SUPERNET LIMITED

Financial Statements

For the year ended
June 30, 2018

Parker Randall-A.J.S.
CHARTERED ACCOUNTANTS

Parker Randall International

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Independent Auditor's Report to the members of Supernet Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Supernet Limited** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, 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, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part there of 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 June 30, 2018 and of the profit and other comprehensive loss, the changes in equity 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.

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

The management is responsible for the other information.

The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' 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 is 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.

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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 the 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.

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Parker Randall International

Parker Randall-A.J.S.
CHARTERED ACCOUNTANTS

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity 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 independent auditors' report is Hina Kazi.

Parker Randall AJS

Chartered Accountants
PRAJS

Date: 08 OCT 2018
Karachi.

SUPERNET LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017
		---- (Rupees in '000') ----	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	**363,456**	231,095
Intangible assets	5	**500**	760
		363,956	231,855
Long-term deposits	6	**36,946**	33,498
Deferred taxation	7	**30,202**	20,972
		431,104	286,325
CURRENT ASSETS			
Communication stores	8	**121,711**	161,254
Trade debts	9	**1,162,010**	1,106,899
Advances, deposits and prepayments	10	**122,010**	127,085
Other receivables	11	**279,875**	229,292
Taxation - net		**171,954**	166,479
Bank balances	12	**26,756**	33,186
		1,884,316	1,824,195
TOTAL ASSETS		**2,315,420**	2,110,520
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
60,000,000 (2017: 60,000,000) ordinary shares of Rs.10 each		**600,000**	600,000
Issued, subscribed and paid-up capital	13	**387,717**	387,717
Capital reserve - share premium		**13,424**	13,424
Revenue reserve - unappropriated profit		**467,580**	387,404
		481,004	400,828
		868,721	788,545
NON-CURRENT LIABILITIES			
Long-term financing	14	**88,625**	112,416
Deferred liability - staff gratuity	15	**2,861**	2,861
		91,486	115,277
CURRENT LIABILITIES			
Trade and other payables	16	**1,109,972**	956,012
Accrued mark up	17	**5,901**	5,800
Advance from customers	18	**44,417**	79,955
Short-term financing	19	**194,923**	164,931
		1,355,213	1,206,698
Contingencies & commitment	20		
TOTAL EQUITY AND LIABILITIES		**2,315,420**	2,110,520

The annexed notes from 1 to 37 form an integral part of these financial statements.

PRAJS

CHIEF EXECUTIVE OFFICER | **CHIEF FINANCIAL OFFICER** | **DIRECTOR**

SUPERNET LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017
		--- (Rupees in '000') ---	
Revenue - net	21	**2,451,079**	2,024,988
Cost of services	22	**(1,815,987)**	(1,524,827)
Gross profit		**635,092**	500,161
Administrative expenses	23	**(203,332)**	(235,530)
Distribution costs	24	**(123,877)**	(95,909)
Exchange loss		**(28,223)**	-
		(355,432)	(331,439)
Other income	25	**1,545**	5,970
		(353,887)	(325,469)
Operating profit		**281,205**	174,692
Finance costs	26	**(26,932)**	(22,546)
Profit before taxation		**254,273**	152,146
Taxation	27	**(174,097)**	(151,833)
Net profit for the year		**80,176**	313
Earnings per share - basic and diluted	28	**2.07**	0.01

The annexed notes from 1 to 37 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER **CHIEF FINANCIAL OFFICER** **DIRECTOR**

SUPERNET LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017
	--- (Rupees in '000') ---	
Net profit for the year	**80,176**	313
Other comprehensive income	-	-
Total comprehensive income	**80,176**	313

The annexed notes from 1 to 37 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER **CHIEF FINANCIAL OFFICER** **DIRECTOR**

SUPERNET LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017
		---- (Rupees in '000') ----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	**424,208**	205,045
Income tax paid		**(188,953)**	(141,823)
Finance cost paid		**(26,831)**	(21,330)
Gratuity paid		**-**	(458)
Net cash generated from operating activities		**208,424**	41,434
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(221,055)**	(94,419)
Capital work-in-progress		**-**	(7,579)
Net cash used in investing activities		**(221,055)**	(101,998)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loan		**13,666**	125,000
Lease rentals paid		**-**	(1,618)
Short-term running finance		**-**	(22,900)
Short-term financing		**(7,465)**	(22,500)
		6,201	77,982
Net (decrease) / increase in cash and cash equivalents		**(6,430)**	17,418
Cash and cash equivalents at the beginning of the year		**33,186**	15,768
Cash and cash equivalents at the end of the year	12	**26,756**	33,186

The annexed notes from 1 to 37 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER **CHIEF FINANCIAL OFFICER** **DIRECTOR**

SUPERNET LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve	Total
		Share premium	Un appropriated profit	Total
	(Rupees in '000')			
Balance as at June 30, 2016	387,717	13,424	387,091	788,232
Total comprehensive income for the year	-	-	313	313
Balance as at June 30, 2017	**387,717**	**13,424**	**387,404**	**788,545**
Total comprehensive income for the year	-	-	**80,176**	**80,176**
Balance as at June 30, 2018	**387,717**	**13,424**	**467,580**	**868,721**

The annexed notes from 1 to 37 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER **CHIEF FINANCIAL OFFICER** **DIRECTOR**

SUPERNET LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. THE COMPANY AND ITS OPERATIONS

Supernet Limited (the Company) was incorporated in Pakistan on March 14, 1995 as an unquoted public company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of Companies Act, 2017). 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 while its regional office is located at 2nd Floor, Block 2, Awami complex, New Garden town, Lahore.

1.1 SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING YEAR

- The Company was affected by way of exchange loss due to depreciation of Pakistani Rupees against United States Dollar amounting to Rs. 28.223 million.

- During the year, the Company has discontinued its services to Holding company in respect of interoperator infrastructure services (refer note 22.2.1).

- Adoption of Companies Act, 2017 (refer note 2.2).

- For detailed information on Company's performance, please refer to Directors' Report.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) 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 Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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2.2 Adoption of Companies Act, 2017

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. The disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to management assessment of sufficiency of tax provision in the financial statements (refer note 27), change in threshold for identification of executives (refer note 31), additional disclosure requirements for related parties (refer note 32) etc.,

2.3 Accounting convention

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

2.4 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 Pakistani Rupees (Rs.), which is the Company's functional and presentation currency.

2.5 Standards, interpretations and amendments to approved accounting standards

2.5.1 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/ amendments/ interpretations		**Effective date (accounting periods beginning on or after)**
IAS 19	Employee Benefits (Amendments)	January 01, 2019
IAS 28	Investment in Associates and Joint Ventures	January 01, 2019
IAS 40	Investment Property (Amendments)	January 01, 2018
IFRS 2	Share-based Payment (Amendments)	January 01, 2018
IFRS 4	Insurance Contracts (Amendments)	January 01, 2018
IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 01, 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23	Uncertainty over Income Tax	January 01, 2019

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019 respectively.

To help preparers of financial statements to develop consistency accounting policies and to assist parties to understand and interpret standards, the IASB has issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018, which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements.

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The above standards, amendments and improvements to the standards are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 15 - Revenue from contracts with customers. The Company is currently evaluating the impact of the said standard.

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 Framework.
IFRS 14 Regulatory Deferral Accounts
IFRS 17 Insurance Contracts

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

2.5.2 Standards, amendments and interpretations adopted during the year

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

IFRS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

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

2.6 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, the 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 fixed assets	3.1, 4 & 5
Provisions for doubtful debts and other receivables	3.3 & 9
Recognition of tax and deferred tax	3.13, 7 & 27
Other provisions and contingent liabilities	3.8 & 20
Employees' benefits	3.12 & 15

3. SUMMARY OF SIGNIFICANT ACCOUTING POLICIES

The significant accounting 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.

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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 recognised 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 or loss account during the period in which they are incurred.

Depreciation is charged to statement of profit or loss 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 to these financial statements. The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date.

Impairment loss, if any, or its reversal, is also charged to profit or loss account for the year. Where an impairment loss is recognised, 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 from the month of acquisition and upto the month preceding the deletion, respectively.

An item of property, plant and equipment is derecognised 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 recognised in profit or loss account for the year.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of fixed assets in the course of their erection, installation and acquisition. These are transferred to specific assets as and when these assets are available for intended use.

Finance leases

Finance leases are stated at amounts equal to the fair value or, if lower, the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance cost is charged to profit or loss account.

The related rental obligations, net of finance costs, are included in liabilities. The liabilities are classified as current and non-current depending upon the timing of the payment.

Depreciation is charged at the rates specified in note 4 to these financial statements and is written off asset over its estimated useful life.

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3.1.2 Intangible assets and amortisation

These are carried at cost less accumulated amortisation, and impairment losses, if any. Amortisation is calculated, using the straight line method, to allocate the cost of software over their estimated useful lives specified in relevant note to these financial statements, and is charged to profit or loss account. Costs associated with maintaining computer software, are recognised as an expense as and when incurred.

The amortisation on computer software acquired during the year is charged from the month in which the software is acquired or capitalised, while no amortisation 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 balance sheet date.

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

The Company reviews the carrying amounts of communication stores on an on going basis and provision is made for obsolescence if there is any change in usage pattern and physical form. Impairment is also made for slow moving items.

3.3 Trade debts and other receivables

These are recognised and carried at original invoice amount less an allowance for any uncollectible amounts, if any. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written-off when identified.

3.4 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets.

3.5 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.

3.6 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.

3.7 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised cost. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

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3.8 Provisions

Provisions are recognised 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.

3.9 Financial instruments

All the financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised 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 recognised 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 recognised at fair value, and transaction cost are charged to statement of profit or loss for that year. These are subsequently measured at fair value, amortised cost or cost, as the case may be. Any gains or losses on derecognition of financial assets and financial liabilities are taken to statement of profit or loss in the period in which they arise.

3.10 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 recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.11 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 amortisation, if no impairment loss has been recognised. An impairment loss, or the reversal of an impairment loss, are both recognised in the profit or loss of that year.

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3.12 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 recognised 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.

3.13 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 statement 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 recognised, 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 recognised 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 utilised. Deferred tax liabilities are recognised 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 realised 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.

3.14 Foreign currency translation

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 statement of profit or loss.

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3.15 Revenue recognition

Revenue is recognised to the extent the Company has rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue is measured at the fair value of the consideration received or receivable, exclusive of sales tax and trade discounts.

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

3.16 Dividend and other appropriation of reserves

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

3.17 Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any

3.18 Related party transactions

Related parties comprises of parent company, major shareholders, associated companies with or without common directorship, other companies with common directorship, retirement benefit fund, directors, key management personnel and their close family members. Contribution to defined contribution plan (provident fund) are made as per the terms of employment. Remuneration of key management personnel are in accordance with their term of engagements. Transactions with other related parties are entered into at rates negotiated with them (agreed terms).

Following are the related parties of the company:

Name of related party	Basis of relationship	Shareholding %
Telecard Limited	Holding Company	-
Telegateway Limited	Fully owned subsidiary of Holding company	-
Nexus Communication (Pvt.) Ltd.	Fully owned subsidiary of Holding company	-
Glitz Communication (Pvt.) Ltd.	Fully owned subsidiary of Holding company	-
Globetech Communication (Pvt.) Ltd.	Fully owned subsidiary of Holding company	-
Supernet-E-Solution (Pvt.) Ltd.	Fully owned subsidiary of Holding company	-
Arfeen International (Pvt.) Ltd.	By the virtue of common directorship	-
Envicrete Limited	By the virtue of common directorship	-
Grand Leisure Corporation Ltd.	By the virtue of common directorship	-
IIL (Pvt.) Ltd.	By the virtue of common directorship	-
Chaman Investment (Pvt.) Ltd.	Associated undertaking	-
World Trade Center (Pvt.) Ltd.	Associated undertaking	-
Total Telecom Limited	Associated undertaking	-
Port Grand Limited	Associated undertaking	-
Mr. Shams ul Arfeen	Key management personnel	-
Syed Hashim Ali	Key management personnel	-
Mr. Waseem Ahmad	Key management personnel	-
Mr. Naueen Ahmed	Key management personnel	-
Syed Imran Haider Jafri	Key management personnel	-

	Note	June 30, 2018	June 30, 2017
		------- (Rupees in '000') -------	

4. PROPERTY, PLANT AND EQUIPMENT

	Note	June 30, 2018	June 30, 2017
Operating fixed assets	4.1	**363,456**	223,516
Capital work-in-progress		**-**	7,579
		363,456	231,095

4.1 Operating fixed assets

	Note	Cost: As at July 01, 2017	Cost: Additions/ transfers*	Cost: As at June 30, 2018	Accumulated depreciation: As at July 01, 2017	Accumulated depreciation: Charge for the year	Accumulated depreciation: As at June 30, 2018	WDV as at June 30, 2018	Depreciation rate per annum %
		(Rupees in '000')							
Owned assets									
Leasehold improvements	4.2	23,717	12,230 *	35,947	18,276	3,331	21,607	14,340	20
Communication equipments	4.3	1,348,432	181,941	1,530,373	1,162,233	73,411	1,235,644	294,729	20
Furniture, fixtures and office equipments		46,141	1,431	47,572	27,399	2,904	30,304	17,268	10
Computers and accessories		46,743	3,750	50,493	42,372	3,111	45,484	5,009	33
Motor vehicles		15,185	-	15,185	12,147	1,839	13,986	1,199	20
Leased assets									
Plant and equipment		6,493	29,282	35,775	769	4,095	4,864	30,911	20
June 30, 2018		**1,486,711**	**228,634**	**1,715,345**	**1,263,196**	**88,691**	**1,351,889**	**363,456**	

PRAJS

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

	Note	Cost: As at July 01, 2016	Cost: Additions/ transfers	Cost: As at June 30, 2017	Accumulated depreciation: As at July 01, 2016	Accumulated depreciation: Charge for the year	Accumulated depreciation: As at June 30, 2017	WDV as at June 30, 2017	Depreciation rate per annum %
		(Rupees in '000')							
Owned assets									
Leasehold improvements		23,548	170	23,718	16,292	1,984	18,276	5,442	20
Communication equipments	4.3	1,262,785	85,647	1,348,432	1,107,944	54,289	1,162,233	186,199	20
Furniture, fixtures and office equipments		40,762	5,379	46,141	24,817	2,582	27,399	18,742	10
Computers and accessories		43,520	3,223	46,743	39,798	2,574	42,372	4,371	33
Motor vehicles		15,185	-	15,185	10,191	1,956	12,147	3,038	20
Leased assets									
Plant and equipment		-	6,493	6,493	-	769	769	5,724	20
June 30, 2017		1,385,800	100,912	1,486,712	1,199,042	64,154	1,263,196	223,516	

4.2 This represents transfer from capital work-in-progress amounting to Rs. 12.230 (2017: nil) million.

4.3 Equipment, costing Rs. 911.789 (2017: Rs. 707.849) million, having a net book value of Rs. 686.976 (2017: Rs. 154.098) million are in the possession of the customers of the Company in the ordinary course of business.

	Note	June 30, 2018	June 30, 2017
		(Rupees in '000')	
4.4 Depreciation for the year has been allocated as follows:			
Cost of services	22	**73,411**	54,289
Administrative expenses	23	**15,280**	9,865
		88,691	64,154

4.5 The cost of fully depreciated assets as at June 30, 2018 is 1,163.88 (2017: 1,126.135) million

PRA

5. INTANGIBLE ASSETS

	Note	June 30, 2018	June 30, 2017
		------- (Rupees in '000') -------	
Computer software	5.1	500	760
		500	760

5.1 Computer software

	Cost			Accumulated amortisation				
	As at July 01, 2017	Additions/ transfer	As at June 30, 2018	As at July 01, 2017	For the year	As at June 30, 2018	WDV as at June 30, 2018	Amortisation rate per annum %
	--(Rupees in '000') --							
Computer software, June 30, 2018	**39,776**	**-**	**39,776**	**39,016**	**260**	**39,276**	**500**	**20**
Computer software, June 30, 2017	39,236	540	39,776	38,936	80	39,016	760	20

PRATS

	Note	June 30, 2018	June 30, 2017
		----- (Rupees in '000') ----	

6. LONG-TERM DEPOSITS

Security deposits - considered good

	Note	June 30, 2018	June 30, 2017
Intelsat Global Sales & Marketing Limited		**23,476**	23,476
China Orient Telecom Satellite Company Limited		**6,473**	6,473
ABS Global Middle East		**6,902**	3,454
Others long term deposits		**95**	95
		36,946	33,498

7. DEFERRED TAXATION

	Note	June 30, 2018	June 30, 2017
Accelerated accounting depreciation		**1,886**	11,461
Retirement benefits		**830**	858
Provisions		**27,486**	8,653
		30,202	20,972

8. COMMUNICATION STORES

	Note	June 30, 2018	June 30, 2017
Stores		**110,461**	151,472
Provision against slow moving stores		**(10,743)**	(10,743)
		99,718	140,729
Consumables		**21,993**	20,525
		121,711	161,254

9. TRADE DEBTS

Unsecured-considered good

	Note	June 30, 2018	June 30, 2017
Related parties	9.1	**75,080**	73,767
Others		**1,086,930**	1,033,132
		1,162,010	1,106,899
Considered doubtful trade debts	9.2	**81,597**	81,597
Provision against trade debts considered doubtful		**(81,597)**	(81,597)
		-	-
		1,162,010	1,106,899

9.1 Related parties

	Note	June 30, 2018	June 30, 2017
Telecard Limited - Holding Company		**66,392**	66,392
Grand Leisure Corporation (Private) Limited		**567**	626
Arfeen International (Private) Limited		**443**	2,346
Envicrete Limited		**3**	23
Supernet E-solutions (Private) Limited		**7,675**	4,380
		75,080	73,767

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9.1.1 The maximum amount outstanding at any time during the year calculated by reference to month end balances are as follows:

	June 30, 2018	June 30, 2017
	----- (Rupees in '000') ----	
Telecard Limited - Holding Company	**66,392**	66,392
Grand Leisure Corporation (Private) Limited	**626**	1,587
Arfeen International (Private) Limited	**443**	102
Envicrete Limited	**23**	-
Supernet E-Solutions (Private) Limited	**7,675**	1,660

9.2 Provision against trade debts considered doubtful

Balance at the beginning of the year	**81,597**	15,660
Charge for the year	**-**	65,937
	81,597	81,597

9.3 As at 30 June 2018, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not > three months up to one year	Above one year
	-------------------- Rupees in '000'			----------------------
Related parties	75,080	-	7,753	75,080
Others	1,086,930	262,712	96,716	719,749
June 30, 2018	**1,162,010**	**262,712**	**104,469**	**794,829**
Related parties	73,767	205	2,022	71,540
Others	1,033,132	438,826	161,873	432,433
June 30, 2017	1,106,899	439,031	163,895	503,973

PRADS

		June 30, 2018	June 30, 2017
		---- (Rupees in '000') ----	
10. ADVANCES, DEPOSITS AND PREPAYMENTS			
Advances - considered good, unsecured			
Employees - against expenses and projects		**12,196**	33,314
Suppliers		**54,678**	49,907
		66,874	83,221
Deposits - considered good			
Earnest money		**13,539**	22,104
Margin against guarantee		**36,401**	16,497
Others		**1,950**	1,766
		51,890	40,367
Considered doubtful deposits		**2,441**	2,441
Provision against deposits considered doubtful		**(2,441)**	(2,441)
		-	-
		51,890	40,367
Prepayments			
Rent		**2,346**	2,538
Subscription		**507**	507
Others		**393**	452
		3,246	3,497
		122,010	127,085
11. OTHER RECEIVABLES			
Considered good			
Current accounts with related parties	11.1	**267,208**	218,649
Insurance claim		**3,138**	2,427
Income tax refundable	11.2	**2,991**	2,991
Accrued mark-up from related parties		**2,216**	2,216
Others		**4,322**	3,009
		279,875	229,292
11.1 Current accounts with related parties			
Telecard Limited - Holding Company		**261,252**	212,164
Supernet E-Solutions (Private) Limited		**4,847**	4,847
Grand Leisure Corporation (Private) Limited		**719**	719
Envicrete Limited		**-**	529
Arfeen International (Private) Limited		**390**	390
		267,208	218,649

11.1.1 The above amounts due from related parties represent current account balances which are recoverable on demand and are non-interest bearing.

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11.1.2 The maximum amount outstanding at any time during the year calculated by reference to month end balances are as follows:

	June 30, 2018	June 30, 2017
	----- (Rupees in '000') ---	
Telecard Limited - Holding Company	**261,252**	213,060
Supernet E-Solutions (Private) Limited	**4,847**	5,494
Grand Leisure Corporation (Private) Limited	**719**	719
Envicrete Limited	-	528
Arfeen International (Private) Limited	**390**	390

11.2 During the year ended June 30, 2012, the Assistant Commissioner Inland Revenue adjudged the Company as assesse 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.

12. BANK BALANCES

	June 30, 2018	June 30, 2017
	----- (Rupees in '000') ----	
In current accounts		
Local currency	**1,854**	11,024
Foreign currency	**4,639**	1,381
	6,493	12,405
In savings account		
Local currency	**20,263**	20,781
	26,756	33,186

12.1 This carries mark-up at the rate, ranging between 3.34% to 3.80% (2017: 3.34% to 3.93%) per annum.

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13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	June 30, 2018	June 30, 2017
	------ (Rupees in '000') ------	
38,771,690 (2017: 38,771,690 of Rs 10 each) ordinary shares of Rs.10 each		
33,550,410 allotted as fully paid in cash	**335,504**	335,504
5,221,280 allotted as bonus shares	**52,213**	52,213
	387,717	387,717

13.1 All ordinary shares rank equally with regard to residual assets of the Company. The ordinary shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. Voting rights, board selection, right of first refusal and block voting are in proportion to shareholding. As at reporting date, all shares of the Company are held by the Holding Company

14. LONG-TERM FINANCING

		June 30, 2018	June 30, 2017
		------ (Rupees in '000') ------	
Secured			
Term finance facility	14.1	**125,000**	125,000
Diminishing musharakah	14.2	**15,500**	-
Finance lease obligation	14.3	**3,041**	4,875
		143,541	129,875
Current portion shown under short-term financing and overdue instalments		**(54,916)**	(17,459)
		88,625	112,416

14.1 This facility was obtained from a commercial bank during 2017. The loan is repayable in 16 equal quarterly instalments after a grace period of one year with the first instalment starting from January, 2018. This carries mark-up at the rate of six month KIBOR plus 2.4 % per annum payable quarterly. The facility is secured against hypothecation charge over plant and machinery, first pari pasu charge on current assets of the Company, pledge on shares of Holding Company and third party equitable mortgage on property.

14.2 This facility is obtained from a commercial bank for the purpose of capital expenditure during the year. This facility is repayable in 36 monthly equal instalments carrying profit at the rate of 6 month KIBOR with a floor of 2% per annum. The facility is secured by way of first pari passu charge over current assets, 20% cash margin over fixed asset and cross corporate guarantee of the Holding Company.

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14.3 **Finance lease obligation**

The amount of future payments for the lease and the period of their maturity are as follows:

	June 30, 2018		June 30, 2017	
	Minimum lease payments	Present Value	Minimum lease payments	Present value
	---Rs. in '000'---			
Due within one year	**2,293**	**2,041**	2,283	1,834
Due after one year but not later than 5 years	**1,042**	**1,000**	3,316	3,041
Total minimum lease payments	**3,335**	**3,041**	5,599	4,875
Amount representing finance charges	**(294)**	**-**	(724)	-
Present value of minimum lease	**3,041**	**3,041**	4,875	4,875
Current portion - present value	**(2,041)**	**(2,041)**	(1,834)	(1,834)
	1,000	**1,000**	3,041	3,041

14.3.1 This represent lease agreements with Orix Leasing Pakistan Limited for Genset and UPS. The minimum lease payments have been discounted at an implicit rate of KIBOR plus 5% to arrive at their present value.

	June 30, 2018	June 30, 2017
	---- (Rupees in '000') ----	
15 DEFERRED LIABILITY - STAFF GRATUITY		
Balance at the beginning of the year	**2,861**	3,319
Payments during the year	**-**	(458)
	2,861	2,861
16. TRADE AND OTHER PAYABLES		
Trade, unsecured		
Creditors	**475,501**	336,047
Telecard Limited - Holding Company	**460,947**	400,907
IIL (Private) Limited - related party	**27,101**	27,101
	963,549	764,055
Other payables		
Advances from franchisees	**200**	200
Accrued liabilities	**80,742**	52,728
Provision against compensated absences	**3,234**	3,234
Royalty to Pakistan Telecommunication Authority (PTA)	**4,051**	7,063
Unearned revenue	**30,399**	95,949
Workers' welfare fund payable	**2,782**	2,782
Payable to employees' provident fund	**1,585**	1,301
Others	**23,430**	28,700
	146,423	191,957
	1,109,972	956,012

PRASS

		Note	June 30, 2018	June 30, 2017
			----- (Rupees in '000') ----	
17.	**ACCRUED MARK-UP**			
	Long-term financing		**2,784**	2,663
	Short-term financing		**3,117**	3,137
			5,901	5,800
18.	**ADVANCE FROM CUSTOMERS**			
	Telenor LDI Communication (Private) Limited		**35,545**	71,084
	Pakistan Mobile Communication Limited		**8,872**	8,871
			44,417	79,955
19.	**SHORT-TERM FINANCING**			
	Running finance from bank – secured	19.1	**140,007**	139,972
	Short-term borrowing		**-**	7,500
	Current maturity of long-term financing:			
	Term-finance - overdue instalments		**15,625**	-
	Term-finance - current maturity		**31,250**	15,625
	Finance lease obligation		**2,041**	1,834
	Diminishing musharaka		**6,000**	-
			54,916	17,459
			194,923	164,931

19.1 This represents running finance facility aggregated to Rs. 150.000 (2017: 150.000) million obtained by the Company for working capital purpose. This carry mark-up at the rate of 3 months KIBOR plus 2.4% (2017: 3 months KIBOR plus 2.4%) p.a which is payable quarterly. The facility is secured by way of hypothecation charge over fixed asset with 25% margin, first pari passu charge on current assets, pledge on shares of Holding Company and third party equitable mortgage. The unutilised facility amounts to Rs. 10.000 (2017: 10.028) million.

20. CONTINGENCIES & COMMITMENTS

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. 39.517 (2017: Rs. 34.086) million. Out of this amount, a sum of Rs. 18,020 (2017: Rs. 15.543) million had been withheld from the payments made by the Company to the above-referred entity. The balance amount of Rs. 21,497 (2017: Rs. 18.543) 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.

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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.36.519 (2017: Rs. 31.500) million and a compensation of US$270,000 [approximately Rs. 32.867 (2017: Rs. 28.350) 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 relevant note, 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 impugned 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. 41.244 (2017: Rs. 9.907) million, have been issued by commercial banks on behalf of the Company.

21. REVENUE - NET

	Note	June 30, 2018	June 30, 2017
		---- (Rupees in '000') ----	
Services			
Data networking		**2,320,382**	1,931,296
Sale of equipment		**109,089**	67,742
Turnkey projects		**21,608**	25,950
		2,451,079	2,024,988

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22. COST OF SERVICES

	Note	June 30, 2018	June 30, 2017
		----- (Rupees in '000') -----	
Salaries and other benefits	22.1	**215,108**	192,082
Interoperator services cost	22.2	**1,296,329**	1,121,177
Cost of turnkey projects		**22,207**	18,778
Communication stores consumed	22.3	**62,001**	39,463
Consultancy charges		**5,800**	3,918
Support services		**42,868**	31,853
Depreciation	4.4	**73,411**	54,289
Insurance		**6,103**	2,996
Installation and maintenance		**49,617**	31,635
Royalty to PTA	22.4	**4,051**	4,051
Conveyance and travelling		**11,133**	9,381
Rent and utilities		**3,136**	2,830
Communication		**2,992**	2,687
Repairs and maintenance		**1,298**	1,569
Others		**19,933**	8,118
		1,815,987	1,524,827

22.1 This includes a sum of Rs.4.193 (2017: Rs. 3.452) million in respect of Company's contribution toward provident fund.

22.2 Interoperator services cost

	Note	June 30, 2018	June 30, 2017
		----- (Rupees in '000') -----	
Other than satellite bandwidth charges		**186,184**	192,726
Satellite bandwidth charges		**1,110,145**	723,321
Network usage cost	22.2.1	**-**	205,130
		1,296,329	1,121,177

22.2.1 This represents non-exclusive right for use of certain interoperator infrastructure services of the Company to its holding company. The said services are discontinued w.e.f from July, 2017.

22.3 Communication stores consumed

	2018	2017
Opening balance	**161,254**	118,703
Purchases	**22,458**	82,014
Closing balance	**(121,711)**	(161,254)
	62,001	39,463

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.

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	Note	June 30, 2018	June 30, 2017
		----- (Rupees in '000') -----	

23. ADMINISTRATIVE EXPENSES

	Note	2018	2017
Salaries and other benefits	23.1	**97,475**	75,388
Rent and utilities		**57,453**	51,838
Insurance		**3,388**	1,663
Depreciation	4.4	**15,280**	9,865
Amortisation	5.1	**260**	80
Legal and professional charges		**666**	1,812
Repairs and maintenance		**11,756**	14,194
Conveyance and travelling		**6,519**	5,493
Office supplies		**482**	600
Subscription		**1,544**	1,878
Auditors' remuneration	23.2	**648**	523
Communication		**3,268**	2,934
Entertainment		**1,219**	2,021
Provision against doubtful trade debts	9.2	**-**	65,937
Others		**3,374**	1,304
		203,332	235,530

23.1 This includes a sum of Rs. 1.646 (2017: Rs.1.355) million in respect of Company's contribution toward provident fund.

	Note	June 30, 2018	June 30, 2017
		----- (Rupees in '000') -----	

23.2 Auditors' remuneration

	2018	2017
Audit fee	**527**	432
Out of pocket expenses	**121**	91
	648	523

24. DISTRIBUTION COSTS

	Note	2018	2017
Salaries and other benefits	24.1	**110,875**	85,752
Conveyance and travelling		**8,139**	6,858
Office supplies		**482**	600
Repairs and maintenance		**31**	36
Advertisement and promotion		**3,472**	1,770
Communication		**188**	169
Entertainment		**201**	333
Utilities		**395**	356
Others		**94**	35
		123,877	95,909

24.1 This includes a sum of Rs. 1.872 (2017: Rs. 1.541) million in respect of Company's contribution toward provident fund.

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		June 30, 2018	June 30, 2017
		----- (Rupees in '000') -----	
25.	**OTHER INCOME**		
	Income from financial assets		
	Income on saving accounts	**1,499**	1,461
	Income from non-financial assets		
	Exchange gain - net	**-**	4,245
	Other income	**46**	264
		1,545	5,970
26.	**FINANCE COSTS**		
	Mark-up on:		
	Long-term financing	**11,579**	4,844
	Short-term financing	**12,091**	14,748
	Finance lease obligation	**453**	322
	Bank charges and commission	**2,809**	2,632
		26,932	22,546
27.	**TAXATION**		
	Current	**184,284**	146,140
	Prior	**(957)**	739
	Deferred	**(9,230)**	4,954
		174,097	151,833

27.1 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.

27.2 The income tax assessments of the Company have been finalised up to and including the tax year 2017, except for tax year in respect of which, appeals are currently in progress at different forums (note 20.3 & 20.4).

27.3 The applicable income tax rate for tax year 2018 was reduced to 29% on account of changes made to Income Tax Ordinance, 2001 through Finance Act, 2018. Therefore, the deferred tax is computed at the rate of 29% applicable to the period when temporary differences are expected to be reversed / utilised.

27.4 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purpose of taxation is available which can be analysed as follows:

	Provision for	Tax assesed
	--------- (Rupees in '000') --------	
Accounting year 2017 (Tax year 2017/2016)	146,140	145,183
Accounting year 2016 (Tax year 2016/2015)	127,604	93,230
Accounting year 2015 (Tax year 2015/2014)	23,820	23,558

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28. EARNINGS PER SHARE - BASIC AND DILUTED

Earnings per share has been computed by dividing the profit for the period after taxation by the weighted average number of shares outstanding during the period.

	June 30, 2018	June 30, 2017
Profit for the year - (Rupees in '000')	80,176	313
Weighted average number of shares	38,772	38,772
Earnings per share - (Rupees)	2.07	0.01

28.1 There is no dilutive effect on the basic earnings per share as the Company has no potential convertible ordinary shares in issue as at the end of the reporting period.

29. CASH GENERATED FROM OPERATIONS

	June 30, 2018	June 30, 2017
	----- (Rupees in '000') ----	
Profit before taxation	254,273	152,146
Adjustments for non - cash charges and other items:		
Depreciation	88,691	64,154
Amortization	260	80
Provision against doubtful debts	-	65,937
Exchange loss / (gain)	28,223	(4,184)
Finance cost	26,932	22,546
Working capital changes	25,829	(95,634)
	424,208	205,045

29.1 Working capital changes

	June 30, 2018	June 30, 2017
Increase/(decrease) in current assets		
Long term deposits	(3,448)	(1,673)
Communication stores	39,543	(50,022)
Trade debts	(83,334)	(238,502)
Advances	-	(212,383)
Deposits and prepayments	5,075	(18,548)
Other receivables	(50,583)	(1,284)
	(92,747)	(522,412)
Increase in current liabilities		
Trade and other payables	154,115	355,694
Advance from customers	(35,539)	71,084
	25,829	(95,634)

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30. 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.

30.1 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. The Company is only exposed to foreign currency as at period end.

30.1.1 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, 2018, the Company is exposed to such risk mainly in respect of return on saving accounts, long-term and short-term financing.

Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would decrease the Company's profit by Rs. 2.633 (2017: Rs. 2.591) million and a 1% decrease would result in an increase in the Company's profit by the same amount. However, in practice, the actual results may differ from the sensitive analysis.

30.1.2 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 if pakistani rupee had weakened / strengthened by 1% against US$ with all other variable held constant, profit before tax for the year would have been higher / lower by 1.460 (2017: 2.834) million. However, in practice, the actual results may differ from the sensitively analysis.

30.1.3 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, 2018, the Company is not exposed to equity price risk.

30.2 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.

	June 30, 2018	June 30, 2017
	----- (Rupees in '000') -----	
Long-term deposits	**36,946**	33,498
Trade debts	**1,162,010**	1,106,899
Deposits	**51,890**	40,367
Other receivables	**276,884**	226,301
Bank balances	**26,756**	33,186
	1,554,486	**1,440,251**

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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 portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

30.2.1 Bank balances

The credit quality of Company's bank balances can be assessed with reference to external credit rating agencies as follows:

Name of banks	Agency	Ratings Long-term	Ratings Short-term	Date of Rating	As at June 30, 2018
Habib Metro Bank Limited	PACRA	AA+	A1+	28-Jun-18	**20,230**
Bank Islami Pakistan Limited	PACRA	A+	A1	22-Jun-18	**339**
Habib Bank Limited	JCR-VIS	AAA	A-1+	29-Jun-18	**734**
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+	20-Jun-18	**308**
National Bank of Pakistan	PACRA	AAA	A1+	30-Jun-18	**471**
MCB Bank Limited	PACRA	AAA	A1+	27-Jun-18	**156**
Silk bank Limited	JCR-VIS	A-	A-2	29-Jun-18	**4,639**
					26,756

30.3 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 facilities. The table below summarises 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
	-----Rs. in '000'-----				
Long-term financing	-	-	-	88,625	**88,625**
Short-term financing	155,632	9,825	29,466	-	**194,923**
Deferred liability - staff gratuity	-	-	-	2,861	**2,861**
Trade and other payables	-	474,924	-	604,449	**1,079,373**
Accrued mark-up	-	5,901	-	-	**5,901**
June 30, 2018	**155,632**	**490,650**	**29,466**	**695,935**	**1,371,683**
Long-term financing	-	-	-	112,416	112,416
Short-term financing	139,972	11,862	13,097	-	164,931
Deferred liability - staff gratuity		-	-	2,861	2,861
Trade and other payables	-	378,340	-	481,523	859,863
Accrued mark-up		5,800		-	5,800
June 30, 2017	139,972	396,002	13,097	596,800	1,145,871

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

30.4 Fair value of financial instruments

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

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short-term in nature or repriced periodically.

International Financial Reporting Standard 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

30.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures which commensurate to the circumstances. The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

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

	June 30, 2018	June 30, 2017
	----- (Rupees in '000') -----	
Total debt	**283,548**	277,347
Cash & cash equivalent	**(26,756)**	(33,186)
	256,792	244,161
Total equity	**868,721**	788,545
Total debt and equity	**1,125,513**	1,032,706
Gearing ratio	**22.82%**	23.64%

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31. REMUNERATION OF THE CHIEF EXECUTIVE OFFICER 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 officer		Executives	
	2018	2017	2018	2017
	(Rupees in '000')			
Managerial remuneration	**9,753**	8,800	**187,175**	93,736
Medical	**53**	67	**725**	1,575
Perquisites and benefits	**6,243**	5,739	**161,249**	82,052
Leave passage	**807**	733	**11,340**	6,688
	16,856	15,339	**360,489**	184,051
Number of person	**1**	1	**102**	76

31.1 Comparative figures have been restated to reflect changes in the definition of executives as per Companies Act, 2017.

32. 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 31 to these financial statements are as under:

Transactions with related parties, other than those disclosed elsewhere in the financial statements are as under:

		June 30, 2018	June 30, 2017
		(Rupees in '000')	
Name	**Nature of transaction**		
Relationship: Holding company			
Telecard Limited	Services rendered	-	35
	Services received	**6,368**	13,133
	Advance repaid by the Holding Company	**287,336**	50,661
	Advance given to the Holding Company	**278,228**	217,661
	Interoperator services cost	-	205,130
Relationship: Entities having directors in common with the Company			
Supernet E-Solutions (Private) Limited	Services received	**2,712**	2,622
	Services rendered	**1,324**	1,287
Arfeen International (Private) Limited	Services rendered	**1,104**	835
Envicrete Limited	Services rendered	**524**	85

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

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33. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on latest un-audited financial statements of the fund.

	Note	June 30, 2018 (Un-audited)	June 30, 2017 (Un-audited)
		-- (Rupees in '000') --	
Size of the fund - Total assets		**79,457**	70,749
Cost of the investment made		**64,871**	57,863
Fair value of investments	33.1	**67,068**	59,523
Percentage of investments made		**84.41%**	84.13%

33.1 50% (2017: 48%) of the total asset of the Fund is the share of employees of the Company.

33.2 The break-up of fair value of investments is:

	2018	%	2017	%
Bank balances/deposits	**54,561**	81%	34,697	58%
Mutual funds	**5,590**	8%	13,729	23%
National Saving Schemes	**6,917**	10%	11,097	19%
	67,068		59,523	

33.3 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

34. NUMBER OF EMPLOYEES

	2018	2017
Total employees of the Company at the period end	**406**	383
Average employees of the Company during the period	**395**	359

35. CORRESPONDING FIGURES

Certain correspondence figures have been reclassified for the purpose of better presentation however there were no material reclassification other than the following:

Reclassification from	Reclassified to	Rs. in '000'
Advances	Other receivable	**212,164**
Advances	Advances, deposits and prepayments	**83,221**

36. AUTHORISATION FOR ISSUE

These financial statements were approved on 08-OCT-2018 by the board of directors of the Company.

37. GENERAL

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

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CHIEF EXECUTIVE OFFICER **CHIEF FINANCIAL OFFICER** **DIRECTOR**