	7,256	20
Communication equipments	4.2	1,171,516	91,269	1,262,785	1,067,609	40,335	1,107,944	154,841	15 - 33
Furniture, fixtures and office equipments		37,215	3,547	40,762	22,616	2,201	24,817	15,945	10
Computers and accessories		40,986	2,534	43,520	37,242	2,556	39,798	3,722	33
Motor vehicles		15,185	-	15,185	7,760	2,431	10,191	4,994	20
June 30, 2016		**1,288,045**	**97,755**	**1,385,800**	**1,149,556**	**49,486**	**1,199,042**	**186,758**	

The statement of operating fixed assets for the last year is as follows:

	Cost			Accumulated depreciation			WDV	Depreciation rate per annum %
	As at July 01, 2014	Additions	As at June 30, 2015	As at July 01, 2014	For the year	As at June 30, 2015	as at June 30, 2015	
	Rupees							
Leasehold improvements	14,830	8,313	23,143	13,890	439	14,329	8,814	20
Communication equipments	1,121,319	50,197	1,171,516	1,028,484	39,125	1,067,609	103,907	15 - 33
Furniture, fixtures and office equipments	31,760	5,455	37,215	20,949	1,667	22,616	14,599	10
Computers and accessories	38,104	2,882	40,986	35,026	2,216	37,242	3,744	33
Motor vehicles	15,185	-	15,185	5,141	2,619	7,760	7,425	20
June 30, 2015	**1,221,198**	**66,847**	**1,288,045**	**1,103,490**	**46,066**	**1,149,556**	**138,489**	

4.2 Equipment, costing Rs. 640.147 (2015: Rs. 557.269) million, having a net book value of Rs.405.417 (2015: Rs. 328.821) million are in the possession of the customers of the Company in the ordinary course of business.

	Note	2016	2015
		(Rupees in '000')	
4.3 **Depreciation for the year has been allocated as follows:**			
Cost of services	22	40,335	39,125
Administrative expenses	23	9,151	6,941
		49,486	**46,066**

4.4 The cost of fully depreciated assets as at June 30, 2016 is Rs. 1,131.89 (2015: Rs. 1,001.85) million.

	Note	2016	2015
		------- (Rupees in '000') -------	
5. INTANGIBLE ASSETS			
Computer software	5.1	300	380
Capital work in progress - software		540	540
		840	**920**

5.1 Computer software

	Cost			Accumulated amortisation				
	As at July 01, 2015	**Additions**	**As at June 30, 2016**	**As at July 01, 2015**	**For the year**	**As at June 30, 2016**	**WDV as at June 30, 2016**	**Amortisation rate per annum %**
Computer softwares, June 30, 2016	**39,236**	**-**	**39,236**	**38,856**	**80**	**38,936**	**300**	20
Computer softwares, June 30, 2015	38,836	400	39,236	38,836	20	38,856	380	20

BOATS

	Note	2016	2015
		------ (Rupees in '000') -----	

6. LONG TERM DEPOSITS

Security deposits - considered good

	Note	2016	2015
China Orient Telecom Satellite Company Limited		6,473	6,473
ABS Global Middle East		3,454	-
Others		95	95
		10,022	**6,568**

7. DEFERRED TAXATION

	Note	2016	2015
Deferred tax debits arising from:			
Accelerated accounting depreciation		21,358	21,358
Retirement benefits		984	984
Provisions		3,584	8,778
		25,926	**31,120**

8. COMMUNICATION STORES

	Note	2016	2015
Stores		118,703	110,525
Provision against slow moving stores		(10,743)	(10,743)
		107,960	99,782
Consumables		3,272	2,281
		111,232	**102,062**

9. TRADE DEBTS

Unsecured-Considered good

	Note	2016	2015
Related parties	9.1	80,412	61,269
Others	9.2	849,896	700,233
		930,308	761,502
Considered doubtful		15,660	15,660
Provision against trade debts considered doubtful	9.3	(15,660)	(15,660)
		-	-
		930,308	**761,502**

9.1 Related parties

	Note	2016	2015
Holding Company		74,492	57,482
Grand Leisure Corporation (Private) Limited		1,256	1,256
Arfeen International (Private) Limited		305	-
Envicrete Limited		326	326
Telecard E-solutions (Private) Limited		2,837	1,413
World Trade Centre (Private) Limited		1,196	792
		80,412	**61,269**

9.2 Includes trade debts written off amounting to Rs Nil (2015: 12,535,359)

		2016	2015
		----- (Rupees in '000') -----	
9.3	**Provision against trade debts considered doubtful**		
	Balance at the beginning of the year	15,660	53,687
	Charge for the year - others	-	10,734
	Provision written off against trade debts during the year	-	(48,761)
		15,660	**15,660**

9.4 As at 30 June 2016, the aging analysis of unimpaired trade debts is as follows

	Total	Neither past due nor impaired	Past due but not impaired: > three months up to one year	Past due but not impaired: Above one year
	------------	------------ Rupees	------------	------------
Related Parties	80,412	4,462	12,699	63,251
Others	849,896	174,425	437,659	237,812
June 30, 2016	**930,308**	**178,887**	**450,358**	**301,063**
Related Parties	61,271	3,400	9,676	48,195
Others	700,231	143,710	360,588	195,934
June 30, 2015	**761,502**	**147,110**	**370,264**	**244,129**

	2016	2015
	----- (Rupees in '000') -----	
10. ADVANCES		
Unsecured - considered good		
Holding Company	40,664	1,267
Employees - against expenses and projects	13,979	2,536
Suppliers	28,204	13,837
	82,847	**17,640**
11. DEPOSITS AND PREPAYMENTS		
Deposits - considered good		
Deposit to foreign satellite bandwidth providers	21,803	15,195
Earnest money	11,582	7,472
Margin against guarantee	6,552	-
Others	1,831	1,675
	41,768	**24,342**
Considered doubtful	2,441	2,441
Provision against deposits considered doubtful	(2,441)	(2,441)
	-	-
	41,768	**24,342**
Prepayments		
Rent	3,561	10,291
Subscription	1,062	507
Others	728	495
	5,351	11,293
	47,119	**35,635**

	Note	2016	2015
		----- (Rupees in '000') -----	
12. OTHER RECEIVABLES			
Considered good			
Current accounts with related parties	12.1	7,713	7,713
Insurance claim		982	-
Income tax refundable	12.2	2,991	2,991
Accrued markup from related parties		2,216	2,271
Others		1,942	1,821
		15,844	**14,796**
12.1 Current accounts with related parties			
Telecard E-solutions (Private) Limited		4,847	4,847
Paktel Limited		1,228	1,228
Grand Leisure Corporation (Private) Limited		719	719
Envicrete Limited		529	529
Arfeen International (Private) Limited		390	390
		7,713	**7,713**

12.2 During the year ended June 30, 2012, the Assistant Commissioner Inland Revenue adjudged the Company as assessee in default for non deduction of withholding tax under section 153 of the Income Tax Ordinance, 2001, for the tax year 2004 and raised a demanded Rs. 2.797 million in respect of tax not deducted and Rs. 2.414 million in respect of default surcharge. The Company filed an appeal before the Commissioner Inland Revenue (Appeals)(CIRA) which was rejected. The Company filed second appeal before the Appellate Tribunal Inland Revenue(ATIR), which is pending adjudication and the Company made a payment of Rs. 2.605 million, being 50% of above stated tax demand. Later on the Company opted to avail benefit of tax amnesty scheme vide Notification SRO 547/(I)/2012 dated May 22, 2012 in respect of waiver of default surcharge and made further payment of Rs.191,576 and informed the Officer Inland Revenue (OIR) that since the Company has paid the original tax demand, the default surcharge stood waived. The OIR rejected the Company's plea and demanded the payment of default surcharge. Company filed a appeal before the CIRA which was rejected. The Company had filed second appeal before the ATIR. The ATIR after hearing remanded back the case to CIRA for careful consideration of the evidence of payment of tax by the Company. As per the legal advisor, on the conclusion of pending proceedings the tax paid by the Company would become refundable.

	Note	2016	2015
		----- (Rupees in '000') -----	
13. CASH AND BANK BALANCES			
Cash in hand		155	102
Cash at banks in current accounts			
Local currency		1,398	11,393
Foreign currency		-	3,197
		1,398	14,590
Cash at banks in savings account			
Local currency	13.1	14,370	62,335
		15,923	**77,027**

13.1 This carries mark-up at the rate, ranging between 3.48% to 5.89% (2015: 6.00%) per annum.

	Note	2016	2015
		---------- (Rupees in '000') ----------	

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2016	June 30, 2015			
		Fully paid ordinary shares of Rs. 10 each		
33,550,410	33,550,410	Issued for cash	335,504,100	335,504,100
5,221,280	5,221,280	Issued for as bonus	52,212,800	52,212,800
38,771,690	**38,771,690**		**387,716,900**	**387,716,900**

15. LONG TERM DEPOSITS

	2016	2015
Security deposits		
Telenor LDI Communication (Private) Limited	-	35,652
Pakistan Mobile Communication Limited	8,871	8,871
	8,871	44,523
Less: Current portion	(2,957)	(38,609)
	5,914	**5,914**

	Note	2016	2015
		---------- (Rupees in '000') ----------	

16. DEFERRED LIABILITY

	Note	2016	2015
Staff gratuity	16.1	**3,319**	**4,367**

16.1 Reconciliation of the carrying amount of staff gratuity:

	2016	2015
Balance at the beginning of the year	4,367	4,160
Charged for the year		207
Payments during the year	(1,048)	-
	3,319	**4,367**

17. TRADE AND OTHER PAYABLES

	2016	2015
Trade		
Creditors	254,228	213,144
Holding company	195,477	-
Instaphone Infrastructure (Private) Limited - a related party	12,626	2,007
	462,331	215,151

	Note	2016	2015
		---------- (Rupees in '000') ----------	
Other payables			
Current accounts with related parties	17.1	1,785	60,926
Advances from franchisees		200	200
Accrued liabilities		34,323	5,673
Accrued markup on short term running finance		3,128	3,719
Accrued markup on short term borrowing		1,456	-
Provision against compensated absences		3,234	3,234
Royalty to PTA		5,723	1,704
Unearned revenue		72,238	57,442
Workers' welfare fund		4,875	2,092
Employees' provident fund		1,124	103
Others		14,643	27,553
		142,729	162,646
		605,060	**377,797**

17.1 Current accounts with related parties

	Note	2016	2015
Holding Company	17.2	-	56,062
Chaman Investment (Private) Limited		556	556
World Trade Center		379	3,458
Societe Generale (Private) Limited		850	850
		1,785	**60,926**

17.2 These represents interest free current account balances with Holding Company.

18. SHORT-TERM RUNNING FINANCES

	Note	2016	2015
From bank – secured	18.1	**162,872**	**127,831**

18.1 The Company has arranged short-term running finance facilities, aggregating to Rs.150 (2015: Rs.150) million from a commercial bank. This carry mark-up three months KIBOR plus 2.4% (2015: three months KIBOR plus 3.5%) per annum, payable quarterly. These facilities are secured by a first charge on the stock and the book debts of the Company.

During the year ended June 30, 2016 the Company obtained a temporary extension of Rs. 13 million for a period of 30 days from the date of disbursement.

19. SHORT TERM BORROWINGS

	Note	2016	2015
		---------- (Rupees in '000') ----------	
Secured			
From bank	19.1	**30,000**	-

19.1 During the year ended June 30, 2016 the Company obtained a short term finance facility, aggregating to Rs, 30.00 million from a commercial bank. This carry mark-up three month KIBOR plus 5% per annum. This faciliy is secured by ranking first charge over the current assets of the Company.

20. CONTINGENCIES & COMMITMENT

20.1 During the year ended June 30, 2005, a suit was filed by Shinawatra Satellite Public Company Limited, Thailand, in the High Court of Sindh against the Company for the recovery of transponder service fee inclusive of withholding tax and interest thereon, amounting to US$324,625 equivalent to Rs. 33.988 (2015: Rs. 33.322) million. Out of this amount, a sum of Rs. 12.738 (2015: Rs. 12.738) million had been withheld from the payments made by the Company to the above-referred entity. The balance amount of Rs. 21.250 (2015: Rs. 21.250) million has not been provided for in these financial statements as the Company's lawyer has opined that the suit is subject to evidence produced in this matter and is likely to be decided in Company's favour, and, hence, pending a final decision by the High Court of Sindh in this matter, no provision has been made for any liability that may arise as a result of the said lawsuit in these financial statements.

20.2 A suit was filed by Huawei Technologies Company Limited, China in the High Court of Sindh against the Company for the return of certain equipment or payment of US$300,000 equivalent to Rs.31.410 (2015: Rs.30.795) million and a compensation of US$270,000 [approximately Rs. 28.269 (2015: Rs. 27.715) million] for the use of equipment. During the year ended June 30, 2005, the subject equipment was returned by the Company in the presence of a representative of the Court. However, the decision regarding the payment of compensation is still pending before the Court. The Company's lawyer has opined that the suit is subject to evidence produced in this matter and is likely to be decided in Company's favour, and, hence, pending a final decision by the High Court of Sindh in this matter, no provision has been made for any liability that may arise as a result of the said lawsuit in these financial statements.

20.3 The income tax assessments of the Company have been finalized up to and including the tax year 2014. While finalizing the Company's income tax assessments for the assessment years 1997-98 to 2002-03, the Taxation Officer had not allowed credit of taxes paid by the Company, aggregating Rs. 17.078 million, on account of non-verifiability of payment challans. The Company through its tax consultants has applied for a rectification, the management is confident that the eventual outcome of the matter will be decided in favour of the Company. Accordingly, no adjustment has been made to the above, shown under advance income tax in note 12, pending a final decision in this matter.

20.4 During the year ended June 30, 2013, the Company received notice under section 177 of the Income Tax ordinance 2001 for the tax year 2008 and subsequently tax demand of Rs. 15.398 million was raised, the Company has so far furnished evidence of Rs. 13.272 million while pursuing for remaining tax deductions evidences of Rs. 2.126 million and to submit details to the department. So far no action has been taken against the Company by Tax Department. The management is confident that the eventual outcome of the matter will be decided in favour of the Company. Accordingly, no adjustment has been made to the above pending a final decision in this matter.

20.5 The Company was issued a show cause notice by PTA stating that the Company was providing services beyond the scope of its license and issued an enforcement order on June 14, 2016 suspending the license of the Company for a period of 30 days. The Court suspended the impunged order dated June 14, 2016 and the case is at the stage of hearing of applications. The management is confident that the eventual outcome of the matter will be decided in favour of the Company. Accordingly, no adjustment has been made to the above pending a final decision in this matter.

20.6 Letters of guarantee, amounting to Rs. 2.204 (2015: Rs. 3.595) million, have been issued by commercial banks on behalf of the Company.

		Note	2016	2015
			------- (Rupees in '000') -------	
21.	**REVENUE - NET**			
	Services			
	Internet card sales		-	91
	Data networking		1,840,838	1,650,508
			1,840,838	1,650,599
	Sale of equipment		29,512	84,982
	Turn key projects		34,943	-
			1,905,293	**1,735,581**
22.	**COST OF SERVICES**			
	Salaries, wages and other benefits	22.1	131,347	107,628
	Interoperator services cost	22.2	1,238,811	1,108,111
	Cost of turn key projects		26,622	-
	Communication stores consumed	22.3	10,009	81,589
	Consultancy charges		3,554	2,496
	Support services		19,683	26,497
	Depreciation	4.3	40,335	39,125
	Insurance		3,588	5,958
	Installation and maintenance		20,511	14,767
	Royalty to PTA	22.4	3,011	2,712
	Conveyance and travelling		12,082	14,365
	Utilities		2,459	2,016
	Communication		2,707	2,114
	Repairs and maintenance		1,153	760
	Others		6,356	6,855
			1,522,228	**1,414,993**

22.1 This includes a sum of Rs. 2.26 (2015: Rs. 2.179) million in respect retirement benefits

		2016	2015
		------- (Rupees in '000') -------	
22.2	**Interoperator services cost**		
	Other than satellite brandwidth charges	171,194	164,612
	Satellite bandwidth charges	871,533	774,692
	Network usage cost	196,084	168,807
		1,238,811	**1,108,111**
22.3	**Communication stores consumed**		
	Opening stock	110,525	128,967
	Purchases	18,187	63,147
	Closing stock	(118,703)	(110,525)
		10,009	**81,589**

22.4 This represents royalty, after incorporating adjustment of inter-operator payments, paid to PTA for the establishing, maintaining and operating of Data Class Value Added Services (CVAS) in Pakistan under license number DIR (L)/CVAS-303/PTA/2009, granted on October 23, 2009 for the period of 15 years.

	Note	2016	2015
		------- (Rupees in '000') -------	

23. ADMINISTRATIVE EXPENSES

	Note	2016	2015
Salaries, wages and other benefits	23.1	62,912	51,550
Rent and utilities		44,310	36,898
Insurance		1,992	3,308
Depreciation	4.3	9,151	6,941
Amortisation	5	80	20
Legal and professional charges		3,135	3,020
Repairs and maintenance		10,283	6,881
Conveyance and travelling		7,064	8,412
Office supplies		676	1,022
Subscription		50	630
Auditors' remuneration	23.2	608	601
Communication		2,169	2,309
Entertainment		312	1,263
Provision against trade debts considered doubtful	9.3	-	10,734
Trade debts written - off		-	12,535
Others		1,102	1,189
		143,844	**147,313**

23.1 This includes a sum of Rs. 1.258 (2015: Rs.1.244) million in respect of retirement benefits.

	Note	2016	2015
		------- (Rupees in '000') -------	
23.2 Auditors' remuneration			
Audit fee		490	483
Out of pocket expenses		118	118
		608	**601**

24. DISTRIBUTION COSTS

	Note	2016	2015
Salaries, wages and other benefits	24.1	71,561	58,637
Conveyance and travelling		8,821	10,502
Office supplies		338	358
Repairs and maintenance		26	18
Advertisement and promotion		1,826	1,744
Communication		132	133
Entertainment		51	208
Utilities		309	254
Others		30	32
		83,094	**71,886**

24.1 This includes a sum of Rs.1.430 (2015: Rs.0.769) million in respect retirement benefits.

25. OTHER OPERATING EXPENSES

	2016	2015
Workers' welfare fund	2,782	2,092
Exchange loss - net	2,966	852
	5,748	**2,944**

	Note	2016	2015
		------- (Rupees in '000') -------	
26. OTHER INCOME			
Income from financial assets			
Return on savings account		2,484	10,290
Income from non-financial assets			
Other Income		182	2,628
		2,666	12,918
27. FINANCE COSTS			
Markup on:			
Short term running finance		13,334	16,205
Short term borrowings		1,456	-
Bank charges and commission		1,912	1,199
		16,702	17,404
28. TAXATION			
Current		127,604	23,820
Prior		-	(7,645)
Deferred		5,194	24,193
		132,798	40,368

28.1 The relationship between income tax expense and accounting profit has not been presented in these financial statements as the provision for taxation for the current year is based on minimum tax on payment of goods and services under section 153 of the Income Tax Ordinance, 2001.

The income tax assessments of the Company have been finalized up to and including the tax year 2015, except for tax year in respect of which, appeals are currently in progress at different fourums (note 20.3).

	2016	2015
29. EARNINGS PER SHARE - BASIC AND DILUTED		
	------------ Rupees ------------	
Profit for the year - (Rupees)	3,545	53,591
	------ Number of Shares ------	
Weighted average number of shares	38,772	38,772
	------------ Rupees ------------	
Earnings per share - (Rupees)	0.09	1.38

29.1 There is no dilutive effect on the basic earnings of the Company.

	Note	2016	2015
		-------- (Rupees in '000') --------	

30. CASH GENERATED FROM OPERATIONS

	Note	2016	2015
Profit before taxation		136,343	93,959
Adjustments for non - cash charges and other items:			
Depreciation		49,486	46,066
Amortization		80	20
Provision against doubtful debts		-	10,734
Provision for gratuity		-	207
Unreaslised exchange gain		-	(792)
Finance cost		16,702	17,404
Working capital changes	30.1	(29,317)	(70,664)
Cash generated from operations		**173,294**	**96,934**

30.1 Working capital changes

	2016	2015
(Increase) / decrease in current assets		
Communication stores	(9,170)	17,763
Trade debts	(168,806)	(270,785)
Advances	(65,207)	111,223
Deposits and prepayments	(11,484)	6,687
Other receivables	(1,048)	(342)
	(255,715)	(135,454)
Increase / (decrease) in current liabilities		
Trade and other payables	226,398	64,790
	(29,317)	**(70,664)**

31. CASH AND CASH EQUIVALENTS

	2016	2015
Cash and bank balances	15,923	77,027

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk, credit risk and liquidity risk. The risk is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the management. The Board of Directors supervises the overall risk management approach within the Company.

32.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market variables such as interest rates, foreign exchange rates and equity prices.

32.1.1 **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. As of June 30, 2016, the Company is exposed to such risk mainly in respect of return on saving account.

Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Company's profit by Rs. 1.785 million and a 1% decrease would result in an decrease in the Company's profit by the same amount. However, in practice the actual results may differ from the sensitive analysis.

At June 30, 2016 if interest rate on short term running finance had been 1% higher/lower with all other variables held constant, pre-tax profits for the year would have been higher/lower by Rs. 1.929 million, mainly as a result of higher/lower interest expense on variable rate borrowings

32.1.2 **Foreign Currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of the changes in foreign exchange rates.

Management of the Company estimates that a 10% increase in the US$ exchange rate, with all other factors remaining constant, would increase the Company's profit by Rs.1.981 million and a 10% decrease would result in an decrease in the Company's profit by the same amount. However, in practice, the actual results may differ from the sensitively analysis.

32.1.3 **Equity risk**

Equity risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. As of June 30, 2016 the Company is not exposed to equity price risk.

32.1.4 **Credit risk**

Credit risk is the risk that counter party will cause a financial loss to the Company by failing to discharge its obligations. The table below analysises the Company's maximum expose to credit risk.

	2016	**2015**
	------------- **Rupees**	-------------
Trade debts	930,308	761,502
Advances	68,868	15,104,175
Deposits	41,768	24,342,281
Other receivables	15,844	14,796
Bank balances	15,768	76,925

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company protfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates as follows:

	2016	2015
	------- Rupees ('000') ------	
Bank balances		
A1+	15,592	73,644
A1	176	186
A2	-	3,197
A3	-	-
	15,768	77,027

32.2 **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company attempts to follow effective cash management and planning policy to ensure the availability of funds through committed credit facilities. At the date of statement of financial position the Company has unavailed credit facility of Rs. nil million (2015: Rs. 23) million. The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 Years	Total
Deferred liability	-	-	-	3,319	3,319
Due to employees					-
Long-term deposits	2,957	-	-	5,914	8,871
Trade and other payables	1,785	599,950	99	99	601,933
Accrued mark-up	-	3,128	-	-	3,128
Short term running finances	-	13,000	17,000	-	30,000
June 30, 2016	4,742	616,078	17,099	9,332	647,251

	On demand	Less than 3 months	3 to 12 months	1 to 5 Years	Total
Deferred liability	-	-	-	4,367	4,367
Due to employees	-	-	-	-	-
Long-term deposits	-	2,957	35,652	5,914	44,523
Trade and other payables	60,926	316,871	-	-	377,797
Accrued mark-up	-	3,719	-	-	3,719
Short term running finances		-	127,831	-	127,831
June 30, 2015	60,926	323,547	163,483	10,281	558,237

Effective interest/markup rates for the financial liabilities are mentioned in the respective notes to the financial statements.

32.3 **Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

32.4 **Capital management**

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders.

The Company monitors capital using a gearing ratio, which is debt divided by total capital plus debt as follows:

	2016	2015
	----------- Rupees ('000') ----------	
Debt		
Short term running finance	162,872	127,831
Short term borrowings	30,000	-
	192,872	127,831
Total equity	788,232	784,687
Total debt and equity	**981,104**	**912,518**
Gearing ratio	**19.66%**	**14.01%**

33. REMUNERATION OF THE CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits to the executives of the Company are as follows:

	Chief Executive		Executives	
	2016	2015	2016	2015
	---------------------------------- Rupees	----------------------------------		
Managerial remuneration	8,800	6,800	46,967	45,903
Medical	82	89	481	593
Perquisites and benefits	5,733	4,813	41,904	54,713
Leave passage	733	567	3,914	4,134
	15,348	12,269	93,266	105,343
Number of person	1	1	21	24

34. TRANSACTIONS WITH RELATED PARTIES

The related parties include a holding company, entities having directors in common with the Company, directors and other key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment which are reflected in note 33 to these financial statements are as under:

	2016	2015
	---------- (Rupees in '000') ----------	
Holding company		
Telecard Limited		
Services rendered	4,200	20,843
Services received	3,198	19,727
Interoperator services cost	196,084	168,807
Loan repaid by the Holding Company	-	1,500
Advance given to the Holding Compnay	-	46,560
Payment made on behalf of the company	9,160	-
Entities having directors in common with the Company		
Telecard E- Solutions (Pvt) Limited		
Services received	2,658	50
Services rendered	1,140	1,182
World Trade Center (Private) Limited		
Services received	26,640	28,082
Services rendered	404	300
Arfeen International (Private) Limited		
Services received	-	479
Services rendered	1,577	-

34.1 Balances outstanding with related parties have been disclosed in the respective notes to the financial statements.

35. NUMBER OF EMPLOYEES

The numbers of employees at the year ended were 354 (2015: 274) and average number of employees during the year were 333 (2015: 266).

36. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, where necessary, for the purpose of better presentation, the effect of 'which is not material.

37. DATE OF AUTHORIZATION

These financial statements were approved on ____________ by the board of directors of the Company.

38. GENERAL

Figures in these financial statements have been rounded off to the nearest rupee, unless otherwise stated.

CHIEF EXECUTIVE

DIRECTOR