PAKISTAN SOFTWARE EXPORT BOARD
(GUARANTEE) LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

MUNIFF ZIAUDDIN & CO
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED**, which comprise the statement of financial position as at 30 June 2023, and the statement of income and expenditure, the statement of comprehensive income, the statement of changes in general fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in general fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of the surplus and other comprehensive income, the changes in general fund and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditor's Report

Management is responsible for the other information. The other information comprises the information included in the director's report, but does not include the financial statements and auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements
Based on our audit, we further report that in our opinion:

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

b) the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in general fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Shahid Farid, FCA.**

Muniff Ziauddin & Co

Chartered Accountants
Place: Islamabad
Date: 15th August, 2024
UDIN: AR202310241oaWsl29MD

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023 (Rupees)	2022 (Rupees)
FUND AND LIABILITIES			
General fund		304,098,082	401,075,903
NON-CURRENT LIABILITIES			
Staff benefits	4	92,816,291	79,535,974
Deferred grants related to projects	5	193,480,858	290,884,073
Deferred grants	6	594,729,826	602,252,727
		881,026,975	972,672,774
CURRENT LIABILITIES			
Trade and other payables	7	104,556,458	63,169,551
Liabilities relating to PSDP and other projects - restricted funds		-	765,475
Provision for taxation	8	-	2,143,051
		104,556,458	66,078,077
CONTINGENCIES AND COMMITMENTS	9	-	-
		1,289,681,515	1,439,826,754
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	10	610,034,408	619,041,112
Assets relating to PSDP and other projects - restricted funds	11	48,708,216	54,236,006
Long term security deposits		1,062,176	1,062,176
Long term advances	12	49,116,845	50,266,150
Deferred taxation	13	3,923,955	7,331,552
		712,845,600	731,936,996
CURRENT ASSETS			
Trade debts - considered good	14	9,627,268	6,476,537
Advances and prepayments	15	28,083,236	40,415,894
Other receivables	16	15,870,623	8,160,204
Assets relating to PSDP and other projects - restricted funds	17	144,772,642	237,413,541
Short term investment	18	200,000,000	200,000,000
Cash and bank balances	19	178,482,147	215,423,582
		576,835,915	707,889,758
		1,289,681,515	1,439,826,754

AUDITORS' REPORT ANNEXED

Annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER / DIRECTOR

DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 (Rupees)	2022 (Rupees)
INCOME			
Amortization of deferred grants	5	522,304,586	482,630,225
Federal Government grant	6	868,037,483	320,544,891
Amortization of deferred grant - in kind	6	30,739,675	31,237,774
Revenue from bandwidth and related services	20	90,428,624	66,848,936
Registration and renewal fee	21	84,208,519	85,667,419
Other income	22	119,910,276	37,819,315
		1,715,629,163	**1,024,748,560**
EXPENDITURE			
Project cost - deferred grants related to projects	5	522,304,586	482,630,225
Salaries, allowances and benefits	23	193,057,941	135,072,406
Data node bandwidth and related charges	24	48,988,195	32,496,982
Travelling and conveyance		7,062,794	6,150,492
Advertisement and publicity		7,038,843	2,990,495
Communication charges	25	18,522,548	5,001,015
Utilities		11,224,881	7,223,533
Rent, rates and taxes		60,615,394	23,590,145
Vehicle running expenses		3,894,100	3,192,262
Fee and subscription	26	2,181,814	1,754,635
Printing and stationery		1,480,565	1,555,616
Newspaper and periodicals		20,060	32,180
Exhibitions and seminars		279,694,097	84,131,674
Research studies		3,900,000	2,600,000
Repair and maintenance		6,877,026	7,372,385
Industry Skills and Development Programs		581,051,466	67,141,987
Foreign and inland training		15,000	90,874
Auditor's remuneration	27	360,532	306,321
Legal and professional charges		3,345,155	1,649,646
Depreciation	10.2	5,752,399	2,404,386
Depreciation of assets related to deferred grant - in kind	10.2	30,739,675	31,237,774
Bank charges		141,020	84,658
		1,788,268,091	898,709,691
(DEFICIT)/ SURPLUS BEFORE TAXATION		**(72,638,928)**	**126,038,869**
Taxation	28	(15,998,843)	(14,333,242)
(DEFICIT)/ SURPLUS FOR THE YEAR		**(88,637,771)**	**111,705,627**

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

CHIEF EXECUTIVE OFFICER / DIRECTOR

DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	2023 (Rupees)	2022 (Rupees)
(DEFICIT)/SURPLUS FOR THE YEAR	(88,637,771)	111,705,627
Other comprehensive income		
Items that will not to be reclassified to statement of income and expenditure		
Remeasurement of defined benefit plan - net	(8,777,087)	(12,870,774)
Related deferred tax - net	437,037	1,390,739
	(8,340,050)	(11,480,035)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(96,977,821)	100,225,592

CHIEF EXECUTIVE OFFICER / DIRECTOR

DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
STATEMENT OF CHANGES IN GENERAL FUND
FOR THE YEAR ENDED 30 JUNE 2023

	Rupees
Balance as at 01 July 2021	**300,850,311**
Surplus for the year	111,705,627
Other comprehensive income for the year	(11,480,035)
Total comprehensive income for the year	100,225,592
Balance as at 30 June 2022	**401,075,903**
Deficit for the year	(88,637,771)
Other comprehensive loss for the year	(8,340,050)
Total comprehensive loss for the year	(96,977,821)
Balance as at 30 June 2023	**304,098,082**

CHIEF EXECUTIVE OFFICER / DIRECTOR

DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 (Rupees)	2022 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit)/Surplus before taxation		(72,638,928)	126,038,869
Adjustment for non-cash items			
Deferred grants related to projects amortized during the year		(522,304,586)	(482,630,225)
Amortization of deferred capital grant		(3,139,161)	(193,114)
Amortization of deferred grant - in kind		(30,739,675)	(31,237,774)
Profit on bank deposits and investments		(53,187,719)	(27,656,478)
Depreciation		5,752,399	2,404,386
Depreciation of assets related to deferred grant - in kind		30,739,675	31,237,774
Depreciation related to restricted grant		6,802,664	1,234,819
Exchange loss		-	-
Provision for medical facility		7,686,347	5,838,752
Provision for gratuity		12,526,634	9,152,113
Provision for employees' earned leaves		1,324,426	735,380
Net cash used in operations before changes in working capital		**(617,177,924)**	**(365,075,498)**
Changes in working capital			
Trade debts - considered good		(3,150,731)	(1,475,703)
Advances and short term prepayments		13,708,524	(29,863,783)
Other receivables		(694,686)	(21,290)
Assets relating to PSDP and other projects - restricted funds		92,640,899	(34,504,334)
Liabilities relating to PSDP and other projects - restricted funds		(765,475)	765,475
Increase in trade and other payables		41,386,907	21,135,114
		143,125,438	(43,964,521)
Net cash used in operations		**(474,052,486)**	**(409,040,019)**
Profit on bank deposits and investments received		46,171,986	24,240,648
Income tax paid		(15,063,575)	(11,887,476)
Medical facility paid		(5,576,017)	(4,517,634)
Employees' earned leaves paid		-	(1,857,906)
Gratuity paid		(11,458,159)	(6,969,476)
(Increase) / decrease in long term advances		539,754	(4,716,852)
		14,613,990	(5,708,696)
Net cash used in operating activities		**(459,438,497)**	**(414,748,715)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(27,485,370)	(15,291,633)
Additions in assets relating to restricted grants		(1,274,874)	(25,861,850)
Payment of security deposits		-	147,364
Short term investment - net		-	(50,000,000)
Net cash used in investing activities		**(28,760,244)**	**(91,006,119)**
C **CASH FLOWS FROM FINANCING ACTIVITIES**			
Restricted grant received	29	540,362,899	635,218,717
Restricted grant lapsed		(101,265,636)	(83,885,044)
Guarantee return related to deferred grant		(14,195,892)	-
Capital grant received		26,355,935	-
Net cash generated from financing activities		**451,257,306**	**551,333,673**
Net increase in cash and cash equivalents		**(36,941,435)**	**45,578,839**
Cash and cash equivalents at the beginning of the year		**215,423,582**	**169,844,743**
Cash and cash equivalents at the end of the year		**178,482,147**	**215,423,582**

CHIEF EXECUTIVE OFFICER / DIRECTOR **DIRECTOR**

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1 THE COMPANY AND ITS OPERATIONS

1.1 Pakistan Software Export Board (Guarantee) Limited ("the Company") was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on 13 June 1998 as Company limited by guarantee not having share capital to carry on business activities previously performed by the Pakistan Software Export Board more independently, effectively and dynamically. The registered office of the Company is situated at 2nd Floor, Evacuee Trust Complex, Sector F-5/1, Islamabad. The Company is fully owned and controlled by the Federal Government through Ministry of Information Technology.

The principal objective of the Company is to make Pakistan a preferred destination for the business process outsourcing, placing Pakistan as a key player in the global information technology market, creating an environment that is conducive for IT (Information Technology) business in the country and develop and strengthen domestic IT industry through various support programs and projects to deliver higher value added services and enhance IT and IT enabled services (ITeS) export from Pakistan.

1.2 Geographical location and address of Company is as follows:

Sr. No.	Head office and regional/Other offices	Address
1	**Head office**	Plot No 61, 06th Floor, New State Life Tower, Near Saudi Pak Tower, Jinnah Avenue, Blue Area, Islamabad
2	**Other Offices:**	
	a) Islamabad	2nd Floor Evacuee Trust Complex, Agha Khan Road F 5/1, Islamabad
	a) Karachi	Regional Office Karachi, 203, 2nd Floor, Tariq Center Main Tariq Road, Karachi
	b) Lahore	Office 5/6, 5th Floor Shaheen Complex Edgerton Road, Lahore
	c) Quetta	PSEB Office # 1, Ultrasoft Building, Near Quetta International Airport, Quetta, Balochistan

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, unless otherwise specifically stated.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional currency.

2.4 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

2.4.1 Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment with a corresponding effect on the depreciation charge and impairment.

2.4.2 Defined benefit plan

The cost of the defined benefit plan i.e. gratuity and employees' earned leaves is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The medical facility as per service rules also requires management's judgement and estimation.

2.4.3 Allowance for expected credit losses

Company reviews the recoverability of its receivables to assess the amount required for expected credit losses.

2.4.4 Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

'E OFF Provisions

The Company reviews its receivable and advances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

2.5 New and amended standards and interpretations

2.5.1. Amendments to published accounting and reporting standards which are effective for the year ended june 30, 2022

There were certain amendments to accounting and reporting standards which became effective for the company for the current year. However, these are considered not to be relevant or to have any significant impact on the company's financial reporting and, therefore, have not been disclosed in these financial statements.

2.5.2. Standard, amendments to published accounting and reporting standards and interpretations that are not yet effective and have not been early adopted by the company

There is a standard and certain other amendment to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the company's financial statements and operations and, therefore, have not been disclosed in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

3.1 Employee benefits

Medical facility

Employees are entitled to medical facility allowance as determined in accordance with service regulations of the Company. During the year employees can get their actual medical expenses reimbursed and remaining balance of unused entitlement, if any, is forwarded to succeeding years which employees can get reimbursed in succeeding years or can encash on termination / resignation from the service.

Gratuity scheme

The Company operates an unfunded and unapproved gratuity scheme for its employees. Provision for gratuity is made annually to cover obligation under the scheme on the basis of forty five days basic pay for each respective completed year of service. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gain or loss (remeasurements) are immediately recognised in 'Other comprehensive income/(loss)' as they occur. The amount recognised in the statement of financial position represents the present value of defined benefit obligations. Current service costs and any past service costs together with net interest cost are charged to the statement of income and expenditure.

Employees' earned leaves

The Company provides the facility to its regular employees for accumulating their annual earned leaves. Under the unfunded scheme, employees are entitled to 48 days for each completed year of service subject to maximum accumulation of 96 days. Earned leaves accruing beyond the period of 96 days shall stand lapsed. The accumulated earned leaves balance shall be encashed at the time of severance of employment of the employee or earlier subject to the approval of the competent authority. The encashment of the leaves shall be made on the last basic salary drawn by the employee plus maximum entitlement of house rent. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gain or loss (remeasurements) are immediately recognised in 'Other comprehensive income/(loss)' as they occur. The amount recognised in the statement of financial position represents the present value of defined benefit obligations. Current service costs and any past service costs together with net interest cost are charged to the statement of income or expenditure.

3.2 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income and expenditure statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.3 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

3.4 Property and equipment

Owned

Property and equipment except capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection/construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Capital work-in-progress is stated at cost less any recognised impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income and expenditure statement during the period in which they are incurred.

Depreciation

Depreciation on property and equipment is charged to income and expenditure statement applying the reducing balance method so as to write off the cost / depreciable amount of the asset over their estimated useful lives at the rates given in Note 10 except for leasehold land which is depreciated on straight line basis over the lease term. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. The residual values and useful lives of assets are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

Derecognition

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income and expenditure statement in the year the asset is derecognised.

3.5 Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost, less any allowance for expected credited losses. Trade receivables generally do not include amount overdue by 365 days.

The company has applied the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

3.6 Trade and other payables

Liabilities for trade and other amounts payable are recognized at fair value, which is normally the transaction cost.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

3.8 Revenue recognition

Revenue is recognized when or as performance obligation is satisfied by rendering of services to a customer over time or at point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Interest income is recognized as it accrues in profit or loss, using effective interest method

3.9 Government grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

Grants related to income

Grants related to income including PSDP and other projects' restricted grants are recognized on a systematic basis as income over the periods necessary to match them with related expenses incurred in accordance with terms of the respective grant agreements.

Grants related to assets

Grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by setting up the grant as "Capital Grant". An amount equivalent to the depreciation for each year on such assets is credited to income and expenditure statement in the same year in which the depreciation is charged.

3.10 Financial instruments

Financial Assets

Classification and measurement

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in income and expenditure and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of income and expenditure.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is de-recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the statement of income and expenditure.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized in the statement of income and expenditure and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income / (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Financial liabilities

i. Classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

ii. Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

iii. De-recognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate entity.

Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

iv. Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.11 Foreign currencies

All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the income and expenditure statement.

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		Note	2023 (Rupees)	2022 (Rupees)
4	**STAFF BENEFITS**			
	Medical facility	4.1	8,187,216	6,076,886
	Gratuity	4.2	69,990,425	64,143,325
	Employees' earned leaves	4.2	14,638,650	9,315,763
			92,816,291	79,535,974
4.1	**Medical facility**			
	Balance as on 01 July		6,076,886	4,755,768
	Charge for the year	23	7,686,347	5,838,752
	Benefits paid during the year		(5,576,017)	(4,517,634)
	Net liability as on 30 June		8,187,216	6,076,886

The latest actuarial valuation for gratuity and earned leaves was carried out at 30 June 2023, using projected unit credit method. The amount recognised are determined as follows:

4.2	**Financial position obligation**		
	Gratuity	69,990,425	64,143,325
	Employees' earned leaves	14,638,650	9,315,763
		84,629,075	73,459,088

4.2.1 Movement in liability recognised in the statement of financial position

	Gratuity		Employees' earned leaves	
	2023	2022	2023	2022
At the beginning of the year	64,143,325	51,503,958	9,315,763	8,024,246
Current service cost	4,786,747	4,350,191	66,798	25,851
Interest cost for the year	7,739,887	4,801,922	1,257,628	709,529
Charge to other comprehensive income	4,778,627	10,456,731	3,998,460	2,414,043
Benefit paid during the year	(11,458,161)	(6,969,476)	-	(1,857,906)
At the end of the year	69,990,425	64,143,325	14,638,650	9,315,763

4.2.2 Amounts recognised in the statement of income and expenditure

	Gratuity		Employees' earned leaves	
	2023	2022	2023	2022
Current service cost	4,786,747	4,350,191	66,798	25,851
Interest cost for the year	7,739,887	4,801,922	1,257,628	709,529
	12,526,634	9,152,113	1,324,426	735,380

4.2.3 Amounts recognised in the statement of comprehensive income

	Gratuity		Employees' earned leaves	
	2023	2022	2023	2022
Acturial gain due to experience adjustments	4,778,627	10,456,731	3,998,460	2,414,043
	4,778,627	10,456,731	3,998,460	2,414,043

4.2.4 Principal acturial assumptions used

	Gratuity		Employees' earned leaves	
	2023	2022	2023	2022
Discount rate	15.75%	13.25%	15.75%	13.50%
Expected rate of increase in salary	14.75%	12.25%	14.75%	12.50%
Expected mortality rate	SLIC (2001-05)	SLIC (2001-05)	SLIC (2001-05)	SLIC (2001-05)

4.2.5 Allocation of charge for the year

	Gratuity		Employees' earned leaves	
	2023	2022	2023	2022
Salaries, allowances and benefits	12,526,634	9,152,113	3,998,460	2,414,043
	12,526,634	9,152,113	3,998,460	2,414,043

4.2.6 Sensitivity analysis

	Gratuity		Employees' earned leaves	
	2023	2022	2023	2022
Discount Rate + 1 %	63,513,022	58,582,848	13,124,164	8,404,954
Discount Rate - 1 %	77,618,174	70,749,070	16,416,013	10,365,794
Salary growth rate + 1 %	77,671,147	70,795,673	16,406,721	10,352,709
Salary growth rate - 1 %	63,338,941	58,429,377	13,107,671	7,401,720

4.2.7 Risks associated with defined gratuity and employees' earned leaves benefit plans

Through its defined gratuity benefit plan and employees' earned leaves, the PSEB is exposed to a number of risks, the most significant of which are detailed below:

• Discount rate risk

The risk of changes in Discount rate will have an impact on the Actuarial Liability. Any increase in discount rate will reduce the Liability and vice versa.

• Salary increase / inflation risk

The increase in salary in the future years being higher than assumed will increase the Liability.

• Mortality risk

Any reduction in the mortality rates being assumed will increase the Liability.

• Withdrawal risk

Any differences in the assumed withdrawal rates will have a corresponding impact on the Liability depending on the Benefits payable on withdrawal.

5 DEFERRED GRANTS RELATED TO PROJECTS

Account Heads	2023										2022
	Certification of IT Professionals (Note 5.1)	Enhancing of IT Exports Through Industry Support Program (Note 5.2)	Standardization of IT Industry (Note 5.3)	Technology Marketing Export Program (Note 5.4)	General Data Protection Regulations (GDPR) (Note 5.5)	Raising Smart Capital Through Pvt Trading Market at PSX (Note 5.6)	ICT Internship Program (Note 5.7)	Establishment of IT Park,Karachi (Note 5.8)	Establishment of 25 STPs (Note 5.9)	TOTAL	TOTAL
	---Rupees---										
Balance as on 01 July	140,279,474	19,637,968	71,247,332	-	9,683,450	1,759,229	3,446,255	16,915,779	27,914,586	290,884,073	205,264,846
Add:											
Received during the year from:											
Government of Pakistan (Note 5.9)	94,602,885	-	129,780,000	33,325,000	23,473,214	29,418,400	104,888,000	58,000,000	55,900,000	529,387,499	604,859,439
Other Companies	22,400	-	-	-	1,818,000	9,135,000	-	-	-	10,975,400	47,275,057
Receivable from AGPR	-	-	-	-	-	-	-	-	-	-	
	94,625,285	-	129,780,000	33,325,000	25,291,214	38,553,400	104,888,000	58,000,000	55,900,000	540,362,899	652,134,496
Less:											
Expenditures (Note 5.10)											
Consultancy/Appraisals - Capability Maturity Model Integration (CMMI) - ISO 27001/20000	-	(12,636,500)	-	-	-					(12,636,500)	(18,482,369)
Trainings - CMMI - ISO 27001/20000/18295 & Certifications	-	-	(14,307,842)	-	-					(14,307,842)	(289,832,175)
Trainings/Certifications/Observations	(81,000,013)	-	-	-	(120,000)					(81,120,013)	
Internship cost	-	-	-	-			(84,910,200)			(84,910,200)	(50,250,750)
Conference/Seminars/Workshop	-	-	-	-		(397,690)				(397,690)	
Consultancy & Contractual Work/Services	-	-	-	(32,625,000)	(15,708,001)	(75,000)		(2,708,433)		(51,116,434)	
Salaries and benefits	(13,064,890)	(124,933)	(9,431,378)	-	(9,839,614)	(11,851,944)	(16,856,840)		(37,821,055)	(98,990,654)	(40,686,214)
Travelling	(94,800)	-	(616,220)	-	(166,850)	(767,380)	(500,000)	(84,022)	(1,631,705)	(3,860,977)	(1,096,721)
Advertisement	(4,000)	-	-	-		(8,000)	(20,000)	(266,005)	(760,908)	(1,058,913)	(4,126,056)
Utilities	(194,356)	-	(150,981)	-	(211,143)	(192,770)	(480,751)		(319,844)	(1,549,845)	-
Cabling & Fibers	-	-	-	-					(961,975)	(961,975)	(2,851,987)
Research Studies	-	-	(162,792,000)	-						(162,792,000)	(71,802,000)
Depreciation (Note 11.1)	(181,810)	(96,609)	(123,625)	-	(297,237)	(403,737)	(665,720)		(5,033,927)	(6,802,665)	(1,234,818)
Others	(171,231)	-	(298,527)	-	(183,174)	(200,879)	(499,260)		(445,807)	(1,798,878)	(2,267,135)
	(94,711,100)	(12,858,042)	(187,720,573)	(32,625,000)	(26,526,019)	(13,897,400)	(103,932,771)	(3,058,460)	(46,975,221)	(522,304,586)	(482,630,225)
PSDP funds surrendered / lapsed	(3,726,685)		(10,537,836)	(700,000)	(1,803,138)	(15,924,737)	(438,469)	(54,941,540)	(13,193,231)	(101,265,636)	(83,885,044)
Funds Transfer to Government treasury /others	-	-	-	-				-	-	-	-
Others/Guarrantee Return/Bids/EOI/Misc	(14,195,892)									(14,195,892)	
Assets reclassified to PSEB owned assets	-	-		-				-	-	-	
Balance as on 30 June	**122,271,082**	**6,779,926**	**2,768,923**	**-**	**6,645,507**	**10,490,492**	**3,963,015**	**16,915,779**	**23,646,134**	**193,480,858**	**290,884,073**

5.1 Through this project, PSEB plans to create a highly skilled resource pool within Pakistan IT industry and training of 10,000 participants including IT industry professionals to match advanced specialized international technological requirements.

5.2 Through this project, PSEB plans to support IT Industry by assisting companies in acquiring CMMI certifications and ISO 27001 & 20000. Resultantly, increasing IT Exports as per the vision 2025 set by the Government of Pakistan.

5.3 Through this project, PSEB plans to support IT Industry by assisting companies in acquiring ISO 18295 certifications and procurement of 2 research studies for branding and promotion of IT Industry within and outside Pakistan.

5.4 The aim of this project to increase the capacity of IT/ITeS companies for elaborative International PR and Marketing campaign.

5.5 The project aims to certify 50 IT/ITES companies on ISO27001 and ISO27701 standards in next three years for the purpose of General Data Protection Regulation compliance.

CHIEF The aim of this project is to facilitate 40 potential Small Medium Size IT Enterprises looking to raise smart capital for business growth to qualify for listing and trade on PSX GEM (Growth Enterprise Market) .

The project aims to provide opportunity to 3000 graduates and their contributing members of the ICT industry by gaining processional experience through a 6 months internship in the ICT companies and IT departments of public and private sector organizations where ICT work is being performed.

The project aims to establish 25 STPs (Software Technology Parks) in Karachi, Lahore, Islamabad, secondary and tertiary cities and towns of Pakistan..

The project aim is to establsih Information Technology Parks (ITPs) to play an instrumental role to encourge collabration, digitization and innovation in both traditional socio-economic sectors and new emerging technologies.

5.10 The Company as a part of its activities, initiates, executes and implements project(s) funded through Public Sector Development Programmes (PSDP) of the Government of Pakistan to achieve specific objectives laid down in the Planning Commission Document -1 (PC-1) of each project.

5.11 This represents the expenditure of eight (9) (2022: 09) projects executed and operated by Pakistan Software Export Board (Guarantee) Limited during the year.

6 DEFERRED GRANTS

	2023					2022
	Purpose / utilization of grants			Grants received in kind	Total	Total
	Capital (Note 6.1)	Revenue (Note 6.2)	Total			
	---------- Rupees ----------					
Balance as on 01 July	10,971,682	-	10,971,682	591,281,045	602,252,727	623,346,058
Grants received during the year	26,355,935	864,898,322	891,254,257	-	891,254,257	330,689,334
Grants amortized during the year						
- Depreciation	(3,139,161)	-	(3,139,161)	(30,739,675)	(33,878,836)	(31,430,888)
- Salaries and benefits	-	-	-	-	-	(115,308,538)
- Other operating expenses	-	(864,898,322)	(864,898,322)	-	(864,898,322)	(205,043,239)
	(3,139,161)	(864,898,322)	(868,037,483)	(30,739,675)	(898,777,158)	(351,782,665)
Balance as on 30 June	34,188,456	-	34,188,456	560,541,370	594,729,826	602,252,727

6.1 This represents grant received from Ministry of Information Technology for purchase of IT equipments.

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

	Note	2023 (Rupees)	2022 (Rupees)
7 TRADE AND OTHER PAYABLES			
Creditors	7.1	12,801,816	7,220,132
Accrued liabilities		10,591,091	11,720,665
Withholding income tax on services		6,055,409	3,151,001
Unrealized receipts	7.2	47,122,078	30,993,651
Advances from customers			48,125
Security deposits	7.3	10,426,495	9,863,158
Other payables		17,559,569	172,819
		104,556,458	63,169,551

7.1 These include amounts due to following related parties:

National Telecommunication Corporation	55,976	49,289
Pakistan Telecommunication Authority (PTA)	214,874	181,595
Pakistan Telecommunication Company Limited	4,094,955	2,331,478
	4,365,805	2,562,362

7.2 Movement of unrealized receipts - Relating to bandwidth receipts and Companies/call center receipts

Opening balance as at 01 July	30,993,651	20,740,385
Additions during the year	47,122,078	30,993,651
Realized during the year	(30,993,651)	(20,740,385)
Closing balance	47,122,078	30,993,651

7.3 These security deposits relate to deposits from bandwidth customers kept in separate bank account as per requirements of Section 217(2) of the Companies Act, 2017. These deposits are not utilized for the purpose of business.

		Note	2023 (Rupees)	2022 (Rupees)
8	**PROVISION FOR TAXATION**			
	Opening balance		2,143,051	2,394,937
	Add: Provision for the year	**28**	12,154,209	12,117,449
	Less: Prior year tax adjustment		-	(481,858)
	Less: Tax paid / deducted at source		(14,297,261)	(11,887,476)
	Closing balance		-	2,143,051
9	**CONTINGENCIES AND COMMITMENTS**			
9.1	**Contingency**			

Writ Petition No. 360/2022 and Writ Petition No. 2351/2022 which have been filed by Pakistan Software Export Board (G) Limited (PSEB) against Mr. Sajid Iqbal, an ex-employee of PSEB on 02-02-2022 and 22-06-2022 respectively and in both the Writ Petitions the Single Bench of Honorable Islamabad High Court has granted an interim relief to PSEB and the next date in both the Petitions is October 06, 2022.

9.2 Commitment

The company has no commitments as at 30 June, 2023.

10	**PROPERTY AND EQUIPMENT**			
	See attached schedule		610,034,408	619,041,112
11	**ASSETS RELATING TO PSDP AND OTHER PROJECTS - RESTRICTED FUNDS**			
	See attached schedule		48,708,216	54,236,006
12	**LONG TERM ADVANCES**			
	Considered good:			
	Advances to employees against salaries and benefits	**12.1**	57,083,785	57,623,539
	Less: Current portion shown under current assets	**15**	(7,966,940)	(7,357,389)
			49,116,845	50,266,150

12.1 Advances given to employees against salaries and benefits are interest free and are secured against their respective staff benefit balance.These advances have been given to employees and executives for the purchase of house, vehicle, or for peronal use in accordance with the terms of employment. Further, these include outstanding balances of advances given to key management personnel namely M/s. Muhammad Sulman Hassan - Director International Marketing, Sajid Mahmood Warraich - Company Secretary, Shaukat Ali - Director Technical, Syed Ali Abbas Hasni - Director Operation and Admin, Talib Hussain Baloch - Director Finance amounting to Rupees 5,238,537/-, Rupees 7,698,428/-, Rupees 1,517,600/-, Rupees 5,274,383/-, Rupees Nil/- respectively (2022: 4,337,037/-, Rupees Nil/-, Rupees 8,277,128/-, Rupees Nil/-, Rupees 3,684,301/-, Rupees 7,390,178/- respectively).

12.2 Advances given to key management during the year amounting to Rupees 20,139,538/- (2022: Rupees 14,821,116/-) whereas advances adjusted during the year amounting to Rupees 21,010,563/- (2022: 12,006,016/-).

12.3 The maximum aggregate amount outstanding at the end of any month during the year were Rupees 27,083,805/- (2022: 28,157,257/-).

12.4 Long term loans have been carried at cost as the effect of carrying these balances at amortised cost is not considered to be material.

		Note	2023 (Rupees)	2022 (Rupees)
13	**DEFERRED TAXATION**			
	This comprises of following:			
	Taxable temporary differences			
	Accelerated tax depreciation		(697,646)	(1,262,628)
	Deductible temporary differences			
	Provision for gratuity		3,485,033	6,930,943
	Provision for medical facility		407,666	656,632
	Provision for earned leaves		728,902	1,006,605
			4,621,601	8,594,180
			3,923,955	7,331,552
13.1	**Movement in deferred tax balances is as follows:**			
	At beginning of the year		7,331,552	8,638,464
	Recognized in income and expenditure statement:			
	Accelerated tax depreciation		564,982	480,834
	Provision for gratuity		(3,683,852)	(2,516,890)
	Provision for medical facility		(248,966)	(111,429)
	Provision for earned leave		(476,798)	(550,166)
			(3,844,634)	(2,697,651)
	Recognized in statement of comprehensive income:			
	Remeasurement of defined benefit plan		437,037	1,390,739
			3,923,955	7,331,552
14	**TRADE DEBTS - CONSIDERED GOOD**			
	As on 30 June 2023, trade debts were neither past due nor impaired. The aging analysis of these trade debts is as follows:			
	Up to 2 months		9,627,268	6,476,537
	More than 2 months		-	-
			9,627,268	6,476,537
15	**ADVANCES, DEPOSITS AND PREPAYMENTS**			
	Advances to employees against expenses		99,501	74,501
	Current portion of long term advances		7,966,940	7,357,389
	Advances to Suppliers		-	100,000
	Security deposit		18,553,360	18,553,360
	Short term prepayments		697,120	14,330,644
	Advance tax		766,314	-
			28,083,236	40,415,894
16	**OTHER RECEIVABLES**			
	Profit receivable from deposits in saving accounts		3,820,674	1,761,708
	Profit receivable on TDR		11,233,973	6,277,206
	Others		815,976	121,290
			15,870,623	8,160,204
17	**ASSETS RELATING TO PSDP AND OTHER PROJECTS - RESTRICTED FUNDS**			
	Advances to vendors for trainings	17.1	118,812,644	181,098,744
	Receivable from other companies		-	6,703,932
	Internal Receivables		17,202,148	-
	Cash with banks in current accounts		8,757,850	49,610,865
			144,772,642	237,413,541

17.1 The advance is given to the vendors for the purpose of IT Trainings which comprises Rs. 1,200,000/- (2022: Rs. 5,935,000/-) under project titled "Enhancing of IT Exports through Industry Program", Rs. 117,612,644/- (2022: Rs. 102,612,644/-) under project titled "Certification of IT Professionals" and Rs. Nil (2022: Rs. 67,900,000/-) under the project titled "Standardization of IT Industry". and Rs. Nil (2022: Rs. 4,651,100/-) under project titled "General Data Protection Regulation"

18 SHORT TERM INVESTMENT

This represents investment in a Term Deposit Receipts (TDRs) placed with National Bank of Pakistan for a period of 1 year. These TDRs carry markup of 20.10% (2022: 10.51%) per annum.

	Note	2023 (Rupees)	2022 (Rupees)
19 CASH AND BANK BALANCES			
Cash in hand		73,328	55,208
Cash at banks:			
- Current accounts- Local Currency		957	50,457
- Saving accounts- Local Currency	19.1	178,407,862	215,317,916
		178,408,819	215,368,374
		178,482,147	215,423,582

19.1 These include funds of 2023 Rupees 17,955,019/- (2022: Rupees 14,922,269/-) in Bank Alfalah Limited and Rupees 70,385,292/- (2022: Rupees 52,904,007/-) in Habib Bank Limited, earmarked for Data Node Securities and employee benefits respectively.

19.2 The balances in saving accounts carry interest of 2023: 19.5% to 19% (2022: 12.50% to 12.75%).

20 REVENUE FROM BANDWIDTH AND RELATED SERVICES

This represents revenue against provision of bandwidth and related services to various parties with bandwidth slabs having different ranges (as per client requirement)

21 REGISTRATION AND RENEWAL FEE

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

22 OTHER INCOME

Income from financial assets			
Profit on bank deposits		27,210,952	14,992,971
Profit on Term Deposits Receipt		25,976,767	12,663,507
		53,187,719	27,656,478
Income from non-financial assets			
Exhibition participation fee		59,885,304	10,112,904
Miscellaneous		6,837,253	49,933
		66,722,557	10,162,837
		119,910,276	37,819,315

23 SALARIES, ALLOWANCES AND BENEFITS

Salaries		95,456,963	72,958,979
Allowances and other benefits		68,788,674	46,387,182
Medical facility	4.1	7,686,347	5,838,752
Gratuity	4.2.5	12,526,634	9,152,113
Employees' earned leaves	4.2.5	1,324,426	735,380
		185,783,044	135,072,406

		Note	2023 (Rupees)	2022 (Rupees)
24	**DATA NODE BANDWIDTH AND RELATED CHARGES**			
	Interoperator charges (Bandwidth,LMM)	**24.1**	47,453,736	31,217,074
	VPN Services charges		-	175,500
	IP address charges		780,358	585,260
	Service charges		754,101	519,149
			48,988,195	32,496,983

24.1 These include services received from Associated Company "Pakistan Telecommunication Company Limited" Rupees 20,011,372/- and other operator charges are Transworld Associates Pvt Ltd Rupees 16,037,772/- Vision Telecom Rupees 3,172,211/- Connect Communications Pvt Ltd Rupees 748,494/- Sat Com Pvt Ltd Rupees 433,785/- BNS Links Pvt Ltd Rupees 1,772,774/- Link Dot Net Telecom Ltd Rupees 876,668/- The Professional Communications Rupees 3,450,416/- and Others Rupees 950,244/- (2022: "Pakistan Telecommunication Company Limited" Rupees 10,804,051/- and other operator charges are Transworld Associates Pvt Ltd Rupees 11,560,819/- Vision Telecom Rupees 3,236,451/- Connect Communications Pvt Ltd Rupees 1,030,246/- Sat Com Pvt Ltd Rupees 532,243/- BNS Links Pvt Ltd Rupees 1,500,000/- Link Dot Net Telecom Ltd Rupees 83,520/- and The Professional Communications Rupees 1,572,794/- and Others Rupees 896,950/-)

25 COMMUNICATION CHARGES

This includes services received from Associated Companies "Pakistan Telecommunication Company Limited" Rupees 219,715/- (2022: Rupees 753,391/-) and "National Telecommunication Company" Rupees 764,838/- (2022: Rupees 926,239/-) during the year.

26 FEE AND SUBSCRIPTION

This includes license fee payable to Pakistan Telecommunication Authority for the year amounting to Rupees 214,874/- (2022: Rupees 181,595/-).

27 AUDITOR'S REMUNERATION

Audit fee		290,532	266,321
Taxation services		70,000	40,000
		360,532	306,321

28 TAXATION

Current taxation			
- for the year		12,154,209	12,117,449
-prior year		-	(481,858)
Deferred taxation	**13.1**	3,844,634	2,697,651
	28.1	15,998,843	14,333,242

28.1 Reconciliation of tax charge for the year

Profit before tax	(72,638,928)	66,795,958
Tax on profit @ 29%	(21,065,289)	19,370,828
Tax effect on exempt income	(28,975,799)	(12,476,561)
Tax effect on income under minimum tax	6,038,862	5,484,085
Tax impact of temporary differences	(1,496,887)	(297,878)
Deferred tax	3,844,634	2,697,651
Prior year tax	(481,858)	-
	(42,136,336)	14,778,125

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

Balance as on 01 July 2022	290,884,073	205,264,846
Restricted grants received	540,362,899	652,134,496
Receivable from Auditor General Pakistan Revenues	-	-
Expenditures incurred	(522,304,586)	(482,630,225)
Restricted grants lapsed	(101,265,636)	(83,885,044)
Funds transferred to Federal Government Treasury/others-Lapsed	-	-
Assets transferred to PSEB	-	-
Balance as on 30 June 2023	207,676,750	290,884,073

30 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the financial statements for the year in respect of remuneration and other benefits to the Managing Director and Executives of the company are:

	Managing Director		Executives	
	2023	2022	2023	2022
Managerial remuneration	647,706	5,557,626	58,964,376	32,194,487
Allowances				
House rent allowance	140,097	1,212,000	26,533,970	14,487,504
Conveyance	133,036	1,150,920	14,937,428	5,708,644
Medical facility	-	-	2,877,123	1,544,534
Earned leaves	-	-	5,752,286	915,267
Gratuity	466,950	466,950	10,439,795	11,234,582
Others	27,256	235,800	2,428,140	870,490
	1,415,045	8,623,296	121,933,118	66,955,508
Number of person	**1**	**1**	**26**	**15**

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

31 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of Associated companies and key management personnel. Detail of transactions with related parties have been specifically disclosed in relevant notes to these financial statements.
Following are the related parties with whom the Company had entered into transactions or had agreements and/or arrangements in place during the year:

Name of related party	Relationship	Basis of relationship
Pakistan Telecommunication Authority	Associated company	Common director
Pakistan Telecommunication Company Limited	Associated company	Common director
National Telecommunication Corporation	Associated company	Common director
Syed Junaid Imam	Director	
Syed Ayub Shah	Key management personnel	
Zeeshan Khattak	Key management personnel	
Muhammad Faheem Akhtar	Key management personnel	
Amar Makhdoom	Key management personnel	
Syed Ali Abbas Hasni	Key management personnel	
Talib Hussain Baloch	Key management personnel	
Sajid Mahmood Warraich	Key management personnel	
Muhammad Sulman Hassan	Key management personnel	
Syed Asim Hamza Gillani	Key management personnel	
Shaukat Ali	Key management personnel	
Shahbaz Hameed	Key management personnel	
Amir Ahmad	Key management personnel	

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and investment of excess liquidity.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to currency risk as it has no receivables and payables denominated in foreign currency.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

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(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing liabilities. The Company's interest rate risk arises from bank balances in saving accounts and short term investment. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the financial position date the interest rate profile of the Company's interest bearing financial instruments was:

	2023 (Rupees)	2022 (Rupees)
Fixed rate instruments		
Financial asset		
Short term investment	200,000,000	200,000,000
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	178,407,862	215,317,916

E OFFICER / D **Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the statement of financial position date would not affect the statement of income and expenditure of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rate at the year end date, fluctuates by 1% higher / lower with all other variables held constant, surplus before taxation for the year would have been Rupees 2,158,405/- (2021: Rupees 1,697,825/-) higher / lower. This analysis is prepared assuming the amounts of financial instruments outstanding at statement of financial position dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Long term advances	49,116,845	57,623,539
Long term security deposits	1,062,176	1,062,176
Trade debts - considered good	9,627,268	6,476,537
Other receivables	15,870,623	8,160,204
Assets relating to PSDP and other projects - restricted funds	8,757,850	56,314,797
Short term investment	200,000,000	200,000,000
Bank balances	178,408,819	215,368,374
	462,843,580	545,005,626

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Outstanding receivable are regularly monitored.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Agency	2023	2022
	Short term	Long term		Rupees	Rupees
Banks					
Bank Alfalah Limited	A1+	AA+	PACRA	37,232,892	89,254,863
Habib Bank Limited	A-1+	AAA	VIS	88,152,617	111,428,477
National Bank of Pakistan	A1+	AAA	PACRA	53,023,310	14,685,035
				178,408,819	215,368,374
				2023	**2022**
				(Rupees)	**(Rupees)**
Short term investment					
National Bank of Pakistan	A1+	AAA	PACRA	200,000,000	200,000,000
Assets relating to PSDP and other projects - restricted funds					
Bank Alfalah Limited	A1+	AA+	PACRA	3,902,773	36,729,355
Habib Bank Limited	A-1+	AAA	VIS	4,855,077	12,881,510

Due to the Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and bank balances. At 30 June 2023, the Company had Rupees 178,408,819/- bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2023:

	Carrying amount	Contractual cash flows	6 month or less
	---------- Rupees ----------		
Non-derivative financial liabilities :			
Trade and other payables	57,434,380	57,434,380	57,434,380

Contractual maturities of financial liabilities as at 30 June 2023:

	Carrying amount	Contractual cash flows	6 month or less
	---------- Rupees ----------		
Non-derivative financial liabilities:			
Trade and other payables	32,127,775	32,127,775	32,127,775

		2023 (Rupees)	2022 (Rupees)
32.1	**Financial instruments by categories**		
	Financial assets - amortized cost		
	Long term advances	49,116,845	57,623,539
	Long term security deposits	1,062,176	1,062,176
	Trade debts - considered good	9,627,268	6,476,537
	Other receivables	15,870,623	8,160,204
	Assets relating to PSDP and other projects - restricted funds	8,757,850	56,314,797
	Short term investment	200,000,000	200,000,000
	Bank balances	178,408,819	215,368,374
		462,843,580	545,005,626
	Financial liabilities - amortized cost		
	Staff benefits	92,816,291	79,535,974
	Trade and other payables	57,434,380	32,127,775
		150,250,671	111,663,749

32.2 FUND MANAGEMENT

The Management's objective when managing fund is to safeguard the Company's ability to continue as a going concern so that it can achieve its primary objective, provide benefits for other stakeholders and to maintain a strong fund base to support the sustained development.

33 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

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

(i) Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

34 NUMBER OF EMPLOYEES

	2023	2022
Number of employees as on 30 June	125	114
Average number of employees during the year	116	94

35 DISCLOSURES REQUIRED BY PTA

35.1 Number of subscribers at the end of each month

Broadband subscribers of the Company at the end of each month ranges from 85 to 95 (2022: 83 to 90).

35.2 Intercity leased bandwidth with identification of terminal points

	----- Mbps -----	----- Mbps -----
Lahore	691	635
Islamabad	1,284	956
Karachi	184	231
Peshawar	-	56
Faisalabad	45	80
Quetta	22	-
Gilgit	300	-

35.3 Quality of service reports

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

35.4 Presentation of gross profit and operating profit

Gross profit and operating profit has not been presented in the income and expenditure account keeping in view receipts of grants and not-for-profit activities of the company.

36 GENERAL

Figures have been rounded to the nearest Rupee.

37 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 18-07-2024. by the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER / DIRECTOR

DIRECTOR

10 PROPERTY AND EQUIPMENT

		Leasehold land	Furniture & fittings	Office and electric equipment	Computer and related equipment	Data node equipment & installation	Vehicles	Total
Cost	**As at 01 July 2021**	**875,925,720**	**10,187,284**	**20,314,910**	**22,162,149**	**37,413,829**	**4,594,015**	**970,597,907**
	Addition	-	4,868,305	6,117,816	2,118,472	2,187,040	-	15,291,633
	Reclassification	-	-	-	-	-	-	-
	Disposal	-	-	-	-	-	-	-
	As at 30 June 2022	**875,925,720**	**15,055,589**	**26,432,726**	**24,280,621**	**39,600,869**	**4,594,015**	**985,889,540**
	Addition	-	26,355,935	-	1,129,435	-	-	27,485,370
	As at 30 June 2023	**875,925,720**	**41,411,524**	**26,432,726**	**25,410,056**	**39,600,869**	**4,594,015**	**1,013,374,910**
Accumulated Depriciation	**As at 01 July 2021**	**267,970,038**	**7,718,602**	**9,616,458**	**17,762,282**	**25,658,967**	**4,479,921**	**333,206,268**
	For the year	28,623,072	308,917	1,123,337	1,144,102	2,419,913	22,819	33,642,160
	Reclassification	-	-	-	-	-	-	-
	Disposal	-	-	-	-	-	-	-
	As at 30 June 2022	**296,593,110**	**8,027,519**	**10,739,795**	**18,906,384**	**28,078,880**	**4,502,740**	**366,848,428**
	For the year	28,623,072	2,546,951	1,569,293	1,430,105	2,304,398	18,255	36,492,074
	As at 30 June 2023	**325,216,182**	**10,574,470**	**12,309,088**	**20,336,489**	**30,383,278**	**4,520,995**	**403,340,502**
	Written down value as at 30 June 2022	**579,332,610**	**7,028,070**	**15,692,931**	**5,374,237**	**11,521,989**	**91,275**	**619,041,112**
	Written down value as at 30 June 2023	**550,709,538**	**30,837,054**	**14,123,638**	**5,073,567**	**9,217,591**	**73,020**	**610,034,408**
CHIEF	**Annual rate of depreciation**	-	**10%**	**10%**	**25%**	**20%**	**20%**	

10.1 Breakup of depreciation for the year is as follows:

	2023	2022
Depreciation related to assets purchased from Government grants	3,139,161	193,114
Depreciation related to other assets	2,613,238	2,211,272
	5,752,399	2,404,386
Depreciation related to assets transferred from PSDP and other projects	30,739,675	31,237,774
	36,492,074	33,642,160

11 ASSETS RELATING TO PSDP AND OTHER PROJECTS - RESTRICTED FUNDS

	Note	Rupees 2023	Rupees 2022
Operating fixed assets	11.1	48,708,216	37,320,227
Capital work in Process, civil works	11.2	-	16,915,779
		48,708,216	**54,236,006**

11.1 OPERATING FIXED ASSETS

		Leasehold land	Furniture & fittings	Office and electric equipment	Computer and related equipment	Data node equipment & installation	Total
Cost	**As at 01 July 2021**	-	**800,748**	-	**2,177,892**	-	**2,978,640**
	Addition	-	1,460,984	13,569,071	16,235,384	4,933,968	36,199,407
	As at 30 June 2022	-	**2,261,732**	**13,569,071**	**18,413,276**	**4,933,968**	**39,178,047**
	Addition	16,915,779	-	-	1,274,874	-	18,190,653
	As at 30 June 2023	**16,915,779**	**2,261,732**	**13,569,071**	**19,688,150**	**4,933,968**	**57,368,700**
Accumulated Depreciation	**As at 01 July 2021**	-	**15,781**	-	**607,220**	-	**623,001**
	For the year	-	109,105	132,576	910,905	82,233	1,234,819
	As at 30 June 2022	-	**124,886**	**132,576**	**1,518,125**	**82,233**	**1,857,820**
	For the year	-	213,685	1,343,650	4,274,983	970,347	6,802,664
	As at 30 June 2023	-	**338,571**	**1,476,226**	**5,793,108**	**1,052,580**	**8,660,484**
	Written down value as at 30 June 2022	-	**2,136,846**	**13,436,495**	**16,895,151**	**4,851,735**	**37,320,227**
	Written down value as at 30 June 2023	**16,915,779**	**1,923,161**	**12,092,846**	**13,895,042**	**3,881,388**	**48,708,216**
	Annual rate of depreciation	**3.3%**	**10%**	**10%**	**25%**	**20%**	

11.2 This amount represents the advance issued to Pakistan Public Works Department (PKPWD) for construction of boundry wall on the land of Project "Establishment of IT Park, Karachi".