

SUPERNET LIMITED

Financial Statements

For the Year ended
June 30, 2020

Parker Randall-A.J.S.
CHARTERED ACCOUNTANTS



Independent Auditors' 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, 2020, and the statement of profit or loss, the statement of 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, the statement of 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, 2020 and of the profit, 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 are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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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, the statement of 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 auditor's report is Hina Kazi.

Parker Randall AJS

Chartered Accountants

Date: 02 OCT 2020

Karachi.

SUPERNET LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	June 30, 2020	June 30, 2019
		---- (Rupees in '000') ----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	393,757	349,891
Intangible assets	6	1,448	240
Right-of-use asset	7	6,427	-
Long-term investments	8	1,509	1,509
		<u>403,141</u>	<u>351,640</u>
Long-term deposits	9	30,044	30,080
Deferred taxation	10	30,202	30,202
		<u>463,387</u>	<u>411,922</u>
CURRENT ASSETS			
Communication stores	11	129,063	128,151
Trade debts	12	1,044,139	1,051,499
Advances, deposits and prepayments	13	124,127	131,594
Other receivables	14	127,259	204,704
Taxation - net		183,890	178,479
Bank balances	15	39,760	86,253
		<u>1,648,238</u>	<u>1,780,680</u>
		<u>2,111,625</u>	<u>2,192,602</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
60,000,000 (2019: 60,000,000) ordinary shares of Rs.10 each		<u>600,000</u>	<u>600,000</u>
Issued, subscribed and paid-up capital	16	500,000	500,000
Revenue reserve - unappropriated profit		405,696	385,111
		<u>905,696</u>	<u>885,111</u>
NON-CURRENT LIABILITIES			
Long-term financing	17	54,688	58,188
Lease liabilities	18	5,433	-
Deferred liability	19	2,861	2,861
		<u>62,982</u>	<u>61,049</u>
CURRENT LIABILITIES			
Trade and other payables	20	966,702	1,014,473
Current portion of lease liabilities	18	1,695	-
Accrued mark-up	21	7,729	9,789
Contractual liability to customers	22	8,872	44,417
Short-term financing	23	157,949	177,763
		<u>1,142,947</u>	<u>1,246,442</u>
Contingencies & commitments	24		
TOTAL EQUITY AND LIABILITIES		<u>2,111,625</u>	<u>2,192,602</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

		June 30, 2020	June 30, 2019
	Note	--- (Rupees in '000') ---	
Revenue - net	25	2,558,528	2,865,913
Cost of services	26	<u>(1,948,045)</u>	<u>(2,346,701)</u>
Gross profit		610,483	519,212
Administrative expenses	27	<u>(197,126)</u>	<u>(228,748)</u>
Distribution costs	28	<u>(147,771)</u>	<u>(160,878)</u>
Exchange loss		<u>(49,149)</u>	<u>(93,825)</u>
Other income	29	<u>(394,046)</u>	<u>(483,451)</u>
		<u>40,060</u>	<u>270,213</u>
		<u>(353,986)</u>	<u>(213,238)</u>
Operating profit		256,497	305,974
Finance costs	30	<u>(37,172)</u>	<u>(33,974)</u>
Profit before taxation		219,325	272,000
Taxation	31	<u>(198,740)</u>	<u>(232,063)</u>
Net profit for the year		<u>20,585</u>	<u>39,937</u>
Earnings per share - basic and diluted	32	<u>0.41</u>	<u>0.80</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020	June 30, 2019
	----- (Rupees in '000') -----	
Net profit for the year	20,585	39,937
Other comprehensive income	-	-
Total comprehensive income	<u>20,585</u>	<u>39,937</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

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, 2018	387,717	13,424	444,033	845,174
Bonus shares issued	112,283	(13,424)	(98,859)	-
Profit for the year	-	-	39,937	39,937
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	39,937	39,937
Adjusted balance as at July 01, 2019	500,000	-	385,111	885,111
Bonus share issued	-	-	-	-
Profit for the year	-	-	20,585	20,585
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	20,585	20,585
Balance as at June 30, 2020	500,000	-	405,696	905,696

The annexed notes from 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020	June 30, 2019
Note	----- (Rupees in '000') -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	33 378,101	463,254
Income tax paid	(204,151)	(238,583)
Finance cost paid	(39,232)	(30,086)
Long-term deposits	36	6,866
Net cash generated from operating activities	134,754	201,451
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(156,238)	(94,943)
Proceeds from disposal of property, plant and equipment	-	2,095
Long-term investments	-	(1,509)
Net cash used in investing activities	(156,238)	(94,357)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	(15,625)	(30,437)
Rentals paid against diminishing musharika	(7,009)	-
Short-term running finance	(680)	(17,160)
Principal repayments of lease rentals against right-of-use assets	(1,695)	-
	(25,009)	(47,597)
Net increase / (decrease) in cash and cash equivalents	(46,493)	59,497
Cash and cash equivalents at the beginning of the year	86,253	26,756
Cash and cash equivalents at the end of the year	39,760	86,253

The annexed notes from 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 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.

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.

These financial statements are the separate financial statements of the Company in which investment in subsidiaries are reported on the basis of cost less impairment losses (if any).

2.2 Accounting convention

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

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

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2.4 Standards, interpretations and amendments to approved accounting 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/ amendments/ interpretations		Effective date (accounting periods beginning on or after)
IFRS 3	Definition of a Business (Amendments)	January 01, 2020
IFRS 3	Reference to the Conceptual Framework (Amendments)	January 01, 2022
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IAS 1/IAS 8 IFRS 9 / IAS 39 / IFRS 7	Definition of Material (Amendments) Interest Rate Benchmark Reform (Amendments)	January 01, 2020
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)*	January 01, 2022
IAS 16	Proceeds before Intended Use (Amendments)	January 01, 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	January 01, 2022

*The IASB has issued an exposure draft proposing to defer the effective date of the Amendments to IAS 1 to 01 January 2023.

The Company expects that the above amendment will not have any significant impact on the Company's unconsolidated financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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 IFRSs
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.

2.4.2 Standards, amendments and interpretations adopted during the year

The Company has adopted the following standards, amendments, interpretation and improvements to International Financial Reporting Standards (IFRSs) which became effective for the current years:

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2.4.3 New and amended standards

IFRS 9	Prepayment Features with Negative Compensation (Amendments)
IFRS 14	Regulatory Deferral Accounts
IFRS 16	Leases
IFRS 16	COVID 19 Related Rent Concessions (Amendments)
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23	Uncertainty over Income Tax Treatments

Improvements to Accounting Standards Issued by the IASB (2015-2017 cycle)

IFRS 3	Business Combinations - Previously held Interests in a Joint Operation
IFRS 11	Joint Arrangements - Previously held Interests in a Joint Operation
IAS 12	Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity
IAS 23	Borrowing Costs - Borrowing Costs Eligible for Capitalisation

The adoption of the above amendments to accounting standards did not have any effect on the financial statement except for the adoption of IFRS 16 'Leases'. The detailed impact of these standards are set forth in note 3 to the financial statements.

2.5 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 and Intangible Assets	4.1, 5 & 6
Impairment of Fixed Assets & Intangible Assets	4.1, 5 & 6
Provisions for Doubtful Debts and Other Receivables	4.5, 12 & 14
Recognition of Tax and Deferred Tax	4.14, 10 & 31
Other Provisions and Contingent Liabilities	4.10 & 24
Determining the Lease Term of Contracts with Renewal and Termination Options and Estimating the Incremental Borrowing Rate	4.14 & 18
Determining the Useful Lives and Carrying Value of ROU Assets	4.3 & 7

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS-16 'Leases' to the financial statements.

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3.1 IFRS 16 'Leases'

IFRS 16 supersedes IAS 17 'Leases', 'IFRIC 4' Determining whether an Arrangement contains a Lease, 'SIC-15' Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16, distinction between operating and finance leases is removed and all lease contracts, with limited exceptions will be recognized in statement of financial position by way of right-of-use assets along with their corresponding lease liabilities.

IFRS 16 'Leases' became effective for annual periods beginning on or after January 01, 2019 as notified by the Securities and Exchange Commission of Pakistan (SECP) through its SRO 434(I)/2018 dated April 09, 2018 which has been fully adopted by the Company during the reporting period.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July, 2019. The Company recognised mainly its Base Transceiver Station (BTS) sites having lease-term of more than 12 months.

The Company has adopted modified retrospective approach in accordance with specific transitional provision of IFRS-16 and has not restated comparative information.

The Company has not elected to recognise right-of-use assets and lease liabilities for short-term leases of properties (rented premises) that have a lease-term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over their lease terms.

3.1.1 The effect of adoption of IFRS 16 as at July 01, 2019 is as follows:

	Note	July 01, 2019 Rs in '000'
Incremental borrowing rate is 15% as at July 01, 2019		
Present value of lease liabilities against right of use assets		<u>8,823</u>
Right of use assets		<u>8,823</u>
The impact of adoption of IFRS 16 as at July 01, 2019 (increase / (decrease)) is as follows:		
Assets		
Right-of-use assets	7	<u>8,823</u>
Total assets as at July 01, 2019		<u>8,823</u>
Liabilities		
Lease liabilities		7,128
Current portion of lease liabilities		<u>1,695</u>
Total lease liabilities as at July 01, 2019	18.2	<u>8,823</u>
The impact of adoption of IFRS 16 for the year ended June 30, 2020 is as follows:		
Statement of profit or loss		
Depreciation charge on right-of-use assets	7	<u>2,396</u>
Interest expense on lease liabilities	18.1	<u>1,123</u>

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4. SUMMARY OF SIGNIFICANT ACCOUNTING 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.

4.1 Fixed assets

4.1.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Subsequent costs, if reliably measurable, 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 5 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.

4.2 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 at the rates specified in note 6 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 amortization 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 is disposed off.

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4.3 Right of use asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Right-of-use assets are depreciated over the shorter period of lease term or useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. Right-of-use assets are subject to annual impairment review in accordance with IAS 36 "Impairment of assets"

4.4 Investments

Subsidiary companies

Investment in subsidiaries, where the Company has control, are measured at cost less impairment, if any, in the Company's financial statements. The profits or losses of subsidiaries are carried in the financial statements of the respective subsidiaries, and are not dealt with the financial statements of the Company, except to the extent of dividends, if any, declared by these subsidiaries.

4.5 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 reporting date.

Net realisable value signifies the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary 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.

4.6 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.

4.7 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 reporting date, which are classified as non-current assets.

4.8 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.

4.9 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.

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4.10 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.

4.11 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.

4.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.12.1 Initial measurement of financial assets

The Company classified its financial assets into the following categories:

- a) at fair value through other comprehensive income (FVTOCI).
- b) at fair value through other profit or loss (FVTPL); and
- c) at amortised cost

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Except for trade receivables which are measured at the transaction price determined under IFRS 15.

Financial assets are classified and measured at fair value through other comprehensive income (FVTOCI) or amortised cost, if both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset and; (Business Model test)
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principle and Interest thereon. (SPPI test)

For purchase of sales of financial assets, the Company uses trade date basis of accounting i.e. the date that the Company commits to purchase or sell the asset.

4.12.2 Subsequent measurement

Financial assets are subsequently classified into the following categories:

a) Financial assets at amortised cost

The Company measures its financial assets at amortised cost if Business Model test & SPPI test is passed. These assets are subsequently measured at amortised cost using Effective Interest Rate (EIR) method and are subject to impairment as at each reporting date. Gains / losses are recognised in the statement of profit or loss when the asset is derecognised / retired / modified.

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b) Financial assets at fair value through other comprehensive income (FVTOCI) (Equity Instruments).

Upon initial recognition, an entity may make an irrevocable election to classify its equity investments at FVTOCI that are not held for trading purpose. Subsequent changes in the fair value of an equity investment are presented in other comprehensive income which are never reclassified to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Equity instruments designated at fair value through OCI are not subject to impairment assessment.

c) Financial asset at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

4.12.3 Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

4.12.4 Financial liabilities

Financial liabilities are initially recognised as financial liability at fair value through profit or loss or at amortised cost using Effective Interest Rate (EIR) method as appropriate. Financial liabilities are initially recognised at fair value net of directly attributable transaction cost in case of loans, borrowings and payables. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss. Financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are subsequently measured at amortised cost using the EIR method.

4.12.5 Derecognition of financial liabilities

Derecognition of financial liabilities occurs from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in statement of profit or loss as other income or finance costs.

4.12.6 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.

Pras

4.12.7 Loss allowance for ECL / impairment

Financial assets

The Company assesses on a forward-looking basis the Expected Credit Loss (ECLs) associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk from the date of initial recognition of a financial asset.

For trade receivables, the Company applies 'simplified approach' as permitted by IFRS 9, which requires expected lifetime credit losses to be recognised at initial recognition and throughout the life of the receivables at an amount equal to lifetime ECLs. Loss allowances are recognised in the statement of profit or loss as at reporting date.

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 as at each reporting date. 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 statement of profit or loss.

4.13 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.

4.14 Lease liability against ROU assets

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a non-cancellable period of 12 months or less) and leases of low value assets. For short-term leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

	Cost			Accumulated depreciation			WDV as at June 30, 2019	Depreciation rate per annum %
	As at July 01, 2018	Additions	As at June 30, 2019	As at July 01, 2018	Charge for the year	As at June 30, 2019		
Owned assets								
Leasehold improvements	35,947	-	35,947	21,607	4,261	25,868	10,079	20
Communication equipments	1,530,373	90,307	1,620,680	1,235,644	89,391	1,325,035	295,645	20
Furniture, fixtures and office equipments	47,572	437	48,009	30,304	2,970	33,274	14,735	10
Computers and accessories	50,493	1,919	52,412	45,484	3,114	48,598	3,814	33
Motor vehicles	15,185	2,280	14,121	13,986	1,617	12,259	1,862	20
Leased assets								
Plant and equipment	35,775	-	35,775	4,864	7,155	12,019	23,756	20
June 30, 2019	1,715,345	94,943	1,806,944	1,351,889	108,508	1,457,053	349,891	

* This represents transfer from capital work-in-progress amounting to Rs. 0.232 million (2019: Nil).

5.2 Equipment, costing Rs. 1,082.90 (2019: Rs. 893.775) million, having a net book value of Rs. 304.4 (2019: Rs. 219.240) million are in the possession of the customers of the Company in the ordinary course of business.

5.3 Depreciation for the year has been allocated as follows:

Cost of services	26	93,349	89,391
Administrative expenses	27	17,575	19,117
		<u>110,924</u>	<u>108,508</u>

5.4 The cost of fully depreciated assets as at June 30, 2020 is 1,206.14 (2019: 1,205.47) million.

PRATS

		June 30, 2020	June 30, 2019
	Note	----- (Rupees in '000') -----	
6. INTANGIBLE ASSETS			
Computer software	6.1	-	240
Capital work in progress	6.2	<u>1,448</u>	<u>-</u>
		<u>1,448</u>	<u>240</u>
6.1 Cost			
As at July 01		39,776	39,776
Addition during the year		-	-
As at June 30		<u>39,776</u>	<u>39,776</u>
Accumulated amortization			
As at July 01		(39,536)	(39,276)
Charge for the year		(240)	(260)
As at June 30		<u>(39,776)</u>	<u>(39,536)</u>
Net book value as at June 30		<u>-</u>	<u>240</u>
Annual rates of amortization		<u>20%</u>	<u>20%</u>
6.2 Capital work in progress- Intangibles			
Opening balance		-	-
Additions		1,448	-
Closing balance		<u>1,448</u>	<u>-</u>
7. RIGHT-OF-USE ASSETS			
As at July 01, 2019			
Cost (Impact of initial application of IFRS 16)		8,823	-
Accumulated depreciation		-	-
Net book value		<u>8,823</u>	<u>-</u>
Year ended June 30, 2020			
Opening net book value		8,823	-
Depreciation for the year		(2,396)	-
Closing net book value		<u>6,427</u>	<u>-</u>
As at June 30, 2020			
Cost		8,823	-
Accumulated depreciation		(2,396)	-
Net book value		<u>6,427</u>	<u>-</u>
8. LONG-TERM INVESTMENTS			
Subsidiary companies - at cost - unquoted			
Supernet-E-Solutions (Private) Limited	8.1	100	100
Supernet Secure Solutions (Private) Limited	8.2	800	800
Phoenix Global FZE	8.3	609	609
		<u>1,509</u>	<u>1,509</u>

Pears

- 8.1 This represents Company's investment in 100% equity shares of Supernet-E-Solutions (Private) Limited. The Company holds 10,000 (2019: 10,000) ordinary shares of Rs. 10 each. The break-up value per share based on audited financial statements for the year ended June 30, 2020 is Rs. 233.45 (2019: 505.46) per share.
- 8.2 This represents Company's investment in 80% equity shares of Supernet Secure Solutions (Private) Limited. The Company holds 80,000 (2019: 80,000) ordinary shares of Rs. 10 each. The break-up value per share based on audited financial statements for the year ended June 30, 2020 is nil (2019: nil).
- 8.3 This represents Company's investment in 100% equity shares of Phoenix Global FZE. The Company holds 8 (2019: 8) ordinary shares of AED 1,000 each. The break-up value per share based on audited financial statements for the year ended 30 June 2020 is AED 44,717 (2019: nil).

8.3.1 Disclosure required under Companies Act, 2017

Name:	Phoenix Global FZE
Registered address:	Office No. E-100F-04 Hamriyah Free Zone - Sharjah, United Arab Emirates
Country:	United Arab Emirates
% of holding:	100%
Chief executive officer:	Shams-ul-Afreen
Operational status:	Active
Auditor's opinion:	Unaudited

	June 30, 2020	June 30, 2019
Note	----- (Rupees in '000') -----	
9. LONG-TERM DEPOSITS		
Security deposits - considered good		
Deposit to foreign satellite bandwidth providers	23,476	23,476
China Orient Telecom Satellite Company Limited	6,473	6,509
Others long-term deposits	95	95
	<u>30,044</u>	<u>30,080</u>
10. DEFERRED TAXATION		
Accelerated accounting depreciation	1,314	1,994
Deferred liability - staff gratuity	830	830
Finance lease obligations & diminishing musharaka	1,015	3,048
Lease liability	2,067	-
Provisions	<u>33,686</u>	<u>34,315</u>
	<u>38,912</u>	<u>40,187</u>
Deferred tax not recognised	10.1 (8,710)	(9,985)
	<u>30,202</u>	<u>30,202</u>
10.1	Being prudent and based on future projections, the Company has not recognised deferred tax asset amounting to Rs. 8,710 (2019: 9,985) million.	

PRATS

	Note	June 30, 2020	June 30, 2019
		----- (Rupees in '000') -----	
11. COMMUNICATION STORES			
Stores		110,413	109,501
Provision against slow moving stores		(10,743)	(10,743)
		99,670	98,758
Consumables		29,393	29,393
		<u>129,063</u>	<u>128,151</u>
11.1 Provision against slow moving stores			
Balance at the end of the year		<u>10,743</u>	<u>10,743</u>
12. TRADE DEBTS			
Unsecured-considered good			
Related parties	12.1	22,898	11,132
Others		1,021,241	1,040,367
		1,044,139	1,051,499
Considered doubtful trade debts	12.2	102,975	105,144
Loss allowance for ECL		(102,975)	(105,144)
		-	-
		<u>1,044,139</u>	<u>1,051,499</u>
12.1 Related parties			
Phoenix Global FZE		14,475	-
Grand Leisure Corporation (Private) Limited *		-	1,587
Arfeen International (Private) Limited *		-	737
Envicrete Limited *		-	385
Supernet E-Solutions (Private) Limited		8,423	8,423
		<u>22,898</u>	<u>11,132</u>

* These companies ceased to be related parties by the virtue of change in directorship during the current reporting period.

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

	June 30, 2020	June 30, 2019
	----- (Rupees in '000') -----	
Phoenix Global FZE	14,475	-
Grand Leisure Corporation (Private) Limited *	-	1,587
Arfeen International (Private) Limited *	-	737
Envicrete Limited *	-	385
Supernet E-Solutions (Private) Limited *	8,423	8,423

* These companies ceased to be related parties by the virtue of change in directorship during the current reporting period.

Pras

	Note	June 30, 2020	June 30, 2019
----- (Rupees in '000') -----			
12.2 Loss allowance for ECL			
Opening balance		105,144	81,597
Recognition of loss allowance under transition provision of IFRS 9		-	23,547
Adjusted opening balance as at July 01, 2019		105,144	105,144
Loss allowance reversed during the year	29	(2,169)	-
		<u>102,975</u>	<u>105,144</u>

12.3 As at 30 June 2020, the ageing 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	Above one year
----- Rupees in '000' -----				
Related parties	22,898	-	14,475	8,423
Others	1,021,241	39,761	245,844	735,636
June 30 ,2020	<u>1,044,139</u>	<u>39,761</u>	<u>260,319</u>	<u>744,059</u>
Related parties	11,132	-	8,664	2,468
Others	1,040,367	103,206	410,147	527,014
June 30 ,2019	<u>1,051,499</u>	<u>103,206</u>	<u>418,811</u>	<u>529,482</u>

13. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances - considered good, unsecured

Employees - against expenses and projects	28,145	66,544
Suppliers	54,756	32,058
	<u>82,901</u>	<u>98,602</u>

Deposits - considered good

Earnest money	30,470	21,260
Margin against guarantee	5,487	6,726
Others	2,280	2,040
	<u>38,237</u>	<u>30,026</u>

Considered doubtful deposits

Loss allowance against deposits considered doubtful	2,441	2,441
	<u>(2,441)</u>	<u>(2,441)</u>

	<u>38,237</u>	<u>30,026</u>
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Prepayments

Rent	2,212	2,212
Subscription	507	507
Others	270	247
	<u>2,989</u>	<u>2,966</u>
	<u>124,127</u>	<u>131,594</u>

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	Note	June 30, 2020	June 30, 2019
----- (Rupees in '000') -----			
14. OTHER RECEIVABLES			
Considered good			
Current accounts with related parties	14.1	113,488	192,312
Insurance claim		3,214	2,882
Income tax refundable	14.2	2,991	2,991
Accrued mark-up from related parties		2,216	2,216
Others		5,350	4,303
		<u>127,259</u>	<u>204,704</u>
14.1 Current accounts with related parties			
Telecard Limited - Holding Company		102,371	183,419
Supernet E-Solutions (Private) Limited		-	4,847
Supernet Secure Solutions (Private) Limited		11,117	3,327
Grand Leisure Corporation (Private) Limited *		-	719
		<u>113,488</u>	<u>192,312</u>

* This company ceased to be related party by the virtue of change in directorship during the current reporting period.

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

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

	June 30, 2020	June 30, 2019
----- (Rupees in '000') -----		
Telecard Limited - Holding Company	102,371	261,252
Supernet E-Solutions (Private) Limited	-	4,847
Grand Leisure Corporation (Private) Limited *	-	719
Envicrete Limited *	-	390

* These companies ceased to be related parties by the virtue of change in directorship during the current reporting period.

14.2 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 an 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.

PRAS

	June 30, 2020	June 30, 2019
	----- (Rupees in '000') -----	
15. BANK BALANCES		
In current accounts		
Local currency	22,351	26,933
Foreign currency	93	3,657
	<u>22,444</u>	<u>30,590</u>
In saving account		
Local currency	17,316	55,663
	<u>39,760</u>	<u>86,253</u>

15.1 This carries mark-up at the rate, ranging between 3.42% to 6.78% (2019: 3.34% to 5.90%) per annum.

	June 30, 2020	June 30, 2019
	Note ----- (Rupees in '000') -----	
16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
50,000,000 (2019: 50,000,000 of Rs 10 each) ordinary shares of Rs.10 each		
33,550,410 allotted as fully paid in cash	335,504	335,504
16,449,590 allotted as bonus shares	164,496	164,496
	<u>500,000</u>	<u>500,000</u>

16.1 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.

	June 30, 2020	June 30, 2019
	Note ----- (Rupees in '000') -----	
17. LONG-TERM FINANCING		
Secured		
Term finance facility	17.1 70,313	85,938
Diminishing musharaka	17.2 3,500	9,500
Finance lease obligation	-	1,009
	<u>73,813</u>	<u>96,447</u>
Current portion of long-term financing	23 (19,125)	(38,259)
	<u>54,688</u>	<u>58,188</u>

Pras

- 17.1 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. During the year, the State Bank of Pakistan (SBP) through BRD circular letter no. 13 of 2020 announce the relief package to dampen the effect of COVID-19 on corporate availing financing facilities and subsequently, vide its letter ERD/M&PRD/PR/01/2020-35 extended the relief to the borrowers availing the financing facility. The Company has availed the aforementioned facility and as a result of this, the remaining quarterly instalments are deferred for one year.
- 17.2 This facility is obtained from a commercial bank for the purpose of capital expenditure. 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.

	June 30, 2020	June 30, 2019
	----- (Rupees in '000') -----	
18. LEASE LIABILITIES		
Lease liabilities	7,128	-
Current portion of lease liabilities	<u>(1,695)</u>	<u>-</u>
	<u>5,433</u>	<u>-</u>
18.1 Reconciliation of the carrying amount is as follows:		
Initial application of IFRS 16 on July 1, 2019	8,823	-
Accretion of interest	1,123	-
Lease rental payments made during the year	<u>(2,818)</u>	<u>-</u>
Lease Liability as at June 30, 2020	7,128	-
Current portion of lease liabilities	<u>(1,695)</u>	<u>-</u>
Long-term lease liabilities as at June 30, 2020	<u>5,433</u>	<u>-</u>
18.2 Maturity analysis		
Gross lease liabilities - minimum lease payments:		
Not later than one year	3,012	-
Later than one year but not later than five years	<u>6,373</u>	<u>-</u>
	9,385	-
Future finance charge	<u>(2,257)</u>	<u>-</u>
Present value of finance lease liabilities	<u>7,128</u>	<u>-</u>
19. DEFERRED LIABILITY		
Staff gratuity	<u>2,861</u>	<u>2,861</u>

Prags

		June 30, 2020	June 30, 2019
Note		(Rupees in '000')	
20.	TRADE AND OTHER PAYABLES		
	Trade, unsecured		
	Creditors	20.1 670,360	669,933
	Telecard Limited - Holding Company	166,179	205,087
	IIL (Private) Limited - related party	27,101	27,101
	Supernet E-Solutions (Private) Limited	17,153	-
		<u>880,793</u>	<u>902,121</u>
	Other payables		
	Contractual liability to franchisees	200	200
	Accrued liabilities	64,401	73,198
	Provision against compensated absences	3,234	3,234
	Royalty to Pakistan Telecommunication Authority (PTA)	4,621	3,259
	Workers' welfare fund payable	2,782	2,782
	Payable to employees' provident fund	2,254	1,755
	Others	20.1 8,417	27,924
		<u>85,909</u>	<u>112,352</u>
		<u>966,702</u>	<u>1,014,473</u>

20.1 During the year, long outstanding liabilities amounting to Rs. 31.868 million which are no longer payable were written back by the Company.

		June 30, 2020	June 30, 2019
Note		(Rupees in '000')	
21.	ACCRUED MARK-UP		
	On secured		
	On long-term financing	2,994	3,214
	On short-term financing	4,735	6,575
		<u>7,729</u>	<u>9,789</u>
22.	CONTRACTUAL LIABILITY TO CUSTOMERS		
	Telenor LDI Communication (Private) Limited	-	35,545
	Pakistan Mobile Communication Limited	8,872	8,872
		<u>8,872</u>	<u>44,417</u>
23.	SHORT-TERM FINANCING		
	Running finance from bank – secured	23.1 138,824	139,504
	Current maturity of long-term financing:		
	Term-finance - current maturity	15,625	31,250
	Finance lease obligation	-	1,009
	Diminishing musharaka	3,500	6,000
		<u>19,125</u>	<u>38,259</u>
		<u>157,949</u>	<u>177,763</u>

Pras

23.1 This represents running finance facility aggregated to Rs. 150.000 (2019: 150.000) million obtained by the Group for working capital purpose. This carry mark-up at the rate of 3 months KIBOR plus 2.4% (2019: 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 and third party equitable mortgage. The unutilised facility amounts to Rs. 11.176 (2019: 10.496) million.

24. CONTINGENCIES & COMMITMENTS

24.1 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. 54.407 (2019: Rs.52.949) million. Out of this amount, a sum of Rs. 20.675 (2019: Rs. 20.126) million had been withheld from the payments made by the Company to the above-referred entity. The balance amount of Rs. 33.732 (2019: Rs.32.823) 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.

24.2 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.50.280 (2019: Rs. 48.933) million and a compensation of US\$270,000 [approximately Rs. 45.252 (2019: Rs. 44.039) 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

24.3 The income tax assessments of the Company have been finalised up to and including the tax year 2014. While finalising 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.

24.4 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.

24.5 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.

24.6 Letters of guarantee, amounting to Rs. 34.30 (2019: Rs. 46.194) million, have been issued by commercial banks on behalf of the Company.

PRAS

	Note	June 30, 2020	June 30, 2019
----- (Rupees in '000') -----			
25. REVENUE - NET			
Services			
Data networking		2,283,836	2,643,689
Sale of equipment		107,640	23,802
Turnkey projects		167,052	198,422
		<u>2,558,528</u>	<u>2,865,913</u>
26. COST OF SERVICES			
Salaries and other benefits	26.1	159,550	171,783
Interoperator services cost	26.2	1,384,192	1,775,069
Cost of turnkey projects		119,189	140,203
Communication stores consumed	26.3	84,244	16,809
Consultancy charges		8,134	7,597
Support services		16,986	34,285
Depreciation	5.3	93,349	89,391
Insurance		4,672	4,094
Installation and maintenance		33,003	53,175
Royalty to PTA	26.4	7,031	5,372
Conveyance and travelling		5,829	7,316
Short term leases and utilities		1,572	-
Rent and utilities		-	2,512
Communication		2,661	2,809
Repairs and maintenance		853	1,020
Office supplies		436	741
Others		26,344	34,525
		<u>1,948,045</u>	<u>2,346,701</u>
26.1	This includes a sum of Rs 5.305 (2019: Rs. 4.631) million in respect of Company's contribution toward provident fund.		
		June 30, 2020	June 30, 2019
----- (Rupees in '000') -----			
26.2 Interoperator services cost			
Other than satellite bandwidth charges		126,200	155,059
Satellite bandwidth charges		1,257,992	1,620,010
		<u>1,384,192</u>	<u>1,775,069</u>
26.3 Communication stores consumed			
Opening balance		128,151	121,710
Purchases		85,156	23,250
Closing balance		(129,063)	(128,151)
		<u>84,244</u>	<u>16,809</u>
26.4	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.		

PTAS

	Note	June 30, 2020 ----- (Rupees in '000') -----	June 30, 2019
27. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	27.1	124,652	134,209
Rent and utilities		-	46,026
Short term leases and utilities		26,210	-
Insurance		2,596	2,275
Depreciation	5.3	17,575	19,117
Depreciation under IFRS 16		2,396	-
Amortisation	6.1	240	260
Legal and professional charges		2,238	802
Repairs and maintenance		7,715	9,226
Conveyance and travelling		3,413	4,283
Office supplies		436	741
Subscription		1,115	846
Auditors' remuneration	27.2	495	495
Communication		2,907	3,069
Entertainment		506	1,375
Others		4,632	6,024
		<u>197,126</u>	<u>228,748</u>
27.1	This includes a sum of Rs. 2.083 (2019: Rs.1.818) million in respect of Company's contribution toward provident fund.		
		June 30, 2020	June 30, 2019
		----- (Rupees in '000') -----	
27.2 Auditors' remuneration			
Audit fee		400	400
Out of pocket expenses		95	95
		<u>495</u>	<u>495</u>
28. DISTRIBUTION COSTS			
Salaries and other benefits	28.1	141,789	152,660
Conveyance and traveling		4,260	5,347
Office supplies		436	741
Repairs and maintenance		20	24
Advertisement and promotion		695	1,224
Communication		169	178
Entertainment		84	228
Utilities		198	317
Others		120	159
		<u>147,771</u>	<u>160,878</u>
28.1	This includes a sum of Rs. 2.369 (2019: Rs. 2.068) million in respect of Company's contribution toward provident fund.		

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		June 30, 2020	June 30, 2019
	Note	----- (Rupees in '000') -----	
29. OTHER INCOME			
Income from financial assets			
Income on saving accounts		6,023	2,347
Credit note		-	265,235
Income from non-financial assets			
Gain on disposal of property, plant and equipment		-	2,095
Liabilities no longer payable written back	20.1	31,868	536
Provision written back	12.2	2,169	-
		<u>40,060</u>	<u>270,213</u>
30. FINANCE COSTS			
Mark-up on:			
Long-term financing		12,669	13,124
Short-term financing		19,957	16,352
Finance lease obligation		65	642
Bank charges and commission		3,358	3,856
Finance cost under IFRS 16		1,123	-
		<u>37,172</u>	<u>33,974</u>
31. TAXATION			
Current		198,740	230,588
Prior		-	1,475
		<u>198,740</u>	<u>232,063</u>
31.1	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.		
31.2	The income tax assessments of the Company have been finalised up to and including the tax year 2019, except for tax year in respect of which, appeals are currently in progress at different forums (note 24.3 & 24.4).		
32. 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, 2020	June 30, 2019
Profit for the year - (Rupees in thousands)		<u>20,585</u>	<u>39,937</u>
Weighted average number of shares (In thousands)		<u>50,000</u>	<u>50,000</u>
Earnings per share - (Rupees)		<u>0.41</u>	<u>0.80</u>

32.1 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.

PKS

		June 30, 2020	June 30, 2019
		----- (Rupees in '000') -----	
33.	CASH GENERATED FROM OPERATIONS		
	Profit before taxation	219,325	272,000
	Adjustments for non - cash charges and other items:		
	Depreciation	110,924	108,508
	Depreciation under IFRS 16	2,396	-
	Amortisation	240	260
	Unrealised exchange loss	17,393	20,391
	Gain on disposal of property, plant and equipment	-	(2,095)
	Credit note	-	(265,235)
	Finance cost	37,172	33,974
	Provision for ECL against trade debts	(2,169)	-
	Liabilities no longer payable written back	(31,868)	-
	Working capital changes	24,688	295,451
		<u>378,101</u>	<u>463,254</u>
33.1	Working capital changes		
	Increase/(decrease) in current assets		
	Communication stores	(912)	(6,440)
	Trade debts	9,529	86,845
	Advances, deposits and prepayments	(120,144)	(12,911)
	Other receivables	77,445	78,498
		(34,082)	145,992
	Increase in current liabilities		
	Trade and other payables	94,315	149,459
	Contractual liability to customers	(35,545)	-
		<u>24,688</u>	<u>295,451</u>
34.	FINANCIAL INSTRUMENTS BY CATEGORY		
34.1	Financial assets at amortised cost		
	- Long-term deposits	5	30,044
	- Trade debts	12	1,044,139
	- Short-term deposits	13	38,237
	- Other receivable	14	127,259
	- Bank balances	15	39,760
			<u>1,279,439</u>
			<u>1,402,562</u>
34.2	Financial liabilities measured at amortised cost		
	- Long-term financing	17	54,688
	- Lease liabilities	18	5,433
	- Trade and other payables	20	1,094,313
	- Accrued mark-up	21	7,729
	- Short-term financing	23	157,949
	- Current portion of lease liabilities	18	1,695
			<u>1,321,807</u>
			<u>1,260,213</u>

PROS

35. 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.

35.1 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 reporting date.

35.1.1 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, 2020, 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. 2.132 (2019: Rs. 1.803) 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.

35.1.2 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 1US\$ with all other variables held constant, profit before tax for the year would have been higher / lower by 2.822 (2019: 2.890) million. However, in practice, the actual results may differ from the sensitively analysis.

35.1.3 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, 2020, the Company is not exposed to equity price risk.

35.2 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 analyses the Company's maximum expose to credit risk.

	June 30, 2020	June 30, 2019
	----- (Rupees in '000') -----	
Long-term investments	1,509	1,509
Long-term deposits	30,044	30,080
Trade debts	1,044,139	1,051,499
Deposits	38,237	30,026
Other receivables	124,268	198,386
Bank balances	39,760	86,253
	<u>1,277,957</u>	<u>1,397,753</u>

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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.

35.2.1 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		As at	As at
		Long-term	Short-term	June 30, 2020	June 30, 2019
Habib Metro Bank Limited	PACRA	AA+	A1+	16,158	55,647
Bank Islami Pakistan Limited	PACRA	A+	A1	310	339
Habib Bank Limited	JCR-VIS	AAA	A-1+	1,847	1,970
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+	19,690	12,909
National Bank of Pakistan	PACRA	AAA	A1+	254	11,711
MCB Bank Limited	PACRA	AAA	A-1+	1,058	21
Silk bank Limited	JCR-VIS	A-	A-2	93	3,656
Meezan bank Limited	JCR-VIS	AA+	A-1+	202	-
Allied bank Limited	JCR-VIS	AA	A-1+	148	-
				<u>39,760</u>	<u>86,253</u>

35.3 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. The Company regularly monitors the credit exposure towards the customers and make allowance for ECLs against doubtful balances. 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	Less			Total
	demand	than 3 months	3 to 12 months	1 to 5 Years	
-----Rs. in '000'-----					
Long-term financing	-	1,500	20,126	33,062	54,688
Short-term financing	138,824	-	19,125	-	157,949
Trade and other payables	-	425,349	-	541,353	966,702
Accrued mark-up	-	7,729	-	-	7,729
June 30, 2020	<u>138,824</u>	<u>434,578</u>	<u>39,251</u>	<u>574,415</u>	<u>1,187,068</u>

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	On demand	Less than 3 months	3 to 12 months	1 to 5 Years	Total
	-----Rs. in '000'-----				
Long-term financing	-	-	-	58,188	58,188
Short-term financing	139,504	9,313	39,259	-	188,076
Trade and other payables	-	446,280	-	567,993	1,014,273
Accrued mark-up	-	9,789	-	-	9,789
June 30, 2019	<u>139,504</u>	<u>465,382</u>	<u>39,259</u>	<u>626,181</u>	<u>1,270,326</u>

Effective interest/mark-up rates for the financial liabilities are mentioned in the respective notes to the financial statements. Maturity analysis of lease liabilities are disclosed in note 18.2 to the unconsolidated financial statements.

35.4 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.

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35.5 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, 2020	June 30, 2019
	----- (Rupees in '000') -----	
Total debt	<u>219,765</u>	235,951
Cash & cash equivalent	<u>(39,760)</u>	(86,253)
	<u>180,005</u>	149,698
Total equity	<u>905,696</u>	885,111
Total debt and equity	<u>1,085,701</u>	<u>1,034,809</u>
Gearing ratio	<u>16.58%</u>	<u>14.47%</u>

36. 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	
	2020	2019	2020	2019
	----- (Rupees in '000') -----			
Managerial remuneration	10,608	9,860	198,603	199,701
Medical	56	52	1,275	1,181
Perquisites and benefits	6,756	6,280	193,282	178,965
Others	869	808	13,316	12,330
	<u>18,289</u>	<u>17,000</u>	<u>406,476</u>	<u>392,177</u>
Number of person	<u>1</u>	<u>1</u>	<u>34</u>	<u>32</u>

36.1 No remuneration has been paid to any of the non-executive directors during the year.

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37. **TRANSACTIONS WITH RELATED PARTIES**

The related parties include a Holding Company, subsidiary companies, 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:

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

Name	Nature of transaction	June 30,	June 30,
		2020	2019
		----- (Rupees in '000') -----	
Relationship: Holding company			
Telecard Limited	Services rendered	-	64
	Services received	13	769
	Advance repaid by the Holding Company	246,789	540,071
	Advance given to the Holding Company	114,189	458,015
Relationship: Entities having directors in common with the Company			
Supernet E-Solutions (Private) Limited	Services received	1,890	5,712
Arfeen International (Private) Limited *	Services rendered	1,102	1,103
Envicrete Limited *	Services rendered	-	882
World Trade Center (Private) Limited *	Services rendered	-	276
Phoenix Global FZE	Services rendered	-	-
	Services received	-	26,123
		14,475	-

* These companies ceased to be related parties by the virtue of change in directorship during the current reporting period.

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

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38. PROVIDENT FUND RELATED DISCLOSURES

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

		June 30, 2020	%	June 30, 2019	%
	Note	(Un-audited)		(Audited)	
-- (Rupees in '000') --					
Size of the fund - Total assets		106,319		89,089	
Cost of the investment made		89,370		72,596	
Fair value of investments	38.1	88,737		71,507	
Percentage of investments made			83.46%		80.26%

38.1 The share of employees of the Company is 54% (2019: 52%) in the total assets of the fund.

		June 30, 2020	%	June 30, 2019	%
		(Un-audited)		(Audited)	
---- (Rupees in '000') ----					
38.2 The break-up of fair value of investments is:					
Bank balances/deposits		82,870	93%	66,096	92%
Mutual funds		5,867	7%	5,411	8%
		<u>88,737</u>		<u>71,507</u>	

38.3 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.

	June 30, 2020	June 30, 2019
----- (Rupees in '000') -----		
39. NUMBER OF EMPLOYEES		
Total employees of the Company at the year end	<u>398</u>	<u>412</u>
Average employees of the Company during the year	<u>405</u>	<u>400</u>

40. CORRESPONDING FIGURES

Corresponding figures have been reclassified / rearranged wherever necessary for better presentation, however, there was no material reclassification of corresponding figures other than the following:

	Reclassification from:	Reclassification from:	Amount in '000'
i)	Advances, deposits and prepayments -Suppliers	Other receivables -Current accounts with related parties	3,327
ii)	Trade and othe payables -Accrued liabilities	Trade and othe payables -Creditors	291,969

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41. **COVID-19 'PANDEMIC'**

On March 11, 2020, the World Health Organization (WHO) declared the 2019 Novel Coronavirus (the "COVID-19") outbreak a pandemic. In response to this, the Federal and Provincial Governments in Pakistan took various measures including imposition of lockdown in the last week of March 2020 which affected the business operations and resulted in adverse economic conditions throughout the Country. The Company complied with the Standard Operating Procedures (SOPs) as prescribed by the Federal and Provincial Government.

The management has assessed accounting implications of the COVID-19 on these financial statements including but not limited to ECLs under IFRS 9 'Financial Instruments', impairment of non-financial assets under IAS 36 'Impairment of assets', recognition of deferred tax assets under IAS 12 'Income Taxes', contingencies under IAS 37 'Provisions, Contingent Liabilities and Contingent Asset', amendments to IFRS 16 regarding rent concessions, preparation of financial statements on a going concern basis etc. According to management's assessment, there is no impact/accounting implication of COVID-19 on the Company's financial statements.

Moreover, impact on international incoming traffic were offset by enhance monitoring of grey traffic by the authorities and favourable fluctuation in foreign exchange rates while immaterial impact was observed on revenue from local corporate customer base during the lockdown period which was normalized post restoration of business activity across Pakistan. The Company is of the view that initiatives taken by the Government (economic relief packages, interest rate cut etc.) to counter the adverse economic impacts of COVID-19 will positively impact the Company in future periods.

42. **AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 01, Oct, 2020 by the board of directors of the Company.

43. **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