

SUPERNET LIMITED

Unconsolidated Financial Statements

For The Year Ended
June 30, 2021

**Independent Auditors' Report
To the Members of Supernet Limited
Report on the Audit of the Unconsolidated Financial Statements**

Opinion

We have audited the annexed unconsolidated financial statements of **Supernet Limited** (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2021, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended and notes to the unconsolidated 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 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 Unconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Information Other than the Unconsolidated 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 for the year ended June 30, 2021 but does not include the unconsolidated financial statements and our auditors' report thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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.

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Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated 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 unconsolidated 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.

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- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of 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 Mr. Muhammad Shabbir Kasbati.

Parker Russell AJS

(Chartered Accountants)

Date: 07 OCT 2021
Karachi.

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SUPERNET LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	June 30, 2021 ---- (Rupees in '000') ----	June 30, 2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	352,762	393,757
Intangible assets	5	1,158	1,448
Right-of-use asset	6	4,073	6,427
Long-term investments	7	2,509	1,509
		<u>360,502</u>	<u>403,141</u>
Long-term deposits	8	95	30,044
Deferred taxation	9	41,920	30,202
		<u>402,517</u>	<u>463,387</u>
CURRENT ASSETS			
Communication stores	10	121,952	129,063
Trade debts	11	1,114,794	1,044,139
Advances, deposits and prepayments	12	98,308	127,480
Other receivables	13	155,245	96,452
Taxation - net		164,025	183,890
Cash and bank balances	14	53,232	39,760
		<u>1,707,556</u>	<u>1,620,784</u>
		<u>2,110,073</u>	<u>2,084,171</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
150,000,000 (2020: 60,000,000) ordinary shares of Rs.10 each	15.1	1,500,000	600,000
Issued, subscribed and paid-up capital	15.2	1,000,000	500,000
Revenue reserve - unappropriated profit		105,888	405,696
		<u>1,105,888</u>	<u>905,696</u>
NON-CURRENT LIABILITIES			
Long-term financing	16	23,438	54,688
Lease liabilities	17	3,145	5,433
Deferred liability	18	2,737	2,861
		<u>29,320</u>	<u>62,982</u>
CURRENT LIABILITIES			
Trade and other payables	19	779,629	939,248
Accrued mark-up	20	5,883	7,729
Contractual liability to customer	21	8,872	8,872
Current portion of lease liabilities and short-term financing	22	180,481	159,644
		<u>974,865</u>	<u>1,115,493</u>
Contingencies & commitments	23		
TOTAL EQUITY AND LIABILITIES		<u>2,110,073</u>	<u>2,084,171</u>

The annexed notes from 1 to 42 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

		June 30, 2021	June 30, 2020
	Note	----- (Rupees in '000') -----	
Revenue - net	24	2,468,695	2,558,528
Cost of services	25	<u>(1,806,446)</u>	<u>(1,948,045)</u>
Gross profit		662,249	610,483
Administrative expenses	26	<u>(249,510)</u>	<u>(197,126)</u>
Distribution costs	27	<u>(157,187)</u>	<u>(147,771)</u>
Exchange gain / (loss)		<u>46,896</u>	<u>(49,149)</u>
		<u>(359,801)</u>	<u>(394,046)</u>
Other income	28	<u>27,815</u>	<u>40,060</u>
		<u>(331,986)</u>	<u>(353,986)</u>
Operating profit		330,263	256,497
Finance costs	29	<u>(25,369)</u>	<u>(37,172)</u>
Profit before taxation		304,894	219,325
Taxation	30	<u>(102,202)</u>	<u>(198,740)</u>
Net profit for the year		<u>202,692</u>	<u>20,585</u>
			Restated
Earnings per share - basic and diluted	31	<u>2.03</u>	<u>0.21</u>

The annexed notes from 1 to 42 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
	----- (Rupees in '000') -----	
Net profit for the year	202,692	20,585
Other comprehensive income	-	-
Total comprehensive income for the year	<u>202,692</u>	<u>20,585</u>

The annexed notes from 1 to 42 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

	Issued, subscribed and paid-up capital	Revenue reserve	Total
		Un appropriated profit	
(Rupees in '000')			
Balance as at July 01, 2019	500,000	385,111	885,111
Profit for the year	-	20,585	20,585
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	20,585	20,585
Balance as at June 30, 2020	500,000	405,696	905,696
Profit for the year	-	202,692	202,692
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	202,692	202,692
Bonus shares issued	500,000	(500,000)	-
Cost of issuance of share	-	(2,500)	(2,500)
Balance as at June 30, 2021	1,000,000	105,888	1,105,888

The annexed notes from 1 to 42 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
Note	---- (Rupees in '000') ----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	32 243,653	372,114
Income tax paid	(94,055)	(204,151)
Finance cost paid	(26,249)	(39,232)
Gratuity paid	18.1 (197)	-
Net cash generated from operating activities	123,152	128,731
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	4.1 (97,351)	(156,238)
Proceeds from disposal of property, plant and equipment	855	-
Income received from saving account	32 1,483	6,023
Long-term investment made	(1,000)	-
Net cash used in investing activities	(96,013)	(150,215)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	(31,250)	(15,625)
Lease rentals paid	(2,781)	(8,704)
Short-term running finance	20,364	(680)
Net cash used in financing activities	(13,667)	(25,009)
Net increase / (decrease) in cash and cash equivalents	13,472	(46,493)
Cash and cash equivalents at the beginning of the period	39,760	86,253
Cash and cash equivalents at the end of the period	53,232	39,760

The annexed notes from 1 to 42 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. THE COMPANY AND ITS OPERATIONS

- 1.1** 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements are presented in Pakistani Rupees (Rs.), which is the Company's functional and presentation currency.



2.4 New standards, interpretations and amendments to published approved accounting standards

2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2020, are considered not to be relevant for the Company's unconsolidated financial statements and hence have not been detailed here.

2.4.2 New accounting standards and amendments to standards not yet effective

The following Standards, interpretations and amendments to published approved accounting standards that are effective for accounting periods, beginning on or after the date mentioned against each to them.

Standards / amendments / interpretations		Effective date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements & Accounting Policies - Amendments regarding the classification of liabilities.	January 01, 2023
IAS-8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendment regarding the definition of accounting estimates).	January 01, 2023
IAS-12	Income Taxes (The amendments to narrow the scope of the initial recognition exemption).	January 01, 2023
IAS-16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.	January 01, 2022
IAS-37	Provisions, Contingent Liabilities and Contingent Assets-Amendments regarding the costs to include when assessing whether a contract is onerous.	January 01, 2022
IAS-41	Amendment Resulting from Annual Improvements to IFRS Standards 2018-2020 (the amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique).	January 01, 2022
IFRS-1	First-time Adoption of International Financial Reporting Standards - Amendments resulting from annual improvements to IFRS standards 2018-2020 (subsidiary as a first-time adopter).	January 01, 2022
IFRS-3	Business Combinations - Amendments updating a reference to the conceptual framework.	January 01, 2022
IFRS-4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach.	January 01, 2023

		Effective date (accounting periods beginning on or after)
IFRS-9	Financial Instruments - Amendments resulting from annual Improvements to IFRS standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	January 01, 2022
IFRS-16	Leases (Extension in respect of the practical expedient for COVID-19 related rent concession by one year)	July 01, 2021
IFRS-16	Amendment Resulting Annual Improvements to IFRS Standards 2018-2020 (to resolve any potential confusion that might arise in lease incentives)	January 01, 2022
IFRS-10	Consolidated Financial Statements and IAS 28 - Investment in Associates and Joint Ventures (Amendment regarding sale or contribution of assets between an investor and its associate or Joint Venture).	The effective date for these changes has been deferred indefinitely until the completion of a broader review.

Interest Rate Benchmark Reform - Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IOBR reform. The amendments also allow a series of exemptions from regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms.

January 01, 2022

2.4.3 New standards issued by IASB and but not yet been notified / adopted by SECP

Following new standards issued by IASB but not yet been notified / adopted by SECP

IFRS 1	First time adoption of IFRSs	July 01, 2009
IFRS 17	Insurance Contracts	January 01, 2022

2.5 Significant accounting estimates and judgments

The preparation of these unconsolidated 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 unconsolidated financial statements:

	Note
Determining the residual values and useful lives of fixed and intangible assets	3.1, 3.2, 4 & 5
Impairment of fixed assets & intangible assets	3.1, 3.2, 4 & 5
Provisions for doubtful debts and other receivables	3.6, 3.12.7, 11 & 13
Recognition of tax and deferred tax	3.15, 9 & 30
Other provisions and contingent liabilities	3.11 & 23
Determining the lease term of contracts with renewal and termination options and estimating the incremental borrowing rate	3.14 & 17
Determining the useful lives and carrying value of ROU assets	3.3 & 6
Provision against slow moving stores	3.5 & 10

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

3.1 Fixed assets

3.1.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated 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 the profit or loss during the period in which they are incurred.

Depreciation is charged to the statement of profit or loss by 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 unconsolidated 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 the statement of profit or loss for the period. 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 the statement of profit or loss for the year.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss, 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.

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3.2 Intangible assets and amortisation

These are carried at cost less accumulated amortisation, and accumulated impairment losses, if any. Amortisation is calculated, using the straight line method, to allocate the cost of softwares over their estimated useful lives at the rates specified in note 5 to these unconsolidated financial statements, and is charged to the statements of profit or loss. 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 is disposed-off.

3.3 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 Company 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".

3.4 Investments

Subsidiary companies

Investment in subsidiaries, where the Company has control, are measured at cost less impairment, if any, in the Company's unconsolidated 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.

3.5 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.

3.6 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.

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3.7 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.

3.8 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 and cash in hand.

3.9 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.

3.10 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.

3.11 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 as at each reporting date and are adjusted to reflect the current best estimate.

3.12 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.

3.12.1 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 in accordance with 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 or 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.

3.12.2 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.

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.

3.12.3 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.



3.12.4 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.

3.12.5 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.

3.12.6 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.

3.12.7 Loss allowance for ECL / impairment

Financial assets

The Company assesses on a forward-looking basis the Expected Credit Losses (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.



3.13 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 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.

3.14 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.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

3.15 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.



3.16 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.

3.17 Revenue recognition

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

- Revenue from data networking services is recognised upon the rendering of such services.
- Revenue from turnkey projects is recognised on percentage of completion basis.
- Revenue from sales of equipment is recognised when equipment is dispatched to customers.
- Revenue from sales of third party software is recognised when the 'right to use' is granted to the customers.
- Return on bank balances is accrued using an effective interest method.
- Dividend income is recognised when the right to receive payment is established.

3.18 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.

3.19 Earnings per share

The Company presents basic and diluted earnings per share 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.

3.20 Related party transactions

Related parties comprise of parent company, subsidiary companies, 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).

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Following are the related parties of the Company:

Name of related party	Basis of relationship	% of share holding
Telecard Limited	Holding Company	100%
Supernet E-Solutions (Private) Limited	Wholly owned subsidiary company	100%
Supernet Secure Solutions (Private) Limited	Subsidiary company	80%
Phoenix Global FZE	Wholly owned subsidiary company	100%
Supernet Infrastructure Solutions (Private) Limited	Wholly owned subsidiary company	100%
Telegateway Limited	Wholly owned subsidiary of Holding Company	-
Nexus Communication (Private) Limited	Wholly owned subsidiary of Holding Company	-
Glitz Communication (Private) Limited	Wholly owned subsidiary of Holding Company	-
Globetech Communication (Private) Limited	Wholly owned subsidiary of Holding Company	-
Mr. Shams ul Arfeen	Key management personnel	-
Mr. Syed Hashim Ali	Key management personnel	-
Mr. Waseem Ahmad	Key management personnel	-
Mr. Naeen Ahmed	Key management personnel	-
Mr. Jamal Nasir Khan	Key management personnel	-
Syed Imran Hyder Jafri	Key management personnel	-



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

Note	Cost			Accumulated depreciation			WDV as at June 30, 2020	Depreciation rate per annum %
	As at July 01, 2019	Additions	Disposal	As at June 30, 2020	As at July 01, 2019	Charge for the year		
	(Rupees in '000')							
Owned assets								
	35,947	233	-	36,180	25,868	4,027	-	29,895
Leasehold improvements								6,285
Communication equipments	1,620,680	152,518	-	1,773,198	1,325,035	93,349	-	1,418,384
Furniture, fixtures and office equipments	48,009	-	-	48,009	33,274	2,912	-	36,186
Computers and accessories	52,412	1,099	-	53,511	48,598	2,668	-	51,266
Motor vehicles	14,121	940	-	15,061	12,259	456	-	12,715
	35,775	-	-	35,775	12,019	7,512	-	19,531
Leased assets								
Plant and equipment								
June 30, 2020	1,806,944	154,790	-	1,961,734	1,457,053	110,924	-	1,567,977
								16,244
								393,757

4.2 Equipment, costing Rs. 1,166.13 million (June 30, 2020: Rs. 1,082.90 million), having a net book value of Rs. 364.626 million (June 30, 2020: Rs. 304.4 million) are in the possession of the customers of the Company in the ordinary course of business.

4.3 Depreciation for the period has been allocated as follows:

Cost of services	Note	June 30, 2021	June 30, 2020
Administrative expenses	25	127,199	93,349
	26	10,214	17,575
		137,413	110,924

4.4 The cost of fully depreciated assets as at June 30, 2021 is 1,370.75 million (June 30, 2020: 1,206.14 million).

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Supernet Limited

		June 30, 2021	June 30, 2020
	Note	----- (Rupees in '000') -----	
5. INTANGIBLE ASSETS			
Computer software	5.1	1,158	-
Capital work in progress		-	1,448
		<u>1,158</u>	<u>1,448</u>
5.1 Cost			
As at July 01,		39,776	39,776
Transferred from capital work-in-progress		1,448	-
As at June 30,		<u>41,224</u>	<u>39,776</u>
Accumulated amortisation			
As at July 01,		(39,776)	(39,536)
Charge for the year		(290)	(240)
As at June 30,		<u>(40,066)</u>	<u>(39,776)</u>
Net book value		<u>1,158</u>	-
Annual rates of amortization		<u>20%</u>	<u>20%</u>
6. RIGHT-OF-USE ASSETS			
As at July 01,			
Cost		8,823	8,823
Accumulated depreciation		(2,396)	-
Net book value		<u>6,427</u>	<u>8,823</u>
Movement during the year			
Opening net book value		6,427	8,823
Depreciation for the year		(2,354)	(2,396)
Net book value		<u>4,073</u>	<u>6,427</u>
As at June 30,			
Cost		8,823	8,823
Accumulated depreciation		(4,750)	(2,396)
Net book value		<u>4,073</u>	<u>6,427</u>
7. LONG-TERM INVESTMENTS			
<i>Subsidiary companies - at cost - unquoted</i>			
Supernet-E-Solutions (Private) Limited	7.1	100	100
Supernet Secure Solutions (Private) Limited	7.2	800	800
Phoenix Global FZE	7.3	609	609
Supernet Infrastructure Solutions (Private) Limited	7.4	1,000	-
		<u>2,509</u>	<u>1,509</u>
7.1			
This represents Company's investment in 100% equity shares of Supernet-E-Solutions (Private) Limited. The Company holds 10,000 (June 30, 2020: 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, 2021 is Rs. 1,623.98 (June 30, 2020: Rs. 585.065) per share.			

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- 7.2 This represents Company's investment in 80% equity shares of Supernet Secure Solutions (Private) Limited. The Company holds 80,000 (June 30, 2020: 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, 2021 is nil (June 30, 2020: nil) per share .
- 7.3 This represents Company's investment in 100% equity shares of Phoenix Global FZE. The Company holds eight (June 30, 2020: eight) ordinary shares of AED 1,000 each. The break-up value per share based on audited financial statements for the year ended June 30, 2021 is AED 128,430 (June 30, 2020: AED 44,717) equivalent to Rs. 5.539 million (June 30, 2020: Rs. 1.921 million) per share.

7.3.1 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:	Audited

- 7.4 This represents Company's investment in 100% equity shares of Supernet Infrastructure Solutions (Private) Limited made during the current year. The Company holds 10,000 ordinary shares of Rs. 100 each. The break-up value per share based on audited financial statements for the period ended June 30, 2021 is nil.

	June 30, 2021	June 30, 2020
Note	----- (Rupees in '000') -----	
8. LONG-TERM DEPOSITS		
Security deposits - considered good		
Deposit to foreign satellite bandwidth providers	-	23,476
China Orient Telecom Satellite Company Limited	-	6,473
Others long-term deposits	95	95
	<u>95</u>	<u>30,044</u>
9. DEFERRED TAXATION		
Deductible temporary differences		
Accelerated accounting depreciation	15,134	3,178
Deferred liability - staff gratuity	794	830
Doubtful debts and other provision	30,269	33,686
Exchange differences	-	5,044
Lease liabilities	1,541	3,082
	47,738	45,820
Taxable temporary differences		
Right-of-use assets	(1,181)	(1,864)
Exchange differences	(4,637)	-
	(5,818)	(1,864)
	41,920	43,956
Deferred tax not recognised	9.1 -	(13,754)
	<u>41,920</u>	<u>30,202</u>

- 9.1 Being prudent and based on future projections, the Company has not recognised deferred tax asset amounting to Rs. nil (June 30, 2020: 13.754 million).

		June 30, 2021	June 30, 2020
	Note	----- (Rupees in '000') -----	
10. COMMUNICATION STORES			
Stores		109,636	110,413
Provision against slow moving stores	10.1	(16,875)	(10,743)
		92,761	99,670
Consumables		29,191	29,393
		<u>121,952</u>	<u>129,063</u>
10.1 Provision against slow moving stores			
Opening balance		10,743	10,743
Provision for the year		6,132	-
Balance at the end of the year		<u>16,875</u>	<u>10,743</u>
11. TRADE DEBTS			
Unsecured-considered good			
Related parties	11.1	33,524	22,898
Others		1,081,270	1,021,241
		1,114,794	1,044,139
Considered doubtful trade debts		85,062	102,975
Loss allowance for ECLs	11.2	(85,062)	(102,975)
		-	-
		<u>1,114,794</u>	<u>1,044,139</u>
11.1 Related parties			
Phoenix Global FZE		29,980	14,475
Supernet E-Solutions (Private) Limited		3,544	8,423
		<u>33,524</u>	<u>22,898</u>
11.1.1	The maximum amount outstanding at any time during the year calculated by reference to month end balances are as follows:		
		June 30, 2021	June 30, 2020
		----- (Rupees in '000') -----	
Phoenix Global FZE		29,980	14,475
Supernet E-Solutions (Private) Limited		8,423	8,423
11.2 Loss allowance for ECL			
Opening balance		102,975	105,144
Loss allowance made / (reversed) during the year		40,537	(2,169)
Provisions written off		(58,450)	-
		<u>85,062</u>	<u>102,975</u>



11.3 The ageing analysis of unimpaired trade debts is as follows:

	Total	Past dues but not impaired			Above one year
		Neither past due nor impaired	> 1 month up to 3 months	> three months up to one year	
		-----Rupees '000'-----			
Related party	33,524	222	6,802	5,377	21,123
Others	1,081,270	280,630	124,207	144,694	531,739
June 30, 2021	1,114,794	280,852	131,009	150,071	552,862
Related party	22,898	-	-	14,475	8,423
Others	1,021,241	39,761	19,260	321,989	640,231
June 30, 2020	1,044,139	39,761	19,260	336,464	648,654

12. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances - considered good, unsecured

Employees - against expenses and projects
Suppliers

	June 30, 2021	June 30, 2020
Employees - against expenses and projects	27,919	31,498
Suppliers	40,034	54,756
	<u>67,953</u>	<u>86,254</u>

Deposits - considered good

Earnest money
Margin against guarantee
Others

Earnest money	24,669	30,470
Margin against guarantee	388	5,487
Others	2,629	2,280
	<u>27,686</u>	<u>38,237</u>

Considered doubtful deposits

Loss allowance against deposits considered doubtful

Considered doubtful deposits	2,441	2,441
Loss allowance against deposits considered doubtful	(2,441)	(2,441)
	<u>-</u>	<u>-</u>
	<u>27,686</u>	<u>38,237</u>

Prepayments

Rent
Subscription
Others

Rent	1,835	2,212
Subscription	507	507
Others	327	270
	<u>2,669</u>	<u>2,989</u>
	<u>98,308</u>	<u>127,480</u>

13. OTHER RECEIVABLES

Considered good

Current accounts with related parties
Insurance claim
Advance income tax
Accrued mark-up from related parties
Others

	June 30, 2021	June 30, 2020
Current accounts with related parties	140,314	82,681
Insurance claim	4,306	3,214
Advance income tax	2,991	2,991
Accrued mark-up from related parties	2,216	2,216
Others	5,418	5,350
	<u>155,245</u>	<u>96,452</u>

	June 30, 2021	June 30, 2020
	----- (Rupees in '000') -----	
13.1 Current accounts with related parties		
Telecard Limited - Holding Company	106,886	71,564
Supernet E-Solutions (Private) Limited	5,152	-
Supernet Secure Solutions (Private) Limited	11,541	11,117
Supernet Infrastructure Solutions (Private) Limited	16,735	-
	<u>140,314</u>	<u>82,681</u>

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

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

	June 30, 2021	June 30, 2020
	----- (Rupees in '000') -----	
Telecard Limited - Holding Company	106,886	71,564
Supernet E-Solutions (Private) Limited	5,152	-
Supernet Secure Solutions (Private) Limited	11,541	11,117
Supernet Infrastructure Solutions (Private) Limited	16,735	-

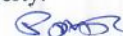
13.2 This represents payment made in response to tax demand raised during the year ended June 30, 2012, the Assistant Commissioner Inland Revenue adjudged the Company as assessee in default for non-deduction of withholding tax under section 153 of the Income Tax Ordinance, 2001, for the tax year 2004. 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. The ATIR after hearing remanded back the case to CIRA for careful consideration. The management in consultation with its tax advisor is confident of a favorable outcome in respect of the above matter and believes that upon the conclusion of pending proceedings, the tax paid by the Company would become refundable.

	June 30, 2021	June 30, 2020
	----- (Rupees in '000') -----	
14. CASH AND BANK BALANCES		
Cash in hand	190	-
In current accounts		
Local currency	4,974	22,351
Foreign currency	818	93
	5,792	22,444
In saving account		
Local currency	47,250	17,316
	<u>53,232</u>	<u>39,760</u>

14.1 This carries mark-up at the rate, ranging between 3.76% to 5.24% (June 30, 2020: 3.42% to 6.78%) per annum.

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		June 30, 2021	June 30, 2020
	Note	----- (Rupees in '000') -----	
15. SHARE CAPITAL AND RESERVES			
15.1 AUTHORISED SHARE CAPITAL			
150,000,000 (June 30, 2020: 60,000,000 of Rs 10 each) ordinary shares of Rs.10 each	15.2.1	<u>1,500,000</u>	<u>600,000</u>
15.1.1 The members in the Extra Ordinary General Meeting held on June 29, 2021 approved increase of authorized capital of the Company from Rs. 600,000,000/- to Rs. 1,500,000,000/- divided into the 150,000,000/- ordinary shares of Rs. 10/- each.			
		June 30, 2021	June 30, 2020
		----- (Rupees in '000') -----	
15.2 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
100,000,000 (June 30, 2020: 50,000,000 of Rs 10 each) ordinary shares of Rs.10 each			
33,550,410 (June 30,2020: 33,550,410) allotted as fully paid in cash		335,504	335,504
66,449,590 (June 30,2020: 16,449,590) allotted as bonus shares		<u>664,496</u>	<u>164,496</u>
		<u>1,000,000</u>	<u>500,000</u>
15.2.1 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.			
15.2.2 The board of directors of the Company, in the meeting held on June 29, 2021 approved issuance of 100% (one hundred percent) bonus shares, increasing Company's total paid up capital from Rs. 500,000,000/- to Rs. 1,000,000,000/- divided into ordinary shares of Rs. 10/- each. All shares were subscribed by the Holding Company.			
		June 30, 2021	June 30, 2020
		----- (Rupees in '000') -----	
16. LONG-TERM FINANCING			
Secured			
Term finance facility	16.1	54,688	70,313
Diminishing musharaka	16.2	-	3,500
		54,688	73,813
Current portion of long-term financing	22	<u>(31,250)</u>	<u>(19,125)</u>
		<u>23,438</u>	<u>54,688</u>
16.1 This represent term finance facility obtained from a commercial bank, repayable in 16 equal quarterly instalments after a grace period of one year with the first instalment starting from January 2018. The facility carries mark-up at the rate of three months KIBOR plus 2.4 % per annum payable quarterly. The facility is secured against hypothecation charge over plant and machinery, first pari passu charge on current assets of the Company, pledge of shares of Holding Company and third party equitable mortgage the property.			



During the last year, Company availed the relief package as announced by the State Bank of Pakistan (SBP) BPRD through circular letter no.13 of 2020 to dampen the effects of COVID-19 on corporate availing financing facilities and as a result of this, the remaining quarterly instalments were deferred for one year.

- 16.2 This facility was obtained from a commercial bank and was repayable in 36 monthly equal instalments carrying profit at the rate of 6 month KIBOR plus 2% p.a. The facility was secured by way of first pari passu charge over musharaka asset, lien over the PLS account maintained with the bank and cross corporate guarantee of the Holding Company. The facility has been fully settled during the reporting period.

	June 30, 2021	June 30, 2020
Note	----- (Rupees in '000') -----	
17. LEASE LIABILITIES		
Lease liabilities	5,313	7,128
Current portion of lease liabilities	<u>(2,168)</u>	<u>(1,695)</u>
	<u>3,145</u>	<u>5,433</u>
17.1 Reconciliation of the carrying amount is as follows:		
As at July 01	7,128	8,823
Accretion of interest	966	1,123
Lease rental payments made during the year	<u>(2,781)</u>	<u>(2,818)</u>
Lease liability as at June 30,	5,313	7,128
Current portion of lease liabilities	<u>(2,168)</u>	<u>(1,695)</u>
Long-term lease liabilities as at June 30	<u>3,145</u>	<u>5,433</u>
17.2 Maturity analysis		
Gross lease liabilities - minimum lease payments:		
Not later than one year	2,821	3,012
Later than one year but not later than five years	<u>3,551</u>	<u>6,373</u>
	6,372	9,385
Future finance charge	<u>(1,059)</u>	<u>(2,257)</u>
Present value of finance lease liabilities	<u>5,313</u>	<u>7,128</u>
18. DEFERRED LIABILITY		
Staff gratuity	18.1 <u>2,737</u>	<u>2,861</u>
18.1 Reconciliation of the carrying amount of staff gratuity:		
Opening balance	2,861	2,861
Charged for the year	73	-
Payments during the year	<u>(197)</u>	<u>-</u>
	<u>2,737</u>	<u>2,861</u>

		June 30, 2021	June 30, 2020
	Note	----- (Rupees in '000') -----	
19. TRADE AND OTHER PAYABLES			
Unsecured			
Creditors		550,362	653,165
Telecard Limited - Holding Company		135,372	135,372
Supernet E-Solutions (Private) Limited - Subsidiary		4,153	17,153
		<u>689,887</u>	<u>805,690</u>
Other payables			
Contractual liability to franchisee		200	200
Accrued liabilities		69,236	112,050
Provision against compensated absences		3,577	3,234
Royalty to Pakistan Telecommunication Authority (PTA)		4,620	4,621
Payable to employees' provident fund		107	2,254
Workers' welfare fund payable		2,782	2,782
Others		9,220	8,417
		<u>89,742</u>	<u>133,558</u>
		<u>779,629</u>	<u>939,248</u>
20. ACCRUED MARK-UP			
Secured			
On long-term financing		1,979	2,994
On short-term financing		3,689	4,735
Employees' provident fund		215	-
		<u>5,883</u>	<u>7,729</u>
21. CONTRACTUAL LIABILITY TO CUSTOMER			
Pakistan Mobile Communication Limited		<u>8,872</u>	<u>8,872</u>
22. CURRENT PORTION OF LEASE LIABILITIES AND SHORT- TERM FINANCING			
Running finance from bank – secured	22.1	147,063	138,824
Current maturity of long-term financing:			
Term-finance - current maturity	16	31,250	15,625
Diminishing musharaka		-	3,500
		<u>31,250</u>	<u>19,125</u>
Current portion of lease liabilities	17	2,168	1,695
		<u>180,481</u>	<u>159,644</u>
22.1	This represents finance facility of Rs. 150.000 million (June 30, 2020: 150.000) million obtained by the Company for working capital purpose. This carries mark-up at the rate of 3 months KIBOR plus 2.4% (June 30, 2020: 3 months KIBOR plus 2.4%) p.a., 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. 2.937 million (June 30, 2020: 11.176 million).		

23. CONTINGENCIES & COMMITMENTS

- 23.1 During the year ended June 30, 2005, a suit was filed by Shinawatra Satellite Public 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. 50.021 million (June 30, 2020: Rs. 54.407 million). Out of this amount, a sum of Rs. 18.942 million (June 30, 2020: Rs. 20.675 million) had been withheld from the payments made by the Company to the above-referred entity. The balance amount of Rs. 31.079 million (June 30, 2020: Rs. 33.732 million) has not been provided for in these unconsolidated 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 favor 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 the Company's unconsolidated financial statements.
- 23.2 A suit was filed by Huawei Technologies Company Limited, China, during the year ended June 30, 2002, in the High Court of Sindh against the Company for the return of certain equipment or payment of US\$300,000 equivalent to Rs. 46.227 million (June 30, 2020: Rs. 50.280 million) and a compensation of US\$270,000 [approximately Rs. 41.604 million (June 30, 2020: Rs. 45.252 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 favor, 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 the Company's unconsolidated financial statements.
- 23.3 The Company entered into a Master Services Agreement (MSA) with Intelsat Corporation in 2011, and various Service Orders with Intelsat Corporation and its affiliates (Intelsat), the last of which was amended in 2018. In 2020, the Company was already in discussion with Intelsat regarding a number of issues, including that it was unable to sell a certain portion of satellite capacity onwards to its customers and utilize the certain capacity purchased for the dedicated purpose due to the fact that, amongst other things, the licenses required by the Company's customers had been delayed by the Government of Pakistan. The said unsold and unusable capacity that the Company was forced to pay for, along with the artificially high rates charged by Intelsat were not in line with the market and was causing loss of business and profitability for the Company.

In May 2020, Intelsat declared bankruptcy due to its inability to meet its debt and other liabilities and as a result of the same, the Company's discussions and negotiations with Intelsat came to a halt. Intelsat's bankruptcy also exposed the Company and its customers to risks about dependability and continuity of services, and increased the risk of termination of service by the Company's customers. Additionally, Intelsat due to its financial crises began unreasonably pressurizing the Company for unjustified payments for unsold and unused capacity.

Considering this, the Company migrated its networks to other service providers and terminated the agreement with Intelsat Corporation. In response, Intelsat has filed a suit in the US to recover an amount of approximately US\$10mn, mostly on account of services which were to be rendered in future by Intelsat to the Company. The management of the Company in consultation with their legal advisor is confident that no negative outcome is expected and accordingly no provision in this regard has been made by the management in these unconsolidated financial statements.

The Company has challenged the claim of Intelsat, and has filed a Suit for damages before the High Court of Sindh against Intelsat for recovery of the overcharged amounts and damages for loss of business and profits estimated in excess of US\$18mn.



- 23.4** The income tax assessments of the Company have been finalized up to and including the tax year 2020. 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 (June 30, 2020: 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 favor 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.
- 23.5** 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 (June 30, 2020: Rs. 13.272 million) was raised. The Company through its tax consultant is pursuing the matter. So far, no adverse 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 favor of the Company. Accordingly, no adjustment has been made to the above pending a final decision in this matter.
- 23.6** The Company was issued a show cause notice (SCN) by PTA in 2015 alleging, amongst other things, that the Company did not seek a Commencement Certificate from PTA when License was issued in the year 2009. Subsequently an order was passed by PTA threatening to suspend the License. The Order was challenged by the Company before the High Court through an Appeal, which was disposed off by the High Court in March 2020 requiring the Company to comply with the PTA requirements. The Company has since complied with such requirements, and is awaiting completion of the process by the PTA for issuance of the Commencement Certificate. In parallel, the Company has filed an appeal in the Supreme Court (SC) to contest the decision of the High Court. No assessment of any financial liability that may arise can be made at this stage arising out of the above matter, hence no provision has been made in these unconsolidated financial statements that may arise as an outcome of this matter.
- 23.7** The Company has committed to deposit an amount of Rs. 22.307 million (June 30, 2020: nil) in terms of security deposit to its satellite bandwidth vendor.
- 23.8** Letters of guarantee, amounting to Rs. 33.04 million (June 30, 2020: Rs. 34.30 million), have been issued by commercial banks on behalf of the Company.

	June 30, 2021	June 30, 2020
	----- (Rupees in '000') -----	
24. REVENUE - NET		
Revenue from contracts with customers		
Data networking	1,861,504	2,283,836
Sale of equipment and licenses	352,947	107,640
Revenue from turnkey projects	254,244	167,052
	<u>2,468,695</u>	<u>2,558,528</u>



		June 30, 2021	June 30, 2020
	Note	----- (Rupees in '000') -----	
25. COST OF SERVICES			
Salaries and other benefits	25.1	166,782	159,550
Interoperator services cost	25.2	980,058	1,384,192
Cost of turnkey projects		180,803	119,189
Communication stores consumed	25.3	204,063	84,244
Consultancy charges		5,759	8,134
Support services		56,455	16,986
Depreciation	4.3	127,199	93,349
Insurance		5,308	4,672
Installation and maintenance		42,597	33,003
Royalty to PTA	25.4	4,498	7,031
Conveyance and travelling		5,826	5,829
Rent and utilities		1,547	1,572
Communication		2,297	2,661
Repairs and maintenance		939	853
Office supplies		816	436
Others		21,499	26,344
		<u>1,806,446</u>	<u>1,948,045</u>

25.1 This includes a sum of Rs. 5.897 million (June 30, 2020: Rs. 5.305 million) in respect of Company's contribution toward provident fund.

		June 30, 2021	June 30, 2020
		----- (Rupees in '000') -----	
25.2 Interoperator services cost			
Other than satellite bandwidth charges		153,041	126,200
Satellite bandwidth charges		827,017	1,257,992
		<u>980,058</u>	<u>1,384,192</u>

25.3 Communication stores consumed			
Opening balance		129,063	128,151
Purchases		196,952	85,156
Closing balance		(121,952)	(129,063)
Communication stores consumed		<u>204,063</u>	<u>84,244</u>

25.4 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.

		June 30, 2021	June 30, 2020
	Note	----- (Rupees in '000') -----	
26. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	26.1	130,034	124,652
Rent and utilities		28,342	26,210
Insurance		2,950	2,596
Depreciation	4.3	10,214	17,575
Depreciation on asset under IFRS - 16		2,354	2,396
Amortisation	5.1	290	240
Legal and professional charges		1,539	2,238
Repairs and maintenance		8,489	7,715
Conveyance and travelling		5,753	3,413
Office supplies		816	436
Subscription		580	1,115
Auditors' remuneration	26.2	1,822	495
Communication		2,510	2,907
Loss allowance for ECLs		40,537	-
Provision against slow moving stores		6,132	-
Entertainment		1,521	506
Others		5,627	4,632
		<u>249,510</u>	<u>197,126</u>

26.1 This includes a sum of Rs. 2.103 million (June 30, 2020: Rs. 2.083 million) in respect of Company's contribution toward provident fund.

		June 30, 2021	June 30, 2020
	Note	----- (Rupees in '000') -----	
26.2 Auditors' remuneration			
Audit fee for unconsolidated financial statements		800	400
Audit fee for consolidated financial statements		200	-
Other services		600	-
Out of pocket expenses		222	95
		<u>1,822</u>	<u>495</u>

27. DISTRIBUTION COSTS

Salaries and other benefits	27.1	147,911	141,789
Conveyance and traveling		7,181	4,260
Office supplies		816	436
Repairs and maintenance		22	20
Advertisement and promotion		565	695
Communication		146	169
Entertainment		253	84
Utilities		195	198
Others		98	120
		<u>157,187</u>	<u>147,771</u>

27.1 This includes a sum of Rs. 2.045 million (June 30, 2020: Rs. 2.369 million) in respect of Company's contribution toward provident fund.

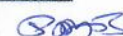
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	June 30, 2021	June 30, 2020
	----- (Rupees in '000') -----	
28. OTHER INCOME		
Income from financial assets		
Income on saving accounts	1,483	6,023
Others		
Scrap sales	8,500	-
Reversal of provisions against staff incentives	17,910	-
Loss on disposal of property, plant and equipment	(78)	-
Liabilities no longer payable written back	-	31,868
Provision written back	-	2,169
	<u>27,815</u>	<u>40,060</u>
29. FINANCE COSTS		
Mark-up on:		
Long-term financing	6,694	12,669
Short-term financing	13,937	19,957
Mark-up on unpaid contribution to provident fund	215	-
Finance lease obligation	-	65
Bank charges and commission	3,557	3,358
Finance cost on lease liability against ROU assets	966	1,123
	<u>25,369</u>	<u>37,172</u>
30. TAXATION		
Current	112,562	198,740
Prior	1,358	-
Deferred	(11,718)	-
	<u>102,202</u>	<u>198,740</u>
30.1 Relationship between accounting profit and income tax expense		
Profit before taxation	304,894	-
Tax @ 29%	88,419	-
Effect of prior period tax	1,358	-
Others	12,425	-
	<u>102,202</u>	<u>-</u>
30.2	The relationship between income tax expense and accounting profit has not been presented in these unconsolidated financial statements for prior period as the provision for taxation for the period year is based on minimum tax on payment of goods and services under section 153 of the Income Tax Ordinance, 2001.	
30.3	The income tax assessments of the Company have been finalised up to and including the tax year 2020, except for tax years in respect of which, appeals are currently in progress at different forums (note 23.4 & 23.5).	
31. EARNINGS PER SHARE - BASIC AND DILUTED		
Earnings per share has been computed by dividing the year for the period after taxation by the weighted average number of shares outstanding during the year.		



Supernet Limited

	June 30, 2021	June 30, 2020
	----- (Rupees in '000') -----	
Profit for the period - (Rupees in '000')	<u>202,692</u>	<u>20,585</u>
Weighted average number of shares (In thousands)	<u>100,000</u>	<u>100,000</u>
		Restated
Earnings per share - Basic and diluted (Rupees)	<u>2.03</u>	<u>0.21</u>
31.1	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.	
31.2	Earning per share for the current and prior year has been adjusted retrospectively to include the impact of bonus shares allotted during the current year as fully mentioned in note 15.2.2 to the unconsolidated financial statements.	
	June 30, 2021	June 30, 2020
	----- (Rupees in '000') -----	
32. CASH GENERATED FROM OPERATIONS		
Profit before taxation	304,894	219,325
Adjustments for non - cash charges and other items		
Depreciation	137,413	110,924
Depreciation on ROU assets	2,354	2,396
Amortisation	290	240
Finance cost	25,369	37,172
Staff gratuity	73	-
Loss on disposal of property, plant and equipment	78	-
Provision for ECL against trade debts	40,537	-
Provision for slow moving stores	6,132	-
Unrealised exchange (gain) / loss	(15,991)	17,393
Adjustment of long-term deposits	29,949	36
Reversal of provisions	(17,910)	(2,169)
Profit from saving account	(1,483)	(6,023)
Liabilities no longer payable written back	-	(31,868)
Working capital changes	<u>(268,052)</u>	<u>24,688</u>
	<u>243,653</u>	<u>372,114</u>
32.1 Working capital changes		
(Increase) / decrease in current assets		
Communication stores	979	(912)
Trade debts	(111,192)	9,529
Advances, deposits and prepayments	29,172	(120,144)
Other receivables	(58,793)	77,445
	(139,834)	(34,082)
Increase / (decrease) in current liabilities		
Trade and other payables	(128,218)	94,315
Contractual liability to customers	-	(35,545)
	<u>(268,052)</u>	<u>24,688</u>



	Note	June 30, 2021	June 30, 2020
----- (Rupees in '000') -----			
33. FINANCIAL INSTRUMENTS BY CATEGORY			
33.1 Financial assets measured at amortised cost			
Long-term deposits	8	95	30,044
Trade debts	11	1,114,794	1,044,139
Advances, deposits and prepayments *	12	27,686	38,237
Other receivable **	13	152,254	93,461
Cash and bank balances	14	53,232	39,760
		<u>1,348,061</u>	<u>1,245,641</u>
33.2 Financial liabilities measured at amortised cost			
- Long-term financing	16	23,438	54,688
- Lease liabilities	17	3,145	5,433
- Trade and other payables ***	19	772,963	930,778
- Accrued mark-up	20	5,883	7,729
- Current portion of lease liabilities and short-term financing	22	180,481	159,644
		<u>985,910</u>	<u>1,158,272</u>

*Advances amounting to Rs. 67.953 million (June 30, 2020: Rs 86.254 million) and prepayments amounting to Rs. 2.669 million (June 30, 2020: Rs 2.989 million) are not financial assets and are not included.

**Advance income tax amounting to Rs. 2.991 million (June 30, 2020: Rs. 2.991 million) is not a financial asset and is not included.

***Contractual liabilities to franchisee, Workers welfare fund, provision for employees' compensated absences and payable to employees' provident fund amounting in aggregated to Rs. 6.666 million (June 30, 2020: 8.470 million) are not financial liabilities and are not included.

34. 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.

34.1 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 and interest rates risk as at reporting date.

34.1.1 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 as these are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

	June 30, 2021	June 30, 2020
	----- (Rupees in '000') -----	
Variable rate instruments:		
Financial asset		
- Saving account	47,250	17,316
Financial liabilities		
- Long-term financing	(23,438)	(54,688)
- Short-term financing	(178,313)	(157,949)
	(201,751)	(212,637)
Net financial liabilities at variable interest rates	<u>(154,501)</u>	<u>(195,321)</u>

Cash flow sensitivity analysis for variable rate instruments:

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. 1.545 million (June 30, 2020: Rs. 1.953 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.

34.1.2 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. The Company in this respect is exposed to creditors on account of foreign satellite bandwidth providers as at reporting date. These creditors are dominated in US Dollars (US\$). As at reporting date, the total exposure against foreign creditors amounts to US\$ 4.785 million (June 30, 2020: US\$ 2.914 million). Spot rate as at June 30, 2021 is Rs. 157.54 to US\$ (June 30, 2020: 168.25 to US\$).

The management of the Company closely monitors the currency markets. Management of the Company estimates that if Pakistani rupee had weakened / strengthened against the USD by 1% with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 7.538 million (June 30, 2020: 2.890 million). However, in practice, the actual results may differ from the sensitively analysis.

34.1.3 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, 2021, the Company is not exposed to equity price risk.

34.2 Credit risk

Credit risk is the risk that counter party will cause a financial loss to the Company by failing to discharge its obligations. Concentration of credit risk exists when changes in economic or industry factors affect the Company 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.

The table below analyses the Company's maximum expose to credit risk.

	June 30, 2021	June 30, 2020
	----- (Rupees in '000') -----	
Long-term deposits	95	30,044
Trade debts	1,114,794	1,044,139
Deposits	27,686	38,237
Other receivables	152,254	93,461
Bank balances	53,042	39,760
	<u>1,347,871</u>	<u>1,245,641</u>

34.2.1 Short-term deposits and other receivables

The Company carries short-term deposits and other receivables amounting to Rs. 179.940 million (June 30, 2020: 131.698 million). This includes receivable from related party, short-term deposits and others.

To reflect short-term maturities of the above balances, the Company has measured impairment on a 12 expected credit loss basis. The management believes that these have low credit risk based on the facts that majority of outstanding balance is receivable from related party and other credit worthy counter parties.

34.2.2 Trade debts

The Company's exposure to credit risk is mainly influenced by individual characteristics of each customer. The management of the Company has established a credit policy whereby individual customers are assessed for credit worthiness by reviewing relevant internal and external available information. The Company limits its exposure to credit risk from trade debts by establishing a maximum payment period ranging between one to three months for corporate customers. The Company has been transacting with telecommunication companies and defense and government institutions for more than since years and none of these entities balances have been written-off or credit impaired as at reporting date.

Corporate customers consists of legal entities only and the Company does not deals with individual customers. Most of the corporate customers have been transacting with the Company for many years and are not credit impaired as at reporting date. Ageing analysis of trade debts is disclosed in note 11.3 to these unconsolidated financial statements.

Expected credit losses

The Company uses allowance matrix for measurement of expected credit losses on trade debts. Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the management's view of economic conditions over the expected lives of the trade debts. The Company carries the following balance on account of expected credit losses as at reporting date:

	June 30, 2021	June 30, 2020
	----- (Rupees in '000') -----	
Expected credit losses on trade debts arising from contracts with customers	<u>85,062</u>	<u>102,975</u>

For movement in expected credit losses during the year, refer note 11.2.

34.2.3 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, 2021	June 30, 2020
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	47,010	16,158
BankIslami Pakistan Limited	PACRA	A+	A1	310	310
Habib Bank Limited	JCR-VIS	AAA	A1+	490	1,847
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+	3,153	19,690
National Bank of Pakistan	PACRA	AAA	A1+	616	254
MCB Bank Limited	PACRA	AAA	A1+	242	1,058
Silk Bank Limited	JCR-VIS	A-	A-2	818	93
Meezan Bank Limited	JCR-VIS	AA+	A1+	204	202
Allied Bank Limited	JCR-VIS	AA	A1+	199	148
				53,042	39,760

34.3 Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash due to availability of funding through an adequate amount of committed credit facilities.

Management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flows. This is generally carried out in accordance with the practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external liquidity requirements and maintaining debt financing plans. However, the Company plans to improve its liquidity position through enhancement and re-profiling of banking facilities, improved revenue generation and cost cutting measures.

	Contractual cash flows				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 Years	
	-----Rs. in '000'-----				
Financial liabilities					
Long-term financing	-	-	-	23,438	23,438
Short-term financing	147,063	7,812	23,438	-	178,313
Trade and other payables	-	197,160	575,803	-	772,963
Accrued mark-up	-	5,883	-	-	5,883
June 30, 2021	147,063	210,855	599,241	23,438	980,597

	Contractual cash flows				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 Years	
	Rs. in '000'				
Long-term financing	-	-	-	54,688	54,688
Short-term financing	138,824	-	19,125	-	157,949
Trade and other payables	-	420,232	510,546	-	930,778
Accrued mark-up	-	7,729	-	-	7,729
June 30, 2020	138,824	427,961	529,671	54,688	1,151,144

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 17.2 to the unconsolidated financial statements.

34.4 Fair value of financial instruments

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

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

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:

- i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- ii) 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
- iii) 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.

34.5 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, 2021	June 30, 2020
	----- (Rupees in '000') -----	
Total debt	207,064	219,765
Cash & cash equivalent	(53,232)	(39,760)
	153,832	180,005
Total equity	1,105,888	905,696
Total debt and equity	1,259,720	1,085,701
Gearing ratio	12.21%	16.58%

35. OPERATING SEGMENTS

The financial statements are prepared on the basis of single reporting segment consistent with the information reviewed by the chief operating decision maker.

The Company is domiciled in Pakistan. All of the Company's assets are located in Pakistan as at the reporting date.

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:

	For the year ended			
	Chief Executive Officer		Executives	
	2021	2020	2021	2020
	----- (Rupees in '000') -----			
Managerial remuneration	11,213	10,608	91,971	198,603
Medical	62	56	1,107	1,275
Perquisites and benefits	7,062	6,756	76,488	193,282
Others	887	869	7,600	13,316
	<u>19,224</u>	<u>18,289</u>	<u>177,166</u>	<u>406,476</u>
Number of person	1	1	31	34

36.1 No remuneration has been paid to any of the directors during the reporting period (2020: nil).

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 36 to these unconsolidated financial statements are as under:

[Handwritten signature]

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

Name	Nature of transaction	June 30,	June 30,
		2021	2020
		----- (Rupees in '000') -----	
Relationship: Holding Company			
	Services rendered	-	-
	Services received	13	13
Telecard Limited	Advance repaid by the Holding Company	1,370,516	246,789
	Advance given to the Holding Company	1,334,267	114,189
Relationship: Entities having directors in common with the Company			
Supernet E-Solutions (Private) Limited	Services received	1,015	1,890
	Services rendered	1,179	1,102
	Advance given	60,731	-
	Advance received	28,578	-
Phoenix Global FZE	Services rendered	26,214	14,475
	Sales of equipments	13,824	-
Supernet Infrastructure Solutions (Private) Limited	Advances granted	18,235	-
	Advances received	1,500	-
Provident Fund	Contributions during the year	10,045	9,757

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

38. PROVIDENT FUND RELATED DISCLOSURES

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

Note	June 30,	June 30,
	2021	2020
		(Audited)
-- (Rupees in '000') --		
	(Un-audited)	
Size of the fund - Total assets	121,992	112,544
Cost of the investment made	78,173	87,636
Fair value of investments	79,131	88,074
Percentage of investments made	64.87%	78.26%

38.1 The share of employees of the Company is 53% (June 30, 2020: 54%) in the total assets of the fund.

	June 30,	June 30,
	2021	2020
		(Audited)
-- (Rupees in '000') --		
	(Un-audited)	

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

		%		%
Bank balances/deposits	72,324	91%	82,225	93%
Mutual funds	6,807	9%	5,849	7%
	<u>79,131</u>		<u>88,074</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, 2021	June 30, 2020
	----- (Rupees in '000') -----	
39. NUMBER OF EMPLOYEES		
Total employees of the Company at the year end	<u>390</u>	<u>398</u>
Average employees of the Company during the year	<u>387</u>	<u>405</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 followings:

Reclassification from:	Reclassification to:	Rupees in '000'
a) Trade and other payables - Creditors	Trade and other payables - Accrued liabilities	44,296
b) Trade and other payables - IIL (Private) Limited	Trade and other payables - Creditors	27,101
c) Advances, deposits and prepayments - Employees - against expenses and projects	Trade and other payables - Accrued liabilities	3,353
e) Current portion of lease liabilities - Current portion of lease liability	Current portion of lease liabilities and long term financing - Current portion of lease liability	1,695
f) Trade and other payables -Telecard Limited	Other receivable - Current accounts with related parties	30,807

41. AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on 07 OCT 2021 by the board of directors of the Company.

42. GENERAL

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


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED

Consolidated Financial Statements

For The Year Ended
June 30, 2021



**Independent Auditors' Report
To the Members of Supernet Limited
Report on the Audit of the Consolidated Financial Statements**

Opinion

We have audited the annexed consolidated financial statements of **Supernet Limited and its subsidiaries** (the "Group"), which comprise the consolidated statement of financial position as at June 30, 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated 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 for the year ended June 30, 2021, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and





Parker Russell-A. J. S.

CHARTERED ACCOUNTANTS

are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The corresponding figures in the consolidated statement of financial position as at June 30, 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements are unaudited.

The engagement partner on the audit resulting in independent auditors' report is Mr. Muhammad Shabbir Kasbati.

Parker Russell A.S.

(Chartered Accountants)

Date: 07 OCT 2021 *[Signature]*
Karachi.

SUPERNET LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

		June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
	Note	---- (Rupees in '000') ----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	358,706	399,575
Intangible assets	5	3,045	3,456
Right of use asset	6	4,073	6,427
Long-term deposits	7	95	30,731
Deferred taxation	8	41,920	30,202
		<u>407,839</u>	<u>470,391</u>
CURRENT ASSETS			
Communication stores	9	125,529	129,063
Trade debts	10	1,147,269	1,159,207
Advances, deposits and prepayments	11	124,374	130,487
Other receivables	12	121,003	85,335
Taxation - net	12	163,225	186,130
Cash and bank balances	13	159,190	64,403
		<u>1,840,590</u>	<u>1,754,625</u>
		<u>2,248,429</u>	<u>2,225,016</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
150,000,000 (2020: 60,000,000) ordinary shares of Rs.10 each	14.1	<u>1,500,000</u>	<u>600,000</u>
Issued, subscribed and paid-up capital	14.2	1,000,000	500,000
Capital reserve - Foreign currency translation reserve		(984)	481
Revenue reserve - unappropriated profit		<u>152,885</u>	<u>421,964</u>
Capital and reserves attributable to the owners of the Holding Company		<u>1,151,901</u>	<u>922,445</u>
Non-controlling interest		(1,764)	(1,749)
TOTAL SHAREHOLDERS' EQUITY		<u>1,150,137</u>	<u>920,696</u>
NON-CURRENT LIABILITIES			
Long-term financing	15	23,438	54,688
Lease liabilities	16	3,145	5,433
Deferred liability	17	2,737	2,861
		<u>29,320</u>	<u>62,982</u>
CURRENT LIABILITIES			
Trade and other payables	18	873,736	1,065,093
Accrued mark-up	19	5,883	7,729
Contractual liability to customer	20	8,872	8,872
Current portion of lease liabilities and short-term financing	21	180,481	159,644
		<u>1,068,972</u>	<u>1,241,338</u>
Contingencies & commitments	22		
TOTAL EQUITY AND LIABILITIES		<u>2,248,429</u>	<u>2,225,016</u>

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

		June 30, 2021 <i>(Audited)</i>	June 30, 2020 <i>(Unaudited)</i>
	Note	--- (Rupees in '000') ---	
Revenue - net	23	2,665,397	2,732,521
Cost of services	24	<u>(1,905,926)</u>	<u>(2,055,563)</u>
Gross profit		759,471	676,958
Administrative & other expenses	25	<u>(311,320)</u>	<u>(245,807)</u>
Distribution costs	26	<u>(157,253)</u>	<u>(147,771)</u>
Exchange gain / (loss)		<u>46,896</u>	<u>(49,111)</u>
Other income	27	<u>(421,677)</u>	<u>(442,689)</u>
		28,077	40,242
Operating profit		<u>(393,600)</u>	<u>(402,447)</u>
		365,871	274,511
Finance costs	28	<u>(25,761)</u>	<u>(37,177)</u>
Profit before taxation		<u>340,110</u>	<u>237,334</u>
Taxation	29	<u>(106,704)</u>	<u>(203,177)</u>
Profit after taxation		<u>233,406</u>	<u>34,157</u>
Profit attributable to:			
Owners of the Holding Company		233,421	35,393
Non-controlling interests		<u>(15)</u>	<u>(1,236)</u>
		<u>233,406</u>	<u>34,157</u>
Earnings per share - basic and diluted	30	<u>2.33</u>	<u>0.35</u>

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER



DIRECTOR

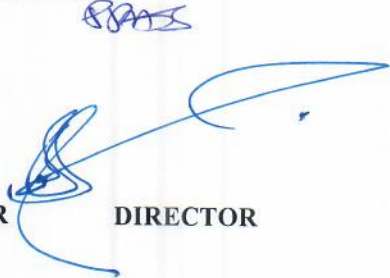
SUPERNET LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021 <i>(Audited)</i>	June 30, 2020 <i>(Unaudited)</i>
	----- (Rupees in '000') -----	
Profit after taxation	233,406	34,157
Other comprehensive (loss) / income which may be reclassified subsequently to profit or loss:		
Foreign subsidiary - foreign currency translation difference	(1,465)	856
Total comprehensive income for the period	<u><u>231,941</u></u>	<u><u>35,013</u></u>
Total comprehensive income attributable to:		
Owners of the Holding Company	231,956	36,249
Non-controlling interests	<u>(15)</u>	<u>(1,236)</u>
	<u><u>231,941</u></u>	<u><u>35,013</u></u>

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

	Attributable to the owner of the Holding Co. (Rupees in '000')				Non - controlling interest	Total
	Issued, subscribed and paid-up	Un appropriated profit	Foreign currency translation	-		
Balance as at July 01, 2019 - (unaudited)	500,000	386,571	(375)	(513)	885,683	
Profit for the year	-	35,393	-	(1,236)	34,157	
Other comprehensive income	-	-	856	-	856	
Total comprehensive income for the year	-	35,393	856	(1,236)	35,013	
Balance as at June 30, 2020 - (unaudited)	500,000	421,964	481	(1,749)	920,696	
Profit for the year	-	233,421	-	(15)	233,406	
Other comprehensive loss	-	-	(1,465)	-	(1,465)	
Total comprehensive income for the year	-	233,421	(1,465)	(15)	231,941	
Bonus shares issued	500,000	(500,000)	-	-	-	
Cost of issuance of shares	-	(2,500)	-	-	(2,500)	
Balance as at June 30, 2021 - (audited)	1,000,000	152,885	(984)	(1,764)	1,150,137	

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER




DIRECTOR

SUPERNET LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021 <i>(Audited)</i>	June 30, 2020 <i>(Unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	31 328,045	403,633
Income tax paid	(95,517)	(210,553)
Finance cost paid	(26,641)	(39,299)
Gratuity paid	(197)	-
Long-term deposits	687	-
Net cash generated from operating activities	206,377	153,781
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(99,179)	(157,501)
Income received from saving account	1,745	6,023
Proceeds from disposal of property, plant and equipment	855	-
Net cash used in investing activities	(96,579)	(151,478)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	(31,250)	(15,625)
Lease rentals paid	(2,781)	(8,704)
Short-term running finance	20,364	(680)
Net cash used in financial activities	(13,667)	(25,009)
Exchange difference on translation of foreign subsidiary	(1,344)	856
Net increase in cash and cash equivalents	94,787	(21,850)
Cash and cash equivalents at the beginning of the period	64,403	86,253
Cash and cash equivalents at the end of the period	159,190	64,403

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

SUPERNET LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. THE GROUP AND ITS OPERATIONS

1.1 The Group comprises of:

- > Supernet Limited - Holding Company
- > Supernet-E-Solutions (Private) Limited - Wholly-owned subsidiary
- > Supernet Secure Solutions (Private) Limited - 80% owned subsidiary
- > Phoenix Global FZE - Wholly-owned subsidiary
- > Supernet Infrastructure Solutions (Private) Limited - Wholly-owned subsidiary

Supernet Limited (the 'Holding 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 Parent Company).

The Holding 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 Holding 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 Holding Company is located at World Trade Centre, 75-East Blue Area, Fazal-ul-Haq Road, Islamabad. The principal place of business of the Holding 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.

Supernet-E-Solutions (Private) Limited is engaged in providing telecommunication solutions and other IT related services. The Holding Company holds 100% equity of Supernet-E-Solution (Private) Limited.

Supernet Secure Solutions (Private) Limited is engaged in providing networking support services. The Holding Company holds 80% equity of Supernet Secure Solutions (Private) Limited.

Phoenix Global FZE, a company based in United Arab Emirates (UAE). Its principal business is provision of telecommunication services and sale of telecom equipment within UAE. The Holding Company holds 100% equity of Phoenix Global FZE.

Supernet Infrastructure Solutions (Private) Limited is engaged in the business of consultancy supplies and deals in all type of computer accessories, software, hardware, system integration and multimedia services. The Holding Company holds 100% equity of Supernet Infrastructure Solutions (Private) Limited.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated 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.

2.2 Basis of consolidated

These consolidated financial statements include the financial statements of the Holding Company and its subsidiaries.

A company is a subsidiary, if the Holding Company directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies in majority of the cases. The accounting policies of the subsidiaries have been changed to conform with accounting policies of the Group, where required.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Where the ownership of a subsidiary is less than hundred percent and therefore, a non-controlling interest (NCI) exists, the NCI is allocated its share of the total comprehensive income of the period, even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, carrying amount of any NCI, cumulative translation differences recognised in other comprehensive income, and recognises fair value of consideration received, any investment retained, surplus or deficit in profit or loss, and reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary companies' shareholders' equity in these consolidated financial statements.

2.3 Accounting convention

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

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2.5 New standards, interpretations and amendments to published approved accounting standards

2.5.1 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2020, are considered not to be relevant for the Group's consolidated financial statements and hence have not been detailed here.

2.5.2 New accounting standards and amendments to standards not yet effective

The following Standards, interpretations and amendments to published approved accounting standards that are effective for accounting periods, beginning on or after the date mentioned against each to them.

Standards/ amendments/ interpretations		Effective date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements & Accounting Policies - Amendments regarding the classification of liabilities	January 01, 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendment regarding the definition of accounting estimates)	January 01, 2023
IAS 12	Income Taxes (The amendments to narrow the scope of the initial recognition exemption)	January 01, 2023
IAS 16	Property, Plant and Equipment - Amendments prohibiting a group from deducting from the cost of property, plant and equipment amounts received from selling items produced while the group is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 41	Amendment Resulting from Annual Improvements to IFRS Standards 2018-2020 (The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique)	January 01, 2022



Standards/ amendments/ interpretations		Effective date (accounting periods beginning on or after)
IFRS-1	First-time Adoption of International Financial Reporting Standards - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter)	January 01, 2022
IFRS-3	Business Combinations - Amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS-4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS-9	Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	January 01, 2022
IFRS-16	Leases (Extension in respect of the practical expedient for COVID-19 related rent concession by one year)	July 01, 2021
IFRS-16	Amendment resulting Annual Improvements to IFRS Standards 2018-2020 (to resolve any potential confusion that might arise in lease incentives)	January 01, 2022
IFRS-10	Consolidated Financial Statements and IAS 28 - Investment in Associates and Joint Ventures (Amendment regarding sale or contribution of assets between an investor and its associate or Joint Venture).	The effective date for these changes has been deferred indefinitely until the completion of a broader review.
Interest Rate Benchmark Reform - Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms.		January 01, 2022

2.5.3 New Standards issued by IASB and but not yet been notified / adopted by SECP

Following new standards issued by IASB but not yet been notified / adopted by SECP

- IFRS 1 First Time Adoption of IFRSs
- IFRS 17 Insurance Contracts



2.6 Significant accounting estimates and judgments

The preparation of these consolidated 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 Group'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 Group's accounting policies, the management has made the following estimates and judgments which are significant to the consolidated financial statements:

	Note
Determining the residual values and useful lives of fixed and intangible assets	3.1, 3.2, 4 & 5
Impairment of fixed assets, intangible assets & goodwill	3.1, 3.2, 3.3, 4 & 5
Determining the useful lives and carrying value of ROU assets	3.4 & 6
Provision against slow moving communication stores	3.5 & 9
Provisions for doubtful debts and other receivables	3.12.7, 10 & 12
Recognition of tax and deferred tax	3.15, 8 & 29
Other provisions and contingent liabilities	3.11 & 22
Determining the lease term of contracts with renewal and termination options and estimating the incremental borrowing rate	3.14 & 16

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

3.1 Fixed assets

3.1.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated 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 Group. The carrying amount of any replaced parts as well as other repair and maintenance costs, are charged to the profit or loss during the period in which they are incurred.

Depreciation is charged to the statement of profit or loss by 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 consolidated 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 the statement of profit or loss for the period. 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 the statement of profit or loss for the period.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss, 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.

3.2 Intangible assets and amortisation

These are carried at cost less accumulated amortisation, and accumulated 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 5 to these consolidated financial statements, and is charged to the statements of profit or loss. 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 is disposed-off.

3.3 Goodwill

Goodwill is initially measured as at the acquisition date, being the excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree; and (b) the net of the acquisition date amount of the identifiable assets acquired and the liabilities assumed.

In case the fair value attributable to the Group's interest in the identifiable net assets exceeds the fair value of consideration, the Group recognises the resulting gain in the profit or loss on the acquisition date.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at cost less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating unit (CGU) (or the groups of CGUs) that are expected to benefit from the synergies of the operations irrespective of whether other assets or liabilities of the acquiree are assigned to these units or group of units.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on pro rata based on the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognised directly in the consolidated profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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3.4 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".

3.5 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 Group 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.

3.6 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.

3.7 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.

3.8 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 and cash in hand.

3.9 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 Group.

3.10 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.

3.11 Provisions

Provisions are recognised when the Group 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 as at each reporting date and are adjusted to reflect the current best estimate.

3.12 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.

3.12.1 Initial measurement of financial assets

The Group 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 Group's business model for managing them. The Group 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 in accordance with 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 Group uses trade date basis of accounting i.e. the date that the Group commits to purchase or sell the asset.

3.12.2 Subsequent measurement

Financial assets are subsequently classified into the following categories:

a) Financial assets at amortised cost

The Group 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 Group 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.

3.12.3 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 Group has transferred substantially all the risks and rewards of ownership.

3.12.4 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.

3.12.5 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.

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3.12.6 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 Group 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.

3.12.7 Loss allowance for ECL / impairment

Financial assets

The Group assesses on a forward-looking basis the Expected Credit Losses (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 Group 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.

3.13 Employees' benefits

Gratuity fund

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



3.14 Lease liability against ROU assets

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group 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 Group 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.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

3.15 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 as at reporting date 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.

3.16 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 period / year exchange rates, are charged to statement of profit or loss.

ESMS

3.17 Revenue recognition

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

- Revenue from data networking services is recognised upon the rendering of such services.
- Revenue from turnkey projects is recognised on percentage of completion basis.
- Revenue from sales of equipment is recognised when equipment is dispatched to customers.
- Revenue from sales of softwares and licenses is recognised when the 'right to use' is granted to the customers.
- Return on bank balances is accrued using an effective interest method.
- Dividend income is recognised when the right to receive payment is established.

3.18 Dividend and other appropriation of reserves

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

3.19 Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Holding 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 owners of the Holding Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3.20 Related party transactions

Related parties comprises of the parent company of the Group, subsidiary companies of parent company, subsidiary companies of Holding 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 Group:

Name of related party	Basis of relationship	% of share holding
Telecard Limited	The Parent Company	-
Telegateway Limited	Wholly-owned subsidiary of Parent Company	-
Nexus Communication (Private) Limited	Wholly-owned subsidiary of Parent Company	-
Glitz Communication (Private) Limited	Wholly-owned subsidiary of Parent Company	-
Globetech Communication (Private) Limited	Wholly-owned subsidiary of Parent Company	-
Supernet-E-Solutions (Private) Limited	Wholly-owned subsidiary of Holding Company	100%
Supernet Secure Solutions (Private) Limited	Subsidiary of Holding Company	80%
Phoenix Global FZE	Wholly-owned subsidiary of Holding Company	100%
Supernet Infrastructure Solutions (Private) Limited	Wholly-owned subsidiary of Holding Company	100%
Mr. Shams ul Arfeen	Key management personnel	-
Mr. Syed Hashim Ali	Key management personnel	-
Mr. Waseem Ahmad	Key management personnel	-
Mr. Naueen Ahmed	Key management personnel	-
Mr. Jamal Nasir Khan	Key management personnel	-
Syed Imran Hyder Jafri	Key management personnel	-



	June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
	358,706	399,575

Note

4.1

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets

4.1 Operating fixed assets

Note	Cost			Accumulated depreciation			WDV as at June 30, 2021	Depreciation rate per annum %
	As at July 01, 2020	Additions/ Transfer*	As at June 30, 2021	As at July 01, 2020	Charge for the year	Transfer (Disposal)		
	(Rupees in '000')							
4.2	36,180	-	36,180	29,895	2,545	-	32,440	20
	1,773,198	93,760	1,902,733	1,418,384	127,199	22,214	1,567,797	20
		35,775 *						
	56,515	977	57,492	40,550	3,007	-	43,557	10
	62,273	3,473	65,746	58,352	3,168	-	61,520	33
	15,061	969	14,604	12,715	513	-	12,735	20
		(1,426)				(493)		
	35,775	(35,775) *	-	19,531	2,683	(22,214)	-	20
	1,979,002	99,179	2,076,755	1,579,427	139,115	(493)	1,718,049	
June 30, 2021							358,706	

ROSS

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

	Cost			Accumulated depreciation			WDV as at June 30, 2020	Depreciation rate per annum %
	As at July 01, 2019	Additions	Disposal	As at June 30, 2020	Charge for the year	Disposal		
(Rupees in '000')								
Owned assets								
Leasehold improvements	35,947	233	-	36,180	4,027	-	29,895	20
Communication equipments	1,620,680	152,518	-	1,773,198	93,349	-	1,418,384	20
Furniture, fixtures and office equipments	56,370	145	-	56,515	3,899	-	40,550	10
Computers and accessories	52,518	9,755	-	62,273	4,062	-	58,352	33
Motor vehicles	14,121	940	-	15,061	456	-	12,715	20
Leased assets								
Plant and equipment	35,775	-	-	35,775	7,512	-	19,531	20
June 30, 2020	1,815,411	163,591	-	1,979,002	113,305	-	1,579,427	

4.2 Communication equipment costing Rs. 1,166.13 million (June 30, 2020: Rs. 1,082.90 million), having a net book value of Rs. 364.626 million (June 30, 2020: Rs. 304.4 million) are in the possession of the customers of the Company in the ordinary course of business.

4.3 Depreciation for the period has been allocated as follows:

	Note	June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
Cost of services	24	127,199	93,349
Administrative expenses	25	11,916	19,956
		<u>139,115</u>	<u>113,305</u>

4.4 The cost of fully depreciated assets as at June 30, 2021 is 1,372.92 million (June 30, 2020: 1,206.14 million).

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	June 30, 2021 <i>(Audited)</i>	June 30, 2020 <i>(Unaudited)</i>
Note	----- (Rupees in '000') -----	
6. RIGHT-OF-USE ASSETS		
As at July 01		
Cost	8,823	8,823
Accumulated depreciation	<u>(2,396)</u>	<u>-</u>
Closing net book value	<u><u>6,427</u></u>	<u><u>8,823</u></u>
Movement during the year		
Opening net book value	6,427	8,823
Depreciation for the year	<u>(2,354)</u>	<u>(2,396)</u>
Closing net book value	<u><u>4,073</u></u>	<u><u>6,427</u></u>
As at June 30		
Cost	8,823	8,823
Accumulated depreciation	<u>(4,750)</u>	<u>(2,396)</u>
Closing net book value	<u><u>4,073</u></u>	<u><u>6,427</u></u>
7. LONG-TERM DEPOSITS		
Security deposits - considered good		
Satellite bandwidth providers	-	29,949
Others	<u>95</u>	<u>782</u>
	<u><u>95</u></u>	<u><u>30,731</u></u>
8. DEFERRED TAXATION		
Deductible temporary differences		
Accelerated accounting depreciation	15,134	3,178
Post retirement benefits	794	830
Doubtful debts and other provision	30,269	33,686
Exchange differences	-	5,044
Lease liabilities	<u>1,541</u>	<u>3,082</u>
	<u><u>47,738</u></u>	<u><u>45,820</u></u>
Taxable temporary differences		
Right of use assets	<u>(1,181)</u>	<u>(1,864)</u>
Exchange differences	<u>(4,637)</u>	<u>-</u>
	<u><u>(5,818)</u></u>	<u><u>(1,864)</u></u>
	<u><u>41,920</u></u>	<u><u>43,956</u></u>
Deferred tax not recognised	8.1 -	(13,754)
	<u><u>41,920</u></u>	<u><u>30,202</u></u>

8.1 Being prudent and based on future projections, the Group has not recognised deferred tax asset amounting to Rs. nil (June 30, 2020: Rs. 13.754 million).



		June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
	Note	---- (Rupees in '000') ----	
9. COMMUNICATION STORES			
Stores		113,213	110,413
Provision against slow moving stores	9.1	(16,875)	(10,743)
		96,338	99,670
Consumables		29,191	29,393
		<u>125,529</u>	<u>129,063</u>
9.1 Provision against slow moving stores			
Opening balance		10,743	10,743
Provision for the year		6,132	-
Balance at the end of the year		<u>16,875</u>	<u>10,743</u>
10. TRADE DEBTS			
Unsecured-considered good		1,147,269	1,159,207
Considered doubtful trade debts		85,062	102,975
Loss allowance for ECLs	10.1	(85,062)	(102,975)
		-	-
		<u>1,147,269</u>	<u>1,159,207</u>
10.1 Loss allowance for ECLs			
Opening balance		102,975	105,144
Loss allowance made / (reversed) during the year		40,537	(2,169)
Provisions written off		(58,450)	-
		<u>85,062</u>	<u>102,975</u>
10.2	The ageing analysis of unimpaired trade debts is as follows:		

	Total	Neither past due nor impaired	Past dues but not impaired		
			> 1 month up to 3 months	> three months up to one year	Above one year
-----Rupees '000'-----					
Trade debts	1,147,269	298,931	127,721	152,448	568,169
June 30, 2021	<u>1,147,269</u>	<u>298,931</u>	<u>127,721</u>	<u>152,448</u>	<u>568,169</u>
Trade debts	1,159,207	159,971	37,016	321,989	640,231
June 30, 2020	<u>1,159,207</u>	<u>159,971</u>	<u>37,016</u>	<u>321,989</u>	<u>640,231</u>

		June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
	Note	----- (Rupees in '000') -----	
11. ADVANCES, DEPOSITS AND PREPAYMENTS			
Advances - considered good, unsecured			
Employees - against expenses and projects		27,919	34,505
Suppliers		<u>66,100</u>	<u>54,756</u>
		<u>94,019</u>	<u>89,261</u>
Deposits - considered good			
Earnest money		24,669	30,470
Margin against guarantee		388	5,487
Others		<u>2,629</u>	<u>2,280</u>
		<u>27,686</u>	<u>38,237</u>
Deposits - considered doubtful		2,441	2,441
Loss allowance against deposits considered doubtful		<u>(2,441)</u>	<u>(2,441)</u>
		<u>-</u>	<u>-</u>
		<u>27,686</u>	<u>38,237</u>
Prepayments			
Rent		1,835	2,212
Subscription		507	507
Others		<u>327</u>	<u>270</u>
		<u>2,669</u>	<u>2,989</u>
		<u>124,374</u>	<u>130,487</u>
12. OTHER RECEIVABLES			
Considered good			
Current account with related party	12.1	106,886	71,564
Insurance claim		4,306	3,214
Income tax refundable	12.2	2,991	2,991
Accrued mark-up from third party		-	2,216
Others		<u>6,820</u>	<u>5,350</u>
		<u>121,003</u>	<u>85,335</u>
12.1 Current account with related party			
Telecard Limited - The Parent Company		<u>106,886</u>	<u>71,564</u>
		<u>106,886</u>	<u>71,564</u>
12.1.1	This represent amount due from the Parent Company against current account balance which is recoverable on demand and is non-interest bearing.		
12.1.2	The maximum amount outstanding at any time during the year calculated by reference to month end balances is as follows:		
		June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
		----- (Rupees in '000') -----	
Telecard Limited - The Parent Company		<u>170,747</u>	<u>102,371</u>

- 12.2 This represents payment made in response to tax demand raised during the year ended June 30, 2012, the Assistant Commissioner Inland Revenue adjudged the Holding 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. The Holding Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIRA) which was rejected. The Holding Company filed second appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication. The ATIR after hearing remanded back the case to CIRA for careful consideration. The management in consultation with its tax advisor is confident of a favorable outcome in respect of the above matter and believes that upon the conclusion of pending proceedings, the tax paid by the Holding Company would become refundable.

		June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
	Note	----- (Rupees in '000') -----	
13. CASH AND BANK BALANCES			
Cash in hand		190	60
In current accounts			
Local currency		15,994	22,351
Foreign currency		95,544	2,429
		111,538	24,780
In saving account			
Local currency	13.1	47,462	39,563
		159,190	64,403
13.1 This carries mark-up at the rate, ranging between 3.76% to 5.24% (June 30, 2020: 3.42% to 6.78%) per annum.			
		June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
	Note	----- (Rupees in '000') -----	
14. SHARE CAPITAL AND RESERVES			
14.1 AUTHORISED SHARE CAPITAL			
150,000,000 ordinary shares of Rs.10 each	14.1.1	1,500,000	600,000
14.1.1 The members of the Holding Company in their Extra Ordinary General Meeting (EOGM) held on June 29, 2021 approved to increase the authorised capital of the Holding Company from Rs. 600,000,00/- to Rs. 1,500,000,000/- divided into the 150,000,000/- ordinary shares of Rs. 10/- each.			
		June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
		----- (Rupees in '000') -----	
14.2 ISSUED, PAID-UP AND SUBSCRIBED CAPITAL			
100,000,000 (June 30, 2020: 50,000,000 of Rs 10 each) ordinary shares of Rs.10 each			
33,550,410 (June 30, 2020: 33,550,410) allotted as fully paid in cash		335,504	335,504
66,449,590 (June 30, 2020: 16,449,590) allotted as bonus shares		664,496	164,496
		1,000,000	500,000

- 14.2.1 All ordinary shares rank equally with regard to residual assets of the Holding 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 Holding 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 Holding Company are held by its Parent Company.
- 14.2.2 The board of directors of the Holding Company, in the meeting held on June 29, 2021 approved issuance of 100% (one hundred percent) bonus shares, increasing Holding Company's total paid up capital from Rs. 500,000,000/- to Rs. 1,000,000,000/- divided into ordinary shares of Rs. 10/- each.

		June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
	Note	----- (Rupees in '000') -----	
15. LONG-TERM FINANCING			
Secured			
Term finance facility	15.1	54,688	70,313
Diminishing musharaka	15.2	-	3,500
		54,688	73,813
Current portion of long-term financing	21	(31,250)	(19,125)
		<u>23,438</u>	<u>54,688</u>

- 15.1 This represent term finance facility obtained from a commercial bank, repayable in 16 equal quarterly instalments after a grace period of one year with the first instalment starting from January, 2018. This facility 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 Holding Company, pledge on shares of Parent Company and third party equitable mortgage on property. During the last year, the Group has availed the relief package as announced by the State Bank of Pakistan (SBP) BPRD through circular letter no.13 of 2020 to dampen the effects of COVID-19 on corporate availing financing facilities and as a result of this, the remaining quarterly instalments were deferred for one year.
- 15.2 This facility was obtained from a commercial bank and was repayable in 36 monthly equal instalments carrying profit at the rate of 6 month KIBOR plus 2% p.a (June 30, 2020: 6 month KIBOR plus 2% p.a). The facility was secured by way of first pari passu charge over musharaka asset, lien over the PLS account maintained with the bank and cross corporate guarantee of the Parent Company. The facility has been fully settled during the reporting year.

		June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
		----- (Rupees in '000') -----	
16. LEASE LIABILITIES			
Lease liabilities		5,313	7,128
Current portion of lease liabilities		(2,168)	(1,695)
		<u>3,145</u>	<u>5,433</u>

	June 30, 2021 <i>(Audited)</i>	June 30, 2020 <i>(Unaudited)</i>
	-----	-----
	(Rupees in '000')	
16.1 Reconciliation of the carrying amount is as follows:		
As at July 01	7,128	8,823
Accretion of interest	966	1,123
Lease rental payments made during the year	<u>(2,781)</u>	<u>(2,818)</u>
Lease liability as at June 30	5,313	7,128
Current portion of lease liabilities	21 <u>(2,168)</u>	<u>(1,695)</u>
Long-term lease liabilities as at June 30	<u>3,145</u>	<u>5,433</u>
16.2 Maturity analysis		
Gross lease liabilities - minimum lease payments:		
Not later than one year	2,821	3,012
Later than one year but not later than five years	<u>3,551</u>	<u>6,373</u>
	6,372	9,385
Future finance charge	<u>(1,059)</u>	<u>(2,257)</u>
Present value of finance lease liabilities	<u>5,313</u>	<u>7,128</u>
17. DEFERRED LIABILITY		
Staff gratuity	17.1 <u>2,737</u>	<u>2,861</u>
17.1 Reconciliation of the carrying amount of staff gratuity:		
Opening balance	2,861	2,861
Charged for the year	73	-
Payments during the year	<u>(197)</u>	<u>-</u>
	<u>2,737</u>	<u>2,861</u>
18. TRADE AND OTHER PAYABLES		
Trade creditors, unsecured		
Creditors	641,296	796,163
Telecard Limited - the Parent Company	<u>135,372</u>	<u>135,372</u>
	<u>776,668</u>	931,535
Other payables		
Contractual liability to franchisees	200	200
Accrued liabilities	72,309	112,050
Provision against compensated absences	3,577	3,234
Royalty to Pakistan Telecommunication Authority (PTA)	4,620	4,621
Workers' welfare fund payable	2,782	2,782
Payable to employees' provident fund	107	2,254
Others	<u>13,473</u>	<u>8,417</u>
	<u>97,068</u>	133,558
	<u>873,736</u>	<u>1,065,093</u>
19. ACCRUED MARK-UP		
On secured		
On long-term financing	1,979	2,994
On short-term financing	3,689	4,735
Employees' provident fund	215	-
	<u>5,883</u>	<u>7,729</u>

		June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
	Note	----- (Rupees in '000') -----	
20. CONTRACTUAL LIABILITY TO CUSTOMER			
Pakistan Mobile Communication Limited		<u>8,872</u>	<u>8,872</u>
21. CURRENT PORTION OF LEASE LIABILITIES AND SHORT-TERM FINANCING			
Running finance from bank – secured	21.1	147,063	138,824
Current maturity of long-term financing:			
Term-finance		<u>31,250</u>	15,625
Diminishing musharaka		-	3,500
		<u>31,250</u>	19,125
Current portion of lease liabilities	16	<u>2,168</u>	1,695
		<u>180,481</u>	<u>159,644</u>
21.1	This represents running finance facility aggregated to Rs. 150 million (June 30, 2020: 150 million) obtained by the Holding Company for working capital purpose. This carry mark-up at the rate of 3 months KIBOR plus 2.4% (June 30, 2020: 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 Parent Company and third party equitable mortgage. The unutilised facility amounts to Rs. 2.937 million (June 30, 2020: 11.176 million).		
22. CONTINGENCIES & COMMITMENTS			
22.1	During the year ended June 30, 2005, a suit was filed by Shinawatra Satellite Public Limited, Thailand, in the High Court of Sindh against the Holding Company for the recovery of transponder service fee inclusive of withholding tax and interest thereon, amounting to US\$324,625 equivalent to Rs. 50.021 million (June 30, 2020: Rs. 54.407 million). Out of this amount, a sum of Rs. 18.942 million (June 30, 2020: Rs. 20.675 million) had been withheld from the payments made by the Holding Company to the above-referred entity. The balance amount of Rs. 31.079 million (June 30, 2020: Rs. 33.732 million) has not been provided for in these unconsolidated financial statements as the Holding Company's lawyer has opined that the suit is subject to evidence produced in this matter and is likely to be decided in the Holding Company's favor 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 the Holding Company's consolidated financial statements.		
22.2	A suit was filed by Huawei Technologies Company Limited, China, during the year ended June 30, 2002, in the High Court of Sindh against the Holding Company for the return of certain equipment or payment of US\$300,000 equivalent to Rs. 46.227 million (June 30, 2020: Rs. 50.280 million) and a compensation of US\$270,000 [approximately Rs. 41.604 million (June 30, 2020: Rs. 45.252 million)] for the use of equipment. During the year ended June 30, 2005, the subject equipment was returned by the Holding 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 Holding Company's lawyer has opined that the suit is subject to evidence produced in this matter and is likely to be decided in the Holding Company's favor, 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 the Holding Company's consolidated financial statements.		
22.3	The Holding Company entered into a Master Services Agreement (MSA) with Intelsat Corporation in 2011, and various Service Orders with Intelsat Corporation and its affiliates (Intelsat), the last of which		

was amended in 2018. In 2020, the Holding Company was already in discussion with Intelsat regarding a number of issues, including that it was unable to sell a certain portion of satellite capacity onwards to its customers and utilize the certain capacity purchased for the dedicated purpose due to the fact that, amongst other things, the licenses required by the Holding Company's customers had been delayed by the Government of Pakistan. The said unsold and unusable capacity that the Holding Company was forced to pay for, along with the artificially high rates charged by Intelsat were not in line with the market and was causing loss of business and profitability for the Holding Company.

In May 2020, Intelsat declared bankruptcy due to its inability to meet its debt and other liabilities and as a result of the same, the Holding Company's discussions and negotiations with Intelsat came to a halt. Intelsat's bankruptcy also exposed the Holding Company and its customers to risks about dependability and continuity of services, and increased the risk of termination of service by the Holding Company's customers. Additionally, Intelsat due to its financial crises began unreasonably pressurizing the Holding Company for unjustified payments for unsold and unused capacity.

Considering this, the Holding Company migrated its networks to other service providers and terminated the agreement with Intelsat Corporation. In response, Intelsat has filed a suit in the US to recover an amount of approximately US\$10mn, mostly on account of services which were to be rendered in future by Intelsat to the Holding Company. The management of the Holding Company in consultation with their legal advisor is confident that no negative outcome is expected and accordingly no provision in this regard has been made by the management in these consolidated financial statements.

The Holding Company has challenged the claim of Intelsat, and has filed a Suit for damages before the High Court of Sindh against Intelsat for recovery of the overcharged amounts and damages for loss of business and profits estimated in excess of US\$18mn.

- 22.4 The income tax assessments of the Holding Company have been finalized up to and including the tax year 2020. While finalizing the Holding 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 Holding Company, aggregating Rs. 17.078 million (June 30, 2020: Rs. 17.078 million), on account of non-verifiability of payment challans. The Holding 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 favor of the Holding 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.
- 22.5 During the year ended June 30, 2013, the Holding 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 (June 30, 2020: Rs. 13.272 million) was raised. The Holding Company through its tax consultant is pursuing the matter. So far, no adverse action has been taken against the Holding Company by Tax Department. The management is confident that the eventual outcome of the matter will be decided in favor of the Holding Company. Accordingly, no adjustment has been made to the above pending a final decision in this matter.
- 22.6 The Holding Company was issued a show cause notice by PTA in 2015 alleging, amongst other things, that the Holding Company did not seek a Commencement Certificate from PTA when License was issued in the year 2009. Subsequently an order was passed by PTA threatening to suspend the License. The order was challenged by the Holding Company before the High Court through an Appeal, which was disposed of by the High Court in March 2020 requiring the Holding Company to comply with the PTA requirements. The Holding Company has since complied with such requirements, and is awaiting completion of the process by the PTA for issuance of the Commencement Certificate. In parallel, the Holding Company has filed an appeal in the Supreme Court (SC) to contest the decision of the High Court. No assessment of any financial liability that may arise can be made at this stage arising out of the above matter, hence no provision has been made in these consolidated financial statements that may arise as an outcome of this matter.



- 22.7 The Holding Company has committed to deposit an amount of Rs. 22.307 million (June 30, 2020: nil) in terms of security deposit to its satellite bandwidth vendor.
- 22.8 Letters of guarantee, amounting to Rs. 33.04 million (June 30, 2020: Rs. 34.30 million), have been issued by commercial banks on behalf of the Holding Company.

		June, 30 2021 (Audited)	June, 30 2020 (Unaudited)
	Note	----- (Rupees in '000') -----	
23. REVENUE - NET			
Revenue from contracts with customers			
Data networking		1,982,990	2,455,317
Sale of equipment, licenses and softwares		428,163	110,152
Revenue from turnkey projects		254,244	167,052
		<u>2,665,397</u>	<u>2,732,521</u>
24. COST OF SERVICES			
Salaries and other benefits	24.1	189,324	179,789
Interoperator services cost	24.2	1,042,453	1,465,726
Cost of turnkey projects and licenses		180,803	119,189
Communication stores consumed	24.3	212,459	85,769
Consultancy charges		5,759	8,134
Support services		55,440	16,986
Depreciation	4.3	127,199	93,349
Insurance		5,308	4,672
Installation and maintenance		42,597	33,003
Royalty to Pakistan Telecommunication Authority (PTA)	24.4	4,498	7,031
Conveyance and travelling		5,826	5,829
Rent and utilities		1,547	1,572
Communication		2,297	2,661
Repairs and maintenance		939	853
Office supplies		816	436
Fuel and power		332	395
Subscription charges		6,812	3,825
Others		21,517	26,344
		<u>1,905,926</u>	<u>2,055,563</u>
24.1 This includes a sum of Rs 5.897 million (June 30, 2020: Rs. 5.305 million) in respect of Group's contribution toward provident fund.			
		June, 30 2021 (Audited)	June, 30 2020 (Unaudited)
		----- (Rupees in '000') -----	
24.2 Interoperator services cost			
Other than satellite bandwidth charges		111,992	131,977
Satellite bandwidth charges		930,461	1,333,749
		<u>1,042,453</u>	<u>1,465,726</u>
24.3 Communication stores consumed			
Opening balance as at July 01,		129,063	128,151
Purchases for the year		208,925	86,681
Closing balance as at		(125,529)	(129,063)
Communication stores consumed		<u>212,459</u>	<u>85,769</u>
24.4 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.			



		June, 30 2021 (Audited)	June, 30 2020 (Unaudited)
	Note	----- (Rupees in '000') -----	
25. ADMINISTRATIVE & OTHER EXPENSES			
Salaries and other benefits	25.1	174,216	142,639
Rent and utilities		40,843	38,814
Insurance		2,950	2,596
Depreciation	4.3	11,916	19,556
Depreciation on right-of-use assets	6	2,354	2,396
Amortisation	5.1	290	240
Legal and professional charges		2,891	6,205
Repairs and maintenance		8,926	8,217
Conveyance and travelling		5,926	4,013
Office supplies		873	491
Subscription		580	1,115
Commission		554	216
Auditors' remuneration	25.2	2,154	715
Communication		2,510	2,907
Loss allowance for ECLs		40,537	-
Provision against slow moving stores		6,132	-
Entertainment		1,521	506
Others		6,147	15,181
		<u>311,320</u>	<u>245,807</u>

25.1 This includes a sum of Rs. 2.165 million (June 30, 2020: Rs. 2.112 million) in respect of Group's contribution toward provident fund.

		June, 30 2021 (Audited)	June, 30 2020 (Unaudited)
	Note	----- (Rupees in '000') -----	
25.2 Auditors' remuneration			
The Holding Company			
Audit fee for unconsolidated financial statements		800	400
Audit fee for consolidated financial statements		200	-
Other services		600	-
Out of pocket expenses		222	95
		<u>1,822</u>	<u>495</u>
Subsidiaries			
Audit fee for unconsolidated financial statements		300	200
Out of pocket expenses		32	20
		<u>332</u>	<u>220</u>
		<u>2,154</u>	<u>715</u>

26. DISTRIBUTION COSTS			
Salaries and other benefits	26.1	147,911	141,789
Conveyance and traveling		7,181	4,260
Office supplies		816	436
Repairs and maintenance		22	20
Advertisement and promotion		631	695
Communication		146	169
Entertainment		253	84
Utilities		195	198
Others		98	120
		<u>157,253</u>	<u>147,771</u>

- 26.1 This includes a sum of Rs. 2.045 million (June 30, 2020: Rs. 2.369 million) in respect of Group's contribution toward provident fund.

	June, 30 2021 (Audited)	June, 30 2020 (Unaudited)
	----- (Rupees in '000') -----	
27. OTHER INCOME		
Income from financial assets		
Income on saving accounts	1,745	6,205
Others		
Scrap sales	8,500	-
Loss on disposal of property, plant and equipment	(78)	-
Reversal of provisions against staff incentives	17,910	-
Liabilities no longer payable written back	-	31,868
Provision written back	-	2,169
	<u>28,077</u>	<u>40,242</u>
28. FINANCE COSTS		
Long-term financing	6,694	12,669
Short-term financing	13,937	19,957
Mark-up on unpaid contribution to provident fund	215	-
Finance lease obligation	-	65
Bank charges and commission	3,949	3,363
Finance cost on lease liability against ROU assets	966	1,123
	<u>25,761</u>	<u>37,177</u>
29. TAXATION		
Current	117,067	203,157
Prior	1,358	-
Deferred	(11,721)	20
	<u>106,704</u>	<u>203,177</u>
29.1 Relationship between accounting profit and income tax expense		
Profit before taxation	340,110	-
Tax @ 29%	98,632	-
Effect of prior year tax	1,358	-
Others	6,714	-
	<u>106,704</u>	<u>-</u>
29.2	The relationship between income tax expense and accounting profit has not been presented in these consolidated financial statements for prior period as the provision for taxation for the period year is based on minimum tax on payment of goods and services under section 153 of the Income Tax Ordinance, 2001.	
29.3	The income tax assessments of the Group have been finalised up to and including the tax year 2020, except for tax years in respect of which, appeals are currently in progress at different forums (note 22.4 & 22.5).	
30. EARNINGS PER SHARE - BASIC AND DILUTED		
Earnings per share has been computed by dividing the consolidated profit after taxation for the year attributable to owners of the Holding Company by the weighted average number of shares outstanding during the year.		



		June, 30 2021 <i>(Audited)</i>	June, 30 2020 <i>(Unaudited)</i>
	Profit for the year - (Rupees in '000')	233,421	35,393
	Weighted average number of shares - (In '000')	100,000	100,000
	Earnings per share - (Rupees)	2.33	0.35
30.1	There is no dilutive effect on the basic earnings per share as the Group has no potential convertible ordinary shares in issue as at the end of the reporting period.		
30.2	Earning per share for the current and prior year has been adjusted retrospectively to include the impact of bonus shares issued subsequent to the reporting period as fully mentioned in note 14.2.2 to the consolidated financial statements.		
		June, 30 2021 <i>(Audited)</i>	June, 30 2020 <i>(Unaudited)</i>
		----- (Rupees in '000') -----	
31.	CASH GENERATED FROM OPERATIONS		
	Profit before taxation	340,110	237,334
	Adjustments for non - cash charges and other items:		
	Depreciation	4.3 139,115	113,305
	Depreciation on ROU assets	6 2,354	2,396
	Amortisation	5 290	240
	Finance cost	28 25,761	37,177
	Staff gratuity	17.1 73	-
	Loss on disposal of property, plant and equipment	78	-
	Provision for ECL against trade debts	10.1 40,537	-
	Liabilities no longer payable written back	-	(31,868)
	Provision for slow moving stores	9.1 6,132	-
	Unrealised exchange (gain) / loss	(15,991)	17,393
	Adjustment of long-term deposits	29,949	36
	Reversal of provision	(17,910)	(2,169)
	Profit from saving account	(1,745)	(6,023)
	Working capital changes	31.1 (220,708)	35,812
		328,045	403,633
31.1	Working capital changes		
	(Increase) / decrease in current assets		
	Communication stores	(2,598)	(912)
	Trade debts	(28,599)	13,040
	Advances, deposits and prepayments	6,113	(116,144)
	Other receivables	(35,668)	77,445
		(60,752)	(26,571)
	Increase / (decrease) in current liabilities		
	Trade and other payables	(159,956)	97,928
	Contractual liability to customers	-	(35,545)
		(220,708)	35,812

		June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
	Note	----- (Rupees in '000') -----	
32. FINANCIAL INSTRUMENTS BY CATEGORY			
32.1 Financial assets measured at amortised cost			
- Long-term deposits	7	95	30,731
- Trade debts	10	1,147,269	1,159,207
- Advances, deposits and prepayments *	11	27,686	38,237
- Other receivables **	12	118,012	82,344
- Cash and bank balances	13	159,190	64,403
		<u>1,452,252</u>	<u>1,374,922</u>
32.2 Financial liabilities measured at amortised cost			
- Long-term financing	15	23,438	54,688
- Lease liabilities	16	3,145	5,433
- Trade and other payables ***	18	867,070	1,056,623
- Accrued mark-up	19	5,883	7,729
- Current portion of lease liabilities and short-term financing	21	180,481	159,644
		<u>1,080,017</u>	<u>1,284,117</u>

*Advances and prepayments amounting to Rs. 96.688 million (June 30, 2020: 92.250 million) are not financial assets and are not included.

** Income tax refundable amounting to Rs. 2.991 million (June 30, 2020: Rs. 2.991 million) is not a financial asset and is not included.

*** Contractual liability to franchisees, workers welfare fund, employees' compensated absences and payable to employees' provident fund amounting in aggregated to Rs. 6.666 million (June 30, 2020: 8.470 million) are not financial liabilities and are not included.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group'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 Group.

33.1 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 Group is only exposed to foreign currency and interest rates risk as at reporting date.

33.1.1 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, 2021, the group is exposed to such risk mainly in respect of return on saving accounts, long-term and short-term financing as these are benchmarked to variable rates which exposes the Group to cash flow interest rate risk only.

	June 30, 2021 (Audited)	June 30, 2020 (Unaudited)
	----- (Rupees in '000') -----	
Variable rate instruments:		
Financial asset		
- Saving account	47,462	39,563
Financial liabilities		
- Long-term financing	(23,438)	(54,688)
- Short-term financing	(178,313)	(157,949)
	(201,751)	(212,637)
Net financial liabilities at variable interest rates	<u>(154,289)</u>	<u>(173,074)</u>

Cash flow sensitivity analysis for variable rate instruments

Management of the Group estimates that 1% increase in the market interest rate, with all other factors remaining constant, would decrease the group's profit by Rs. 1.545 million (June 30, 2020: Rs. 1.730 million) and a 1% decrease would result in an increase in the Group's profit by the same amount. However, in practice, the actual results may differ from the sensitive analysis.

33.1.2 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. The Group in this respect is exposed to creditors on account of foreign satellite bandwidth providers as at reporting date. These creditors are dominated in US Dollars (US\$). As at reporting date, the total exposure against foreign creditors amounts to US\$ 4.785 million (June 30, 2020: US\$ 2.914 million). Spot rate as at June 30, 2021 is Rs. 157.54 to US\$ (June 30, 2020: 168.25 to US\$).

The management of the Group closely monitors the currency markets. Management of the Group estimates that if Pakistani rupee had weakened / strengthened against the USD by 1% with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 7.538 million (June 30, 2020: 2.890 million). However, in practice, the actual results may differ from the sensitively analysis.

33.1.3 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, 2021, the Group is not exposed to equity price risk.

33.2 Credit risk

Credit risk is the risk that counter party will cause a financial loss to the Group by failing to discharge its obligations. 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 group's total credit exposure. The group 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. The table below analyses the group's maximum expose to credit risk.

	June, 30 2021 (Audited)	June 30, 2020 (Unaudited)
	----- (Rupees in '000') -----	
Long-term deposits	95	30,731
Trade debts	1,147,269	1,159,207
Deposits	27,686	38,237
Other receivables	118,012	82,344
Bank balances	159,000	64,343
	<u>1,452,062</u>	<u>1,374,862</u>

33.2.1 Short-term deposits and other receivables

The Group carries short-term deposits and other receivables amounting to Rs. 148.689 million (June 30, 2020: 154.379 million). This includes receivable from related party, short-term deposits and others.

To reflect short-term maturities of the above balances, the Group has measured impairment on a 12 expected credit loss basis. The management believes that these have low credit risk based on the facts that majority of outstanding balance is receivable from related party and other credit worthy counter parties.

33.2.2 Trade debts

The Group's exposure to credit risk is mainly influenced by individual characteristics of each customer. The management of the Group has established a credit policy whereby individual customers are assessed for credit worthiness by reviewing relevant internal and external available information. The Group limits its exposure to credit risk from trade debts by establishing a maximum payment period ranging between one to three months for corporate customers. The Group has been transacting with telecommunication companies and defense and government institutions since years and none of these entities balances have been written-off or credit impaired as at reporting date.

Corporate customers consists of legal entities only and the Group does not deal with individual customers. Most of the corporate customers have been transacting with the Group for many years and are not credit impaired as at reporting date. Ageing analysis of trade debts is disclosed in note 10.2 to these consolidated financial statements.

Expected credit losses

The Group uses allowance matrix for measurement of expected credit losses on trade debts. Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the management's view of economic conditions over the expected lives of the trade debts. The Group carries the following balance on account of expected credit losses as at reporting date:

	June, 30 2021 (Audited)	June 30, 2020 (Unaudited)
	----- (Rupees in '000') -----	
Expected credit losses on trade debts arising from contracts with customers	<u>85,062</u>	<u>102,975</u>

For movement in expected credit losses during the reporting period, refer note 10.1.

33.2.1 Bank balances

The credit quality of Group'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, 2021	June 30, 2020
----- Rs. in '000' -----					
Habib Metro Bank Limited	PACRA	AA+	A1+	58,136	38,405
Bank Islami Pakistan Limited	PACRA	A+	A1	310	310
Bank Al-Falah Limited	PACRA	AA+	A1+	91,851	2,336
Habib Bank Limited	JCR-VIS	AAA	A1+	490	1,847
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+	3,153	19,690
National Bank of Pakistan	PACRA	AAA	A1+	616	254
MCB Bank Limited	PACRA	AAA	A1+	242	1,058
Silk bank Limited	JCR-VIS	A-	A-2	818	93
Summit Bank Limited	JCR-VIS	BBB-	A-3	2,980	-
Meezan bank Limited	JCR-VIS	AA+	A1+	204	202
Allied bank Limited	JCR-VIS	AA	A1+	200	148
				<u>159,000</u>	<u>64,343</u>

33.3 Liquidity risk

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash due to availability of funding through an adequate amount of committed credit facilities.

Management monitors the forecasts of the Group's cash and cash equivalents on the basis of expected cash flows. This is generally carried out in accordance with the practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external liquidity requirements and maintaining debt financing plans. However, the Group plans to improve its liquidity position through enhancement and re-profiling of banking facilities, improved revenue generation and cost cutting measures.

	Contractual cash flows				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 Years	
-----Rs. in '000'-----					
Financial liabilities					
Long-term financing	-	-	-	23,438	23,438
Short-term financing	147,063	7,812	23,438	-	178,313
Trade and other payables	-	308,361	558,709	-	867,070
Accrued mark-up	-	5,883	-	-	5,883
June 30, 2021	<u>147,063</u>	<u>322,056</u>	<u>582,147</u>	<u>23,438</u>	<u>1,074,704</u>

	Contractual cash flows				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 Years	
	Rs. in '000'				
Long-term financing	-	-	-	54,688	54,688
Short-term financing	138,824	-	19,125	-	157,949
Trade and other payables	-	468,168	588,455	-	1,056,623
Accrued mark-up	-	7,729	-	-	7,729
June 30, 2020	138,824	475,897	607,580	54,688	1,276,989

Effective interest/mark-up rates for the financial liabilities are mentioned in the respective notes to the consolidated financial statements. Maturity analysis of lease liabilities are disclosed in note 16.2 to the consolidated financial statements.

33.4 Fair value of financial instruments

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

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

International Financial Reporting Standard 13, 'Fair Value Measurements' requires the Group 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.

33.5 Capital risk management

The Group's objective when managing capital is to safeguard the Group'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 Group may adjust the amount of dividends paid to shareholders, issue new shares and take other measures which commensurate to the circumstances. The Group 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 Group monitors capital using a gearing ratio, which is debt divided by total capital plus debt as follows:



	June 30, 2021 <i>(Audited)</i>	June 30, 2020 <i>(Unaudited)</i>
	----- (Rupees in '000') -----	
Total debt	207,064	219,765
Cash & cash equivalent	(159,190)	(64,403)
	47,874	155,362
Total shareholders' equity	1,150,137	920,696
Total debt and equity	1,198,011	1,076,058
Gearing ratio	4.00%	14.44%

34. OPERATING SEGMENTS

The consolidated financial statements are prepared on the basis of single reporting segment consistent with the information review by the chief operating decision maker.

35. REMUNERATION OF THE CHIEF EXECUTIVE OFFICER AND EXECUTIVES

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

	For the year ended June 30			
	Chief Executive Officer of the Holding Company		Executives	
	2021	2020	2021	2020
	----- (Rupees in '000') -----			
Managerial remuneration	11,213	10,608	110,179	198,603
Medical	62	56	1,107	1,275
Perquisites and benefits	7,062	6,756	80,881	193,282
Others	887	869	7,600	13,316
	<u>19,224</u>	<u>18,289</u>	<u>199,767</u>	<u>406,476</u>
Number of person	<u>1</u>	<u>1</u>	<u>34</u>	<u>36</u>

35.1 No remuneration has been paid to any of the directors during the reporting period (June 30, 2020: nil).

35.2 Executives as mentioned above include Chief Executive Officers of subsidiaries.

36. TRANSACTIONS WITH RELATED PARTIES

The related parties include a Parent Company and its subsidiaries, 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 35 to these consolidated financial statements.

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



Name	Nature of transaction	June 30,	June 30,
		2021 (Audited)	2020 (Unaudited)
		----- (Rupees in '000') -----	
Relationship: Parent Company			
	Services received	13	13
Telecard Limited	Advance repaid by the Parent Company	1,370,516	246,789
	Advance given to the Parent Company	1,334,267	114,189

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

37. PROVIDENT FUND RELATED DISCLOSURES

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

	Note	June 30,	June 30,
		2021 (Unaudited)	2020 (Audited)
		-- (Rupees in '000') --	
Size of the fund - Total assets		121,992	112,544
Cost of the investment made		78,173	87,636
Fair value of investments	37.2	79,131	88,074
Percentage of investments made		64.87%	78.26%

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

		%	%
Bank balances/deposits	72,324	91%	82,225 93%
Mutual funds	6,807	9%	5,849 7%
	<u>79,131</u>		<u>88,074</u>

37.3 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,	June 30,
	2021 (Unaudited)	2020 (Unaudited)
		----- (Rupees in '000') -----
38. NUMBER OF EMPLOYEES		
Total employees of the Group at the year end	454	429
Average employees of the Group during the year	433	427

39. 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 followings:

Reclassification from:	Reclassification to:	Rupees in '000'
a) Trade and other payables - Creditors	Trade and other payables - Accrued liabilities	44,269
b) Advances, deposits and prepayments - Employees - against expenses and projects	Trade and other payables - Accrued liabilities	3,353
c) Current portion of lease liabilities - Current portion of lease liabilities	Current portion of lease liabilities and short-term financing - Current portion of lease liabilities	1,695
d) Trade and other payables - Telecard Limited	Other receivables - Current accounts with related	30,807

40. AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 07 OCT 2021 by the board of directors of the Holding Company.

41. GENERAL

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR