



Empowering Networks



# ANNUAL REPORT

**2022**

[www.super.net.pk](http://www.super.net.pk)





## ABOUT SUPERNET



Supernet Limited, one of Pakistan's leading telecommunications service providers and systems integrators, has been operating since 1995. Supernet offers a complete range of enabling ICT solutions with the expertise to, deliver, deploy, and maintain them anywhere in the country through a dedicated team of technology professionals.

With the presence of its engineering resources all over Pakistan, Supernet has a long-standing experience in providing ICT services to corporate customers. Supernet has expanded its portfolio of services to include cyber security solutions, power solutions, IT Infrastructure solutions, and software & applications solutions.



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# Company Information

## **Board of Directors**

Syed Aamir Hussain(Chairman)  
Mr. Jamal Nasir Khan (CEO)  
Syed Hashim Ali  
Mr. Waseem Ahmad  
Mr. Asad Mujtaba Naqvi  
Mr. Ahmer Qamar  
Ms. Naeen Ahmad

## **Board Audit Committee**

Mr. Asad Mujtaba Naqvi(Chairman)  
Syed Aamir Hussain  
Mr. Ahmer Qamar

## **Human Resource & Remuneration Committee**

Mr. Asad Mujtaba Naqvi(Chairman)  
Mr. Jamal Nasir Khan  
Mr. Ahmer Qamar

## **Chief Executive Officer**

Mr. Jamal Nasir Khan

## **Legal Advisor**

Mohsin Tayebaly & Co.

## **Chief Financial Officer**

Syed Hashim Ali

## **Company Secretary**

Mr. Waseem Ahmad

## **Banks**

Habib Metropolitan Bank Ltd  
Standard Chartered Pakistan  
National Bank of Pakistan  
Meezan Bank Limited  
Silk Bank Limited

## **Registrar and Share Transfer Office**

Jwaffs Registrar Services (Pvt.) Ltd.  
407-408, 4<sup>th</sup> Floor, Al Ameera Centre  
Sharah-e-Iraq Karachi

## **Registered Office**

3<sup>rd</sup> Floor, 75 East, Blue Area,  
Fazal-ul-Haq Road, Islamabad  
Pakistan

## **Corporate Office**

9<sup>th</sup> Floor, World Trade Center, 10-  
Khayaban-e-Roomi, Clifton, Karachi  
Pakistan



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### Notice of Annual General Meeting

Notice is hereby given that the 02<sup>nd</sup> Annual General Meeting of the shareholders of the Company will be held on 27 October 2022 at 1100 hours, at 3<sup>rd</sup> Floor, 75 East Blue Area, Fazal-ul-Haq Road, Islamabad to transact the following business.

#### Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on 28 October 2021.
2. To receive, consider and adopt Annual Audited Financial Statement of the Company together with the Directors and the Auditors' report thereon for the year ended 30 June 2022, together with the Audited Consolidated Financial Statements of the Company and the Auditors' report thereon for the year ended 30 June 2022.
3. To appoint external auditors of the Company for the year ended 30 June 2023 and fix their remuneration present Auditors M/s Parker Russell - A.J.S., Chartered Accountants are retiring and being eligible offer themselves for reappointment.
4. To seek approval of 10% bonus shares to its existing share-holders as recommended and approved by the Board.
5. To seek approval of migration from Growth Enterprise Market 'GEM' Board to the Main Board of Pakistan Stock Exchange Limited 'PSX'.
6. To transact any other business with the permission of the Chair.

By order of the Board

**Waseem Ahmad**  
Company Secretary

#### Notes

07 October, 2022

1. The Members Register will remain closed from the 21 October 2022 to 27 October 2022 (both days inclusive). Transfer received in order by Shares Registrar, Jwaffs Registrar Services (Pvt.) Limited, 407-408, 4<sup>th</sup> Floor, Al Ameera Centre, Shahrah-e-Iraq, Saddar Karachi by the close of business on 20 October 2022 will be considered in time for attending the meeting.
2. A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her. Proxies in-order must be received, during business hours, at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Cards (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
4. For attending the meeting and appointing proxies CDC account holder will further have to follow the guidelines as laid down in Circular 01 dated 26 January 2000 issued by the SECP.
5. Shareholders are requested to notify the Registrar as aforesaid of any change in their address.
6. Members who are holding share in physical folios are requested to submit a copy of their CNIC at the office of our Registrar.



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## Directors' Report

The Board of Directors of Supernet Limited are pleased to present the Financial Statements and review of your Company's performance for the year ended 30 June 2022.

## Market Overview

There has been considerable growth in the area of communications, connectivity, digitalization and e-commerce in the year Financial Year ended 30 June 2022. There is more dependency on digital transactions as businesses are moving towards digital and online systems.

Government has increased its focus on exports of digital services including software and BPO including cybersecurity. Cybersecurity Regulations are being enacted in different sectors of market. e.g. NEPRA has issued Regulations for Power Sector Cybersecurity.

Your Company and its subsidiaries are uniquely placed to leverage these and other enterprise and business enabling solutions opportunities whether they relate to helping support enhancement in broadband coverage, cybersecurity, digital infrastructure roll out and management or connectivity solutions.

Positive developments were witnessed in the Fiscal Year due to lowering the minimum rate of tax on services has helped both Supernet and Telecard and impacted the bottom line positively.

## Financial Performance

	Standalone (Rs. In '000)		Consolidated (Rs. In '000)	
	FY 21-22	FY 20-21	FY 21-22	FY 20-21
Revenue	2,837	2,469	3,156	2,665
Gross profit	839	662	1,053	759
EBITDA	577	492	683	528
Net Profit	188	202	288	233
EBITDA Per Share	5.14	4.92	6.09	5.28
EPS	1.83	2.03	2.80	2.33

The Company improved the gross profit percentage on a consolidated basis from 28% to 33% in the current financial year which is attributable to increase in the revenue mix of those projects which carry higher gross profit ratio and rationalism of direct cost. The Company has reported a profit after taxation of Rs. 288 million as against a profit of Rs. 233 million during the corresponding financial period. The earning per share stood at Rs. 2.80 compared to a profit per share of Rs. 2.33 in preceding twelve months.

On a standalone basis the revenue for the period ended 30 June 2022 was Rs. 2,837 million as against the revenue of Rs. 2,469 million for the corresponding financial year. The Company was able to better manage the gross profit percentage compared to the preceding financial year, however the increase in electricity charges and Pakistani Rupees depreciation causing a massive exchange loss pushed the profit before taxation figure below that of preceding financial year.

The earning per share stood at Rs. 1.83 compared to a profit per share of Rs. 2.03 in the last time frame due to the above stated reason.

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## **Business Development Opportunities**

Supernet has during the year won major contracts in cybersecurity and IT Infrastructure Domain from Banks, FMCG and Telco's. During the year SuperSecure, a substantially owned subsidiary of Supernet has increased its product and services portfolio to deliver IT & OT cybersecurity by signing contracts with leaders in their respective domain in the cybersecurity.

Supernet was awarded a major defense contract that has positive impact on the company's efforts to enhance its inroads into Defense Systems & Solutions business.

## **Future Outlook - Challenges and Way Forward**

Your company is fully leveraging its inherent advantage in experienced and trained human resources, established inroads into Enterprise Segment and already functional business lines to explore opportunities in technology sector with a focus to enhance revenues, profitability and diversification of its revenue streams.

Cognizant of the emerging opportunities in the growth of ICT and Cybersecurity sectors in local as well as global basis, your Company is expanding its footprint into Enterprise Security Solutions and Business Process Software Platforms by forming global alliances and leveraging in house expertise to deliver best in class solutions to its customers through itself and its subsidiaries. The company is actively looking towards enhancing its presence in technology sector and feels confident that it will do so in coming months while growing its existing business lines.

## **Non-Executive Director Remuneration Policy**

The Company has a remuneration policy for its Non-Executive Directors, and the same is being implemented during the financial year.

## **Listed Companies (Code of Corporate Governance) Regulations, 2019**

The Code of Corporate Governance has envisaged a number of significant changes to establish business and ethical norms both locally and internationally, the company is in the process to take concrete steps for compliance with the Code.

## **Risk Management**

The Company believes that risk management is an essential part of any organization to foresee, comprehend analyze and take appropriate measures to mitigate any potential risk. The Company has established a policy to foresee any such happening, with sound practice in place.

## **Impact of Business on Environment**

The Company is in the business of providing ICT services, and does not have any toxic or hazardous waste at its disposal. However, environmentally, we as a Company, lay emphasis on reduced consumption of resources, with maximum output to all employees.

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## Corporate and Social Responsibility

During the year under review the Company did not undertake any social responsibility activity.

## Transfer Pricing

The Company has fully complied with the best practices on transfer pricing as contained in the Listing Regulations of the Stock Exchange.

## Directors Declaration on Corporate and Financial Reporting Framework

The Directors confirm compliance with the corporate and financial framework of the Code of Corporate Governance for the following:

- i. The financial statements prepared by the management of Supernet Limited presents fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ii. Proper books of accounts of Supernet Limited have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There is no doubt at all upon Supernet's ability to continue as a going concern.
- vii. The values of investments in employee retirement funds based on the unaudited accounts as of 30 June 2022 is Rs. 72.5 million of Staff Provident Fund.
- viii. There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.

## Other Information

- i. Key operating and financial data for the last six years in summarized form is given.
- ii. There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in the Financial Statements.

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During the year under review, one (1) Board of Directors meeting was held and attended as follows:

<b>Name of Directors</b>	<b>No. of meetings attended</b>
Syed Aamir Hussain	1
Mr. Jamal Nasir Khan	1
Syed Hashim Ali	1
Mr. Waseem Ahmad	1
Mr. Asad Mujtaba Naqvi	1
Mr. Ahmer Qamar	1
Ms. Naueen Ahmed	1

During the year, one (1) Boards Audit Committee meeting was held and attended as follows:

<b>Name of Directors</b>	<b>No. of meetings attended</b>
Mr. Asad Mujtaba Naqvi	1
Syed Aamir Hussain	1
Mr. Ahmer Qamar	1

Leave of absence was granted to the members not attending the Board Meeting.

### **Consolidated Financial Statements**

Consolidated Financial Statements of the Company as on 30 June 2022 are annexed.

### **Auditors**

The present auditors, Parker Russell - A.J.S. Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

### **Dividends**

The Company is pleased to declare 10% bonus shares from its profits for the year end.

### **Pattern of Shareholding**

The pattern of shareholding as on 30 June 2022 is annexed to this report.

### **Acknowledgement**

We feel that we are at an exciting juncture of our growth and are confident that concerted efforts by all stakeholders will yield positive results in months to come. We would, at this point-in-time, like to thank our shareholders for their support, our customers for their trust, and our management team and employees at all levels for their steadfast loyalty, professionalism and service.

On behalf of the Board

Jamal Nasir Khan  
Chief Executive Officer



**SUPERNET LIMITED**

Syed Hashim Ali  
Director



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## Chairman's Review Report

### Introduction

The leadership and effectiveness of the Board are primarily the Chairman's responsibility. We recognize the importance of, and are committed to, high standards of corporate governance, aligned with the needs of the Company and the interests of all our stakeholders. My fellow directors and I fully appreciate the importance of sound governance in the efficient running of the Company, and in particular to the effectiveness of the Board and the management of risks faced by the group.

### Financial Performance

I am pleased to report the performance of Supernet Limited and its subsidiaries (the group) for the financial year ended 30 June 2022. The times are competitive and the Company operates amidst intense competition within the Technology Industry. The revenue posted for the year ended 30 June 2022 was Rs. 2.837 billion as compared to Rs. 2.469 billion for the preceding financial year. The increase in revenue is attributable to beyond connectivity margins which were higher than the preceding year.

On a consolidated basis the Company posted revenue of Rs. 3.156 billion as compared to 2.665 billion in the preceding financial year, the operating profit was reported at Rs. 415 million, as compared to Rs. 366 million for the corresponding time frame.

### Composition of the Board

The current composition of the Board is a varied mix of rich experience in the field of business, finance and compliances. The Board is responsible for providing strategic directions to the management, and execution thereof is diligently done by the management of the Company.

### Board Committees

The Board is assisted by the Committees, the Audit Committee reviews the financial statements, and ensures that the accounts present clear and precise financial position of the Company. The Human Resource Committee oversee the HR policy, its implementation, and most importantly succession planning.

### Financial Reporting

The Board acknowledges its responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects. To ensure consistency of reporting, the group has an established consolidation process as well as formal financial and operational procedure manuals. Management monitors the publication of new reporting standards and works closely with the statutory auditors in evaluating the impact of these standards.



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### Internal control

The Board of Directors, being ultimately responsible for the group's system of internal control, has established an internal financial control structure which is designed to provide the Board with reasonable, but not absolute, assurance that it can rely on the accuracy and reliability of the financial records. The internal control structure is primarily based on Financial Reporting, Operating Controls, Treasury, Internal Audit and Employees Integrity.

### Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the 12 months from the date of approval of this statement. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

  
\_\_\_\_\_  
Syed Aamir Hussain  
Chairman



06 October 2022

## SUPERNET LIMITED

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**SUPERNET LIMITED SIX YEAR FINANCIAL SUMMARY (FINANCIAL ANALYSIS)**

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Revenue	2,837	2,469	2,559	2,866	2,451	2,025	1,905
Direct costs	(1,998)	(1,807)	(1,948)	(2,347)	(1,816)	(1,525)	(1,522)
<b>Gross profit</b>	<b>839</b>	<b>662</b>	<b>610</b>	<b>519</b>	<b>635</b>	<b>500</b>	<b>383</b>
<i>Gross Profit %</i>	<i>30%</i>	<i>27%</i>	<i>24%</i>	<i>18%</i>	<i>26%</i>	<i>25%</i>	<i>20%</i>
G&A	(457)	(407)	(345)	(390)	(327)	(331)	(227)
Other income / (expenses)	(74)	75	(9)	176	(27)	6	(3)
	(531)	(332)	(354)	(213)	(354)	(325)	(230)
<b>Operating profit</b>	<b>309</b>	<b>330</b>	<b>256</b>	<b>306</b>	<b>281</b>	<b>175</b>	<b>153</b>
<i>Operating Profit %</i>	<i>11%</i>	<i>13%</i>	<i>10%</i>	<i>11%</i>	<i>11%</i>	<i>9%</i>	<i>8%</i>
Finance costs	(26)	(25)	(37)	(34)	(27)	(22.55)	(16.70)
<b>Profit / (loss) before taxation</b>	<b>283</b>	<b>305</b>	<b>219</b>	<b>272</b>	<b>254</b>	<b>152</b>	<b>136</b>
Taxation	(95)	(102)	(199)	(232)	(174)	(152)	(133)
<b>Net Profit / (loss) for the period</b>	<b>188</b>	<b>203</b>	<b>21</b>	<b>40</b>	<b>80</b>	<b>0</b>	<b>4</b>
<b>EBITDA</b>	<b>577</b>	<b>467</b>	<b>370</b>	<b>415</b>	<b>370</b>	<b>239</b>	<b>203</b>
<i>EBITDA%</i>	<i>20%</i>	<i>19%</i>	<i>14%</i>	<i>14%</i>	<i>15%</i>	<i>12%</i>	<i>11%</i>



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## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

### SUPERNET LIMITED Year Ending: June 30, 2022

The Company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are 07 as per the following:

- a) Male: 06
- b) Female: 01

2. The Composition of the Board is as follows:

Category	Names
Independent Director*	Mr. Asad Mujtaba Naqvi
Non-Executive Directors	Syed Aamir Hussain
	Mr. Ahmer Qamar
Executive Directors**	Mr. Jamal Nasir Khan
	Syed Hashim Ali
	Mr. Waseem Ahmad
	Ms. Naeen Ahmed
Female Director	Ms. Naeen Ahmed

\*It is mandatory that each listed Company shall have at least two or one third members of the Board, whichever is higher, as Independent Director. Efforts are underway to increase the number of Independent Directors as prescribed by the Regulations.

\*\*It is mandatory that the Executive Directors, including the Chief Executive Officer, shall not be more than one third of the Board. The number of Executive Directors on the Board exceeds the limit prescribed by the Regulations.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;

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8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Company has arranged Director's Training Program for one of its director during the current financial year, as the Company has been recently listed on Pakistan Stock Exchange (PSX) and no Directors' Training Program was available during the year in review;
10. During the year, there has been no change in the position and terms and conditions of employment of the Company Secretary and Chief Financial Officer;
11. Chief financial officer and Chief executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

<b>Board Audit Committee</b>		
<b>Name of Members</b>	<b>Category</b>	<b>Designation</b>
Mr. Asad Mujtaba Naqvi	Independent Director	Chairman
Mr. Ahmer Qamar	Non-Executive Director	Member
Syed Aamir Hussain	Non-Executive Director	Member

<b>Human Resource &amp; Remuneration Committee</b>		
<b>Name of Members</b>	<b>Category</b>	<b>Designation</b>
Mr. Asad Mujtaba Naqvi	Independent Director	Chairman
Mr. Jamal Nasir Khan	Chief Executive Officer	Member
Mr. Ahmer Qamar	Non-Executive Director	Member

13. The terms of reference of the aforesaid committee have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee was as per following:

<b>Audit Committee</b>	Quarterly
<b>Human Resource &amp; Remuneration Committee</b>	Annually

15. The internal audit function has been setup by the Board at the group level who are considered to be suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
16. During the year, one casual vacancy occurred on the Board that was duly filled up by the Directors within the prescribed number of days;
17. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics

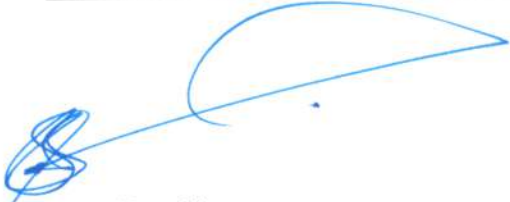


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as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company;

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
19. We confirm that all requirements of regulations 3, 7, 27, 32, 33 and 36 of the Regulations have been complied with; and
20. Explanation for non-compliance with requirements, other than regulations 3, 7, 27, 32, 33 and 36 are below;

Se c. No.	Para No.	Description	Explanation
1	2	The number of Executive Directors on the Board, including the Chief Executive Officer, exceeds the limit prescribed by Regulation No 8.	Efforts are underway to decrease the number of Executive Directors as prescribed by the Regulations.
2	2	The Company does not have at least two or one third members of the Board, whichever is higher, as Independent Director as prescribed in Regulation No. 6.	Efforts are underway to increase the number of Independent Director as prescribed by the Regulations.
3	9	All of the Directors on the Board shall acquire prescribed certification under any Director Training Program as per the criteria specified in Regulation No 19 (1) (ii).	The Company has been recently listed and compliance w.r.t Directors Training Program will be ensured timely.

  
Syed Hashim Ali  
Director

  
Jamal Nasir Khan  
Chief Executive Officer

06 October 2022

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**Independent Auditor's Review Report to the Members of Supernet Limited**

**Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019.**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Supernet Limited** (the Company) for the year ended June 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2022.

Further, we highlight below instances of non-compliance with the requirements of the Regulations, 2019 as stated in the para 20 reference of the Statement of Compliance:

#	Description
1	The number of Executive Directors on the Board, including the Chief Executive Officer, exceeds the limit prescribed by Regulation No 8.
2	The Company does not have at least two or one third members of the Board, whichever is higher, as Independent Director as prescribed in Regulation No. 6.
3	The requirement for all the Directors on the Board to acquire prescribed certification under any Director Training Program as per the criteria specified in Regulation No 19 (1) (ii) has not been complied.



(Chartered Accountants)

Place: Karachi

Date: October 7, 2022

UDIN: CR2022101924AutHN2Pf



UNCONSOLIDATED  
CONDENSED INTERIM  
FINANCIAL STATEMENTS

[www.super.net.pk](http://www.super.net.pk)

**Independent Auditor's 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, 2022, and the unconsolidated statement of profit or loss, and 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, 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, 2022 and of the profit and other comprehensive income, 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<p><b>1. Revenue recognition</b></p> <p>The Company has reported revenue amounting to Rs. 2,837.03 million during the year ended June 30,</p>	<p>Our key audit procedures in this area amongst others included the following:</p>





<b>Key audit matters</b>	<b>How the matter was addressed in our audit</b>
<p>2022. The Company provides data networking and support services, sale of equipment's and licenses and carrying certain turnkey projects.</p> <p>We considered revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets. In addition, revenue is also considered as an area of significant risk as part of the audit process.</p>	<ul style="list-style-type: none"><li>• Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue;</li><li>• comparing a sample of transactions comprising of various revenue streams recorded during the year with relevant underlying supporting documents and receipts;</li><li>• inspecting manual journal entries relating to revenue recognized during the year and the corresponding underlying documentation for those journal entries which were considered to be material or met certain specified risk-based criteria;</li><li>• tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue was recognized in the correct period; and</li><li>• assessed the appropriateness of disclosures made in the unconsolidated financial statements related to revenue.</li></ul>
<p><b>2. Recoverability of trade debts</b></p> <p>Refer notes 3.12.7 and 12 to the unconsolidated financial statements.</p> <p>As at June 30, 2022, the Company's gross trade debtors were Rs. 1631.93 million against which allowances for expected credit losses of Rs. 68.24 million have been recognized.</p> <p>We identified the recoverability of trade debtors as a key audit matter because it involves significant management judgment and estimates in determining the allowance of expected credit loss.</p>	<p>Our audit procedures to assess the valuation of trade debts included the following:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of and testing the design and implementation of management's key internal controls relating to credit control, debt collection and making allowances for doubtful debts;</li><li>• agreeing, on a sample basis, ageing the balances used in management's estimate of expected credit loss with the books of account of the Company;</li><li>• testing the assumptions and estimates made by management for the allowances for doubtful debts; and</li><li>• evaluating that the allowance for doubtful debt is in accordance with the requirements of applicable financial reporting framework.</li></ul>

Key audit matters	How the matter was addressed in our audit
<p><b>3. Contingencies</b></p> <p>There are a number of regulatory and tax cases against the Company. These contingencies requires management to make judgments and estimates in relation to the interpretation of laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies.</p> <p>Involvement of subjectivity, inherent uncertainty and the time period such matters may take to resolve, the management judgements and estimate in relation to such contingencies may be complex and can significantly impact the unconsolidated financial statements. For such reasons, we have considered contingencies and provision as a key audit matter.</p>	<p>Our key audit procedures in this area amongst others included the following:</p> <ul style="list-style-type: none"> <li>• Assessed management’s processes to identify new possible litigations, obligations and changes in existing obligations through inquiries from management and review of the minutes of meetings of the Board of Directors and Audit Committee;</li> <li>• reviewed the relevant information including case proceedings, legal opinions related industry information and correspondences in respect of the ongoing litigations;</li> <li>• obtained confirmation from the legal counsel and tax advisor of the Company to evaluate the status of the pending litigations and view point of the Company’s legal counsel thereon;</li> <li>• examined legal and professional expenses to confirm that all pending legal matters are identified and disclosed; and</li> <li>• assessed the appropriateness of the related disclosures made in the accompanying unconsolidated financial statements in light of IAS-37 “Provisions and Contingencies”.</li> </ul>

**Information Other than the Unconsolidated Financial Statements and Auditor’s Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, 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.

### **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 unconsolidated 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 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.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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.

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 unconsolidated financial statements of the current period and 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.

#### **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 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 thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



**(Chartered Accountants)**

Date: October 07, 2022

Karachi.

UDIN: AR202210192miHSrdY9p

**SUPERNET LIMITED**  
**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**

	Note	June 30, 2022	June 30, 2021
---- ( Rupees in '000) ----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	4	366,577	352,762
Intangible assets	5	868	1,158
Right-of-use assets	6	2,067	4,073
Long-term investments	7	19,709	2,509
		<u>389,221</u>	<u>360,502</u>
Long-term deposits	8	95	95
Deferred taxation	9	63,616	41,920
		<u>452,932</u>	<u>402,517</u>
<b>CURRENT ASSETS</b>			
Communication stores	10	162,603	121,952
Short term investment	11	125,000	-
Trade debts	12	1,563,689	1,114,794
Advances, deposits and prepayments	13	270,821	98,308
Other receivables	14	201,620	155,245
Taxation - net		80,068	164,025
Cash and bank balances	15	30,853	53,232
		<u>2,434,654</u>	<u>1,707,556</u>
<b>TOTAL ASSETS</b>		<u><u>2,887,586</u></u>	<u><u>2,110,073</u></u>

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

  
**CHIEF EXECUTIVE OFFICER**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

**SUPERNET LIMITED**  
**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**

	Note	June 30, 2022	June 30, 2021
---- ( Rupees in '000) ----			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 150,000,000 (June 30, 2021: 150,000,000) ordinary shares of Rs.10 each	16.1	<u>1,500,000</u>	<u>1,500,000</u>
Issued, subscribed and paid-up capital	16.2	<u>1,122,222</u>	<u>1,000,000</u>
Share premium	16.3	<u>145,658</u>	<u>-</u>
Revenue reserve - Unappropriated profit		<u>293,985</u>	<u>105,888</u>
		<u>1,561,865</u>	<u>1,105,888</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	17	-	23,438
Lease liabilities	18	616	3,145
Deferred liability	19	2,419	2,737
		3,035	29,320
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	1,141,984	779,629
Accrued markup	21	7,315	5,883
Contractual liability to customer	22	8,872	8,872
Current portion of lease liabilities and short term financing	23	164,515	180,481
		1,322,686	974,865
Contingencies & commitments	24		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,887,586</u>	<u>2,110,073</u>

The annexed notes from 1 to 44 form an integral part of these unaudited financial statements.

  
**CHIEF EXECUTIVE OFFICER**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

**SUPERNET LIMITED**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	June 30, 2022 ----- ( Rupees in '000) -----	June 30, 2021
Revenue - net	25	2,837,028	2,468,695
Cost of services	26	<u>(1,998,357)</u>	<u>(1,806,446)</u>
<b>Gross profit</b>		<b>838,671</b>	<b>662,249</b>
Administrative & other expenses	27	<u>(288,296)</u>	<u>(249,510)</u>
Distribution costs	28	<u>(167,219)</u>	<u>(157,187)</u>
Exchange (loss) / gain		<u>(90,504)</u>	<u>46,896</u>
		<u>(546,019)</u>	<u>(359,801)</u>
Other income	29	<u>16,555</u>	<u>27,815</u>
		<u>(529,464)</u>	<u>(331,986)</u>
<b>Operating profit</b>		<b>309,207</b>	<b>330,263</b>
Finance costs	30	<u>(26,396)</u>	<u>(25,369)</u>
<b>Profit before taxation</b>		<b>282,811</b>	<b>304,894</b>
Taxation	31	<u>(94,714)</u>	<u>(102,202)</u>
<b>Profit after taxation</b>		<b><u>188,097</u></b>	<b><u>202,692</u></b>
-----Amount in Rupees-----			
<b>Earnings per share - basic and diluted</b>	32	<b><u>1.83</u></b>	<b><u>2.03</u></b>

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

  
**CHIEF EXECUTIVE OFFICE**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

**SUPERNET LIMITED**  
**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>June 30, 2022</b>	<b>June 30, 2021</b>
	----- ( Rupees in '000) -----	
Profit after taxation	188,097	202,692
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b><u>188,097</u></b>	<b><u>202,692</u></b>

The annexed notes from 1 to 44 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, 2022**

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve	Total
		Share premium	Un appropriated profit	
----- ( Rupees in '000') -----				
<b>Balance as at July 01, 2020</b>	<b>500,000</b>	-	<b>405,696</b>	<b>905,696</b>
Profit for the period	-	-	202,692	202,692
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	<b>202,692</b>	<b>202,692</b>
Bonus shares issued	500,000	-	(500,000)	-
Cost of issuance of share	-	-	(2,500)	(2,500)
<b>Balance as at June 30, 2021</b>	<b>1,000,000</b>	-	<b>105,888</b>	<b>1,105,888</b>
Profit for the period	-	-	188,097	188,097
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	<b>188,097</b>	<b>188,097</b>
Share issued	122,222	152,778	-	275,000
Cost of issuance of shares	-	(7,120)	-	-
<b>Balance as at June 30, 2022</b>	<b>1,122,222</b>	<b>145,658</b>	<b>293,985</b>	<b>1,568,985</b>

The annexed notes from 1 to 44 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, 2022**

		June 30, 2022	June 30, 2021
	Note	----- ( Rupees in '000') -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	33	93,629	243,653
Income tax paid		(32,453)	(94,055)
Finance cost paid		(20,747)	(26,249)
Gratuity paid		(391)	(197)
<b>Net cash generated from operating activities</b>		<b>40,038</b>	<b>123,152</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4.1	(156,304)	(97,351)
Proceeds from disposal of property, plant and equipment		-	855
Short-term investment made		(125,000)	-
Long-term investment made		(17,200)	1,483
Income received from saving account		3,674	(1,000)
<b>Net cash used in investing activities</b>		<b>(294,830)</b>	<b>(96,013)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		275,000	-
Long-term financing		(23,438)	(31,250)
Lease rentals paid		(2,822)	(2,781)
Short-term running finance		(16,327)	20,364
<b>Net cash used in financing activities</b>		<b>232,413</b>	<b>(13,667)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(22,379)</b>	<b>13,472</b>
Cash and cash equivalents at the beginning of the period		53,232	39,760
<b>Cash and cash equivalents at the end of the period</b>	15	<b>30,853</b>	<b>53,232</b>

The annexed notes from 1 to 44 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, 2022**

**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 was listed on Pakistan Stock Exchange at GEM Board on May 10 2022. During the year, the Company offered 12.22 million ordinary shares of Rs. 10 each to general public at the floor price of Rs. 22.5 per share including premium of Rs. 12.5 per share which resulted in Book Building proceeds of Rs. 275 million.

The Company has been granted a license by the Ministry of Communications, Government of Pakistan to establish and operate a data network system in Pakistan. The Company is engaged in providing satellite and microwave communication services e.g. internet, radio links, single channel per carrier (SCPC), time division multiple access (TDMA), etc., and sale and installation of related equipment and accessories.

The registered office of the Company is located at World Trade Centre, 75-East Blue Area, Fazal-ul-Haq Road, Islamabad. The principal place of business of the Company is located at World Trade Centre, 10, Khayaban-e-Roomi, Clifton, Karachi while its regional office is located at 2nd Floor, Block 2, Awami complex, New Garden town, Lahore.

**1.2 Utilization of proceeds from Book Building**

The Company raised the funds through Book Building by issuing new capital in order to fund procurement of fixed assets, invest in its subsidiaries and raise working capital.

<b>Summary of Book Building proceeds</b>	<b>Rupees in '000'</b>
Issuance of 12,222,200 ordinary shares at face value of Rs.10 per share	122,222
Excess fund received - Share premium at Rs.12.50	152,778
Less: Issuance cost	(7,120)
<b>Net Book Building proceeds</b>	<u><u>267,880</u></u>

Estimated breakup of utilization of the Book Building proceeds is mentioned below:

	<b>Rupees in '000'</b>
Issuance of 12,222,200 ordinary shares at Rs 22.20 per share	275,000
Less: Expenses related to initial offering	(7,120)
<b>Net proceed received from initial offering</b>	<u>267,880</u>
Less: Investment in subsidiaries	(17,200)
Less: Capital expenditure	(40,317)
Less: Utilization for working capital requirement	(70,273)
<b>Balance</b>	<u><u>140,090</u></u>

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## 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.

### 2.2 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention following accrual basis of accounting.

### 2.3 Functional and presentation currency

Items included in the unconsolidated 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 CHANGE IN ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED ACCOUNTING AND REPORTING STANDARDS

#### a) Amendments to published accounting and reporting standards which became effective during the year:

There were certain amendments to the accounting and reporting standards which became mandatory for the Company during the year. However, the amendments did not have any significant impact on the financial reporting of the Group and, therefore, have not been disclosed in these consolidated financial statements.

#### b) Amendments to published accounting and reporting standards that are not yet

There are certain amendments to the accounting and reporting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2022. However, these amendments will not have any significant impact on the financial reporting of the Group and, therefore, have not been disclosed in these consolidated financial statements.

### 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.

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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	3.12.7, 12 & 13
Recognition of tax and deferred tax	3.15, 9 & 31
Other provisions and contingent liabilities	3.11 & 24
Determining the lease term of contracts with renewal and termination options and estimating the incremental borrowing rate	3.14 & 18
Determining the useful lives and carrying value of ROU assets	3.3 & 6
Provision against obsolete items	3.5 & 10

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Fixed assets

##### 3.1.1 Property 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.



### 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 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.

### 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.

*2023*

**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, cash in hand and investments having a maturity of upto

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

### 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.

*Books*

**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 utilized. 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).

**Following are the related parties of the Company:**

Name of related party	Basis of relationship	% of share holding
Telecard Limited	Holding Company	81.185%
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. Naueen 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:

	Cost		Accumulated depreciation			WDV as at June 30, 2021	Depreciation rate per annum %
	As at July 01, 2020	As at July 01, 2020	Charge for the year	Transfer	Disposal		
<b>Owned assets</b>							
Leaschold improvements	36,180	-	29,895	-	-	32,440	20
Communication equipments	1,773,198	93,760	1,418,384	22,214	-	1,567,797	20
		35,775 *					
Furniture, fixtures and office equipments	48,009	304	36,186	-	-	38,788	10
Computers and accessories	53,511	2,318	51,266	-	-	53,137	33
Motor vehicles	15,061	969	12,715	-	(493)	12,735	20
<b>Leased assets</b>							
Plant and equipment	35,775	(35,775) *	19,531	2,683	(22,214)	-	20
<b>June 30, 2021</b>	<b>1,961,734</b>	<b>97,351</b>	<b>1,567,977</b>	<b>137,413</b>	<b>(493)</b>	<b>1,704,897</b>	<b>352,762</b>

(Rupees in '000')

4.2 Equipment, costing Rs. 1,278.70 million (June 30, 2021: Rs. 1,166.13 million), having a net book value of Rs. 454.302 million (June 30, 2021: Rs. 364.626 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:

	June 30, 2022	June 30, 2021
Cost of services	134,777	127,199
Administrative expenses	7,712	10,214
	<u>142,489</u>	<u>137,413</u>

4.4 The cost of fully depreciated assets as at June 30, 2022 is Rs. 1,467.22 million (June 30, 2021: Rs. 1,370.75 million).

*[Signature]*

Note

		June 30, 2022	June 30, 2021
	Note	----- ( Rupees in '000') -----	
<b>5. INTANGIBLE ASSETS</b>			
Computer software	5.1	<u>868</u>	<u>1,158</u>
<b>5.1 Cost</b>			
As at July 01		41,224	39,776
Transferred from capital work-in-progress		-	1,448
As at June 30		<u>41,224</u>	<u>41,224</u>
<b>Accumulated amortisation</b>			
As at July 01		(40,066)	(39,776)
Charge for the year		(290)	(290)
As at June 30		<u>(40,356)</u>	<u>(40,066)</u>
<b>Net book value</b>		<u>868</u>	<u>1,158</u>
<b>Annual rates of amortization</b>		<u>20%</u>	<u>20%</u>
<b>6. RIGHT-OF-USE ASSETS</b>			
<b>As at July 01,</b>			
Cost		8,823	8,823
Accumulated depreciation		(4,750)	(2,396)
Net book value		<u>4,073</u>	<u>6,427</u>
<b>Movement during the year</b>			
Opening net book value		4,073	6,427
Depreciation for the year		(2,006)	(2,354)
Closing net book value		<u>2,067</u>	<u>4,073</u>
<b>As at June 30,</b>			
Cost		8,823	8,823
Accumulated depreciation		(6,756)	(4,750)
Net book value		<u>2,067</u>	<u>4,073</u>
<b>7. LONG-TERM INVESTMENTS</b>			
<i>Subsidiary companies - at cost - unquoted</i>			
Supernet-E-Solutions (Private) Limited	7.1	100	100
Supernet Secure Solutions (Private) Limited	7.2	18,000	800
Phoenix Global FZE	7.3	609	609
Supernet Infrastructure Solutions (Private) Limited	7.4	1,000	1,000
		<u>19,709</u>	<u>2,509</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, 2021: 10,000) ordinary shares of Rs. 10 each.
- 7.2 This represents Company's investment in 80% equity shares of Supernet Secure Solutions (Private) Limited. During the year, the Company made an investment of Rs. 17.2 million. The Company holds 1,800,000 (June 30, 2021: 80,000) ordinary shares of Rs. 10 each.
- 7.3 This represents Company's investment in 100% equity shares of Phoenix Global FZE. The Company holds 08 (June 30, 2021: 08) ordinary shares of AED 1,000 each.

**Disclosure required under Companies Act, 2017**

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

- 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 (June 30, 2021: 10,000) ordinary shares of Rs. 100 each.

	June 30, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
<b>8. LONG-TERM DEPOSITS</b>		
Security deposits - considered good	<u>95</u>	<u>95</u>
<b>9. DEFERRED TAXATION</b>		
<b>Deductible temporary differences</b>		
Accelerated accounting depreciation	26,786	15,134
Deferred liability - staff gratuity	702	794
Doubtful debts and other provision	25,390	30,269
Others	8,975	-
Lease liabilities	912	1,541
	<u>62,765</u>	<u>47,738</u>
<b>Taxable temporary differences</b>		
Right-of-use assets	(599)	(1,181)
Exchange differences	1,450	(4,637)
	<u>851</u>	<u>(5,818)</u>
	<u>63,616</u>	<u>41,920</u>

		June 30, 2022	June 30, 2021
		----- ( Rupees in '000') -----	
<b>10. COMMUNICATION STORES</b>			
Stores		149,743	109,636
Provision against obsolete store items		(16,875)	(16,875)
		132,868	92,761
Consumables		29,735	29,191
		<u>162,603</u>	<u>121,952</u>
<b>10.1 Provision against obsolete store items</b>			
Opening balance		16,875	10,743
Provision for the year		-	6,132
Balance at the end of the year		<u>16,875</u>	<u>16,875</u>
<b>11. SHORT TERM INVESTMENT</b>			
Special sharikah certificates		<u>125,000</u>	-
<b>11.1</b>	These investments are made in special sharikah certificates on Musharaka basis carrying expected return at the rate of 10.5% per annum and having maturity of 15 days.		
		June 30, 2022	June 30, 2021
		----- ( Rupees in '000') -----	
<b>12. TRADE DEBTS</b>			
<b>Unsecured-considered good</b>			
Related parties	12.1	167,221	33,524
Others		1,396,468	1,081,270
		1,563,689	1,114,794
Considered doubtful trade debts		68,237	85,062
Loss allowance for ECLs	12.2	(68,237)	(85,062)
		-	-
		<u>1,563,689</u>	<u>1,114,794</u>
<b>12.1 Related parties</b>			
Telecard Limited		84,628	-
Phoenix Global FZE		77,762	29,980
Supernet E-Solutions (Private) Limited		4,831	3,544
		<u>167,221</u>	<u>33,524</u>

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

	June 30, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
Telecard Limited	84,628	-
Phoenix Global FZE	77,762	29,980
Supernet E-Solutions (Private) Limited	4,831	8,423
<b>12.2 Loss allowance for ECL</b>		
Opening balance	85,062	102,975
Loss allowance made during the year	43,174	40,537
Provisions written off	(60,000)	(58,450)
	<u>68,236</u>	<u>85,062</u>

- 12.3 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	167,221	84,628	13,706	35,640	33,247
Others	1,396,468	645,678	145,515	148,826	456,449
<b>June 30, 2022</b>	<u>1,563,689</u>	<u>730,306</u>	<u>159,221</u>	<u>184,466</u>	<u>489,696</u>
Related party	33,524	222	6,802	5,377	21,123
Others	1,081,270	280,630	124,207	144,694	531,739
<b>June 30, 2021</b>	<u>1,114,794</u>	<u>280,852</u>	<u>131,009</u>	<u>150,071</u>	<u>552,862</u>

13. **ADVANCES, DEPOSITS AND PREPAYMENTS**

	June 30, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
<b>Advances - considered good, unsecured</b>		
Employees - against expenses and projects	37,591	27,919
Suppliers	125,721	40,034
	<u>163,312</u>	<u>67,953</u>
<b>Deposits - considered good</b>		
Earnest money	32,785	24,669
Margin against guarantee	67,400	388
Others	4,879	2,629
	<u>105,064</u>	<u>27,686</u>
Considered doubtful deposits	2,441	2,441
Loss allowance against deposits considered doubtful	(2,441)	(2,441)
	<u>-</u>	<u>-</u>
	<u>105,064</u>	<u>27,686</u>
<b>Prepayments</b>		
Rent	1,835	1,835
Subscription	507	507
Others	103	327
	<u>2,445</u>	<u>2,669</u>
	<u>270,821</u>	<u>98,308</u>

		June 30, 2022	June 30, 2021
	Note	----- ( Rupees in '000') -----	
<b>14. OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Current accounts with related parties	14.1	183,619	140,314
Insurance claim		4,756	4,306
Advance income tax	14.2	2,991	2,991
Accrued mark-up from related parties		2,216	2,216
Others		8,038	5,418
		<u>201,620</u>	<u>155,245</u>

**14.1 Current accounts with related parties**

Telecard Limited - Holding Company	162,284	106,886
Supernet E-Solutions (Private) Limited	2,472	5,152
Supernet Secure Solutions (Private) Limited	-	11,541
Supernet Infrastructure Solutions (Private) Limited	18,863	16,735
	<u>183,619</u>	<u>140,314</u>

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

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

	June 30, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
Telecard Limited - Holding Company	162,284	106,886
Supernet E-Solutions (Private) Limited	2,472	5,152
Supernet Secure Solutions (Private) Limited	11,541	11,541
Supernet Infrastructure Solutions (Private) Limited	31,863	16,735

14.2 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, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
<b>15. CASH AND BANK BALANCES</b>		
Cash in hand	220	190
<b>In current accounts</b>		
Local currency	7,740	4,974
Foreign currency	-	818
	7,740	5,792
<b>In saving account</b>		
Local currency	22,893	47,250
	<u>30,853</u>	<u>53,232</u>

15.1 This carries mark-up at the rate, ranging between 3.60% to 6.56% (June 30, 2021: 3.76% to 5.24%) per annum.

	June 30, 2022	June 30, 2021
	----- ( Rupees in '000') -----	

## 16. SHARE CAPITAL AND RESERVES

### 16.1 AUTHORISED SHARE CAPITAL

150,000,000 ordinary shares of Rs.10 each	<u>1,500,000</u>	<u>1,500,000</u>
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### 16.2 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

112,222,200 (June 30, 2021: 100,000,000 of Rs 10 each) ordinary shares of Rs.10 each		
45,772,610 (June 30, 2021: 33,550,410) allotted as fully paid in cash	457,726	335,504
66,449,590 (June 30, 2021: 66,449,590) allotted as bonus shares	664,496	664,496
	<u>1,122,222</u>	<u>1,000,000</u>

16.2.1 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, 81.185% shares of the Company are held by the Holding Company.

16.2.2 During the year, the Company got listed on GEM Board on Pakistan Stock Exchange Limited. The Company has issued 12,222,200 ordinary shares at rupees 22.50 each including premium of rupees 12.50 per share.



	June 30, 2022	June 30, 2021
Note	----- ( Rupees in '000') -----	
<b>16.3 Share premium</b>		
Opening balance	-	-
Shares issued through book building	152,778	-
	<u>152,778</u>	-
Less: Costs incurred on book building	(7,120)	-
	<u>145,658</u>	-
<b>17. LONG-TERM FINANCING</b>		
<b>Secured</b>		
Term finance facility	23,438	54,688
Current portion of term financing facility	(23,438)	(31,250)
	<u>-</u>	<u>23,438</u>
<b>17.1</b>	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.	
	June 30, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
<b>18. LEASE LIABILITIES</b>		
Lease liabilities	3,145	5,313
Current portion of lease liabilities	(2,529)	(2,168)
	<u>616</u>	<u>3,145</u>
<b>18.1 Reconciliation of the carrying amount is as follows:</b>		
As at July 01	5,313	7,128
Accretion of interest	654	966
Lease rental payments made during the year	(2,822)	(2,781)
Lease liability as at June 30,	<u>3,145</u>	<u>5,313</u>
Current portion of lease liabilities	(2,529)	(2,168)
Long-term lease liabilities as at June 30	<u>616</u>	<u>3,145</u>
<b>18.2 Maturity analysis</b>		
Gross lease liabilities - minimum lease payments:		
Not later than one year	2,067	2,821
Later than one year but not later than five years	1,484	3,551
	<u>3,551</u>	<u>6,372</u>
Future finance charge	(406)	(1,059)
Present value of finance lease liabilities	<u>3,145</u>	<u>5,313</u>



	June 30, 2022	June 30, 2021
Note	----- ( Rupees in '000') -----	
<b>19. DEFERRED LIABILITY</b>		
Staff gratuity	<u>2,419</u>	<u>2,737</u>
<b>20. TRADE AND OTHER PAYABLES</b>		
<b>Unsecured</b>		
Creditors	1,036,474	550,362
Telecard Limited	-	135,372
Supernet Secure Solutions (Private) Limited	11,000	-
Supernet E-Solutions (Private) Limited	<u>4,153</u>	<u>4,153</u>
	<u>1,051,627</u>	<u>689,887</u>
<b>Other payables</b>		
Contractual liability to franchisee	200	200
Accrued liabilities	75,269	69,236
Provision against compensated absences	3,577	3,577
Royalty to Pakistan Telecommunication Authority (PTA)	5,737	4,620
Payable to employees' provident fund	2,254	107
Workers' welfare fund payable	2,782	2,782
Others	<u>538</u>	<u>9,220</u>
	<u>90,357</u>	<u>89,742</u>
	<u>1,141,984</u>	<u>779,629</u>
<b>21. ACCRUED MARK-UP</b>		
<b>Secured</b>		
On long-term financing	713	1,979
On short-term financing	6,387	3,689
Employees' provident fund	<u>215</u>	<u>215</u>
	<u>7,315</u>	<u>5,883</u>
<b>22. CONTRACTUAL LIABILITY TO CUSTOMER</b>		
Pakistan Mobile Communication Limited	<u>8,872</u>	<u>8,872</u>
<b>23. CURRENT PORTION OF LEASE LIABILITES AND SHORT TERM FINANCING</b>		
Running finance from bank – secured	23.1	147,063
138,548		
Current maturity of long-term financing:		
Term-finance - current maturity		31,250
23,438		
Current portion of lease liabilities		2,168
2,529		
		<u>180,481</u>
		<u>164,515</u>



- 23.1 This represents finance facility of Rs. 200 million (June 30, 2021: 150 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, 2021: 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.61.45 million (June 30, 2021: 2.937 million).

#### 24. CONTINGENCIES & COMMITMENTS

- 24.1 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. 66.548 million (June 30, 2021: Rs. 50.021 million). Out of this amount, a sum of Rs. 24.648 million (June 30, 2021: Rs. 18.942 million) had been withheld from the payments made by the Company to the above-referred entity. The balance amount of Rs. 41.900 million (June 30, 2021: Rs. 31.079 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.
- 24.2 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. 61.500 million (June 30, 2021: Rs. 46.227 million) and a compensation of US\$270,000 [approximately Rs. 55.350 million (June 30, 2021: Rs. 41.604 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.
- 24.3 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.

- 24.4** The income tax assessments of the Company have been finalized up to and including the tax year 2021. 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, 2021: 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.
- 24.5** 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, 2021: Rs. 15.398 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.
- 24.6** The Company was issued a show cause notice by Pakistan Telecommunication Authority (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 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.
- 24.7** In the year 2017, the Company filed an appeal against the notices received by the PTA to its customers for discontinuing the VSAT services. The Court passed an interim order whereby the notices were suspended. The matter is at the stage of hearing of application. Accordingly, base on the lawyer's opinion no provision has been made in these unconsolidated financial statements.
- 24.8** During the year the Company received a demand of Rs 12.6 million from the Chief Inspector of Stamps, Board of Revenue in respect of payment of deficit stamp duty on the transfer of shares done in the year 1996 to 2000 and in the years from 2011 to 2014, under Section 40(1)(b) of the Stamp Act, 1899. The Company filed an appeal before the Chief Revenue Authority of Sindh, the appeal is on initial stage and no hearing has been set, the lawyer on the grounds that the Chief Inspector of Stamps has failed to properly appreciate the evidence and the Company had paid the stamp duty amounting to Rs. 5.03 million on transfer of shares on August 8, 2003, therefore, the appellant was not liable to pay the Stamp duty on transfer of shares as it is the responsibility of the transferee as per Section 29 (31) of the Stamp Act, 1899. Accordingly, based on the lawyer's opinion no provision has been made in these unconsolidated financial statements.
- 24.9** The Company has committed to deposit an amount of Rs. 22.307 million (June 30, 2021: 22.307 million) in terms of security deposit to its satellite bandwidth vendor.



- 24.10 Letters of guarantee, amounting to Rs. 107.551 million (June 30, 2021: Rs. 33.04 million), have been issued by commercial banks on behalf of the Company.

	Note	June 30, 2022	June 30, 2021
----- ( Rupees in '000') -----			
<b>25. REVENUE - NET</b>			
<b>Revenue from contracts with customers</b>			
Data networking		1,925,548	1,861,504
Sale of equipment and licenses		649,095	352,947
Revenue from turnkey projects		262,385	254,244
		<u>2,837,028</u>	<u>2,468,695</u>
<b>26. COST OF SERVICES</b>			
Salaries and other benefits	26.1	172,619	166,782
Interoperator services cost	26.2	848,945	980,058
Cost of turnkey projects		188,221	180,803
Communication stores consumed	26.3	448,673	204,063
Consultancy charges		9,185	5,759
Support services		75,015	56,455
Depreciation	4.3	134,777	127,199
Insurance		2,688	5,308
Installation and maintenance		66,565	42,597
Royalty to PTA	26.4	5,524	4,498
Conveyance and travelling		7,682	5,826
Rent and utilities		2,809	1,547
Communication		2,583	2,297
Repairs and maintenance		962	939
Office supplies		1,261	816
Others		30,848	21,499
		<u>1,998,357</u>	<u>1,806,446</u>
26.1	This includes a sum of Rs. 6.030 million (June 30, 2021: Rs. 5.897 million) in respect of Company's contribution towards provident fund.		
		June 30, 2022	June 30, 2021
----- ( Rupees in '000') -----			
<b>26.2 Interoperator services cost</b>			
Other than satellite bandwidth charges		157,959	153,041
Satellite bandwidth charges		690,986	827,017
		<u>848,945</u>	<u>980,058</u>

*Roops*

	June 30, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
<b>26.3 Communication stores consumed</b>		
Opening balance	121,952	129,063
Purchases	489,324	196,952
Closing balance	<u>(162,603)</u>	<u>(121,952)</u>
Communication stores consumed	<u>448,673</u>	<u>204,063</u>

26.4 This represents royalty, after incorporating adjustment of inter-operator payments, paid to PTA for the establishing, maintaining and operating of Data Class Value Added Services (CVAS) in Pakistan.

	Note	June 30, 2022	June 30, 2021
		----- ( Rupees in '000') -----	
<b>27. ADMINISTRATIVE &amp; OTHER EXPENSES</b>			
Salaries and other benefits	27.1	134,585	130,034
Rent and utilities		51,456	28,342
Insurance		1,494	2,950
Depreciation	4.3	7,712	10,214
Depreciation on asset under IFRS - 16		2,006	2,354
Amortisation	5.1	290	290
Legal and professional charges		9,872	1,539
Repairs and maintenance		8,695	8,489
Conveyance and travelling		7,586	5,753
Office supplies		1,261	816
Subscription		6,600	580
Auditors' remuneration	27.2	1,416	1,822
Communication		2,822	2,510
Loss allowance for ECLs		43,174	40,537
Provision against slow moving stores		-	6,132
Entertainment		1,253	1,521
Others		8,074	5,627
		<u>288,296</u>	<u>249,510</u>

27.1 This includes a sum of Rs. 2.109 million (June 30, 2021: Rs. 2.103 million) in respect of Company's contribution towards provident fund.

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		June 30, 2022	June 30, 2021
	Note	----- ( Rupees in '000') -----	
<b>27.2 Auditors' remuneration</b>			
Audit fee for unconsolidated financial statements		800	800
Audit fee for consolidated financial statements		200	200
Other services		-	600
Out of pocket expenses		416	222
		<u>1,416</u>	<u>1,822</u>
<b>28. DISTRIBUTION COSTS</b>			
Salaries and other benefits	28.1	153,088	147,911
Conveyance and traveling		9,469	7,181
Office supplies		1,261	816
Repairs and maintenance		23	22
Advertisement and promotion		2,511	565
Communication		164	146
Entertainment		208	253
Utilities		354	195
Others		141	98
		<u>167,219</u>	<u>157,187</u>
<b>28.1</b>	This includes a sum of Rs. 1.916 million (June 30, 2021: Rs. 2.045 million) in respect of Company's contribution towards provident fund.		
		June 30, 2022	June 30, 2021
		----- ( Rupees in '000') -----	
<b>29. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Income on saving accounts		3,674	1,483
<b>Others</b>			
Scrap sales		2,353	8,500
Term deposit		2,853	-
Reversal of provisions against staff incentives		7,675	17,910
Loss on disposal of property and equipment		-	(78)
		<u>16,555</u>	<u>27,815</u>
<b>30. FINANCE COSTS</b>			
<b>Mark-up on:</b>			
Long-term financing		4,250	6,694
Short-term financing		17,929	13,937
Mark-up on unpaid contribution to provident fund		-	215
Bank charges and commission		3,563	3,557
Finance cost on lease liability against ROU assets		654	966
		<u>26,396</u>	<u>25,369</u>

	June 30, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
<b>31. TAXATION</b>		
Current	113,346	112,562
Prior	3,064	1,358
Deferred	(21,696)	(11,718)
	<u>94,714</u>	<u>102,202</u>

**31.1 Relationship between accounting profit and income tax expense**

Profit before taxation	<u>282,811</u>	<u>304,894</u>
Tax @ 29%	82,015	88,419
Effect of prior period tax	3,064	1,358
Others	9,635	12,425
	<u>94,714</u>	<u>102,202</u>

31.2 The income tax assessments of the Company have been finalised up to and including the tax year 2021, except for tax years in respect of which, appeals are currently in progress at different forums (note 24.4 & 24.5).

**32. 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.

	June 30, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
Profit for the period	<u>188,097</u>	<u>202,692</u>
Weighted average number of shares (In thousands)	<u>102,546</u>	<u>100,000</u>
Earnings per share - (Rupees)	<u>1.83</u>	<u>2.03</u>

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

*[Handwritten signature]*

		June 30, 2022	June 30, 2021
	Note	----- ( Rupees in '000') -----	
<b>33. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		282,811	304,894
<b>Adjustments for non - cash charges and other items</b>			
Depreciation		142,489	137,413
Depreciation on ROU assets		2,006	2,354
Amortisation		290	290
Finance cost		22,833	25,369
Staff gratuity		73	73
Loss on disposal of property and equipment		-	78
Provision for ECL against trade debts		43,174	40,537
Provision for slow moving stores		-	6,132
Unrealised exchange (gain) / loss		5,000	(15,991)
Adjustment of long-term deposits		-	29,949
Reversal of provisions		(7,675)	(17,910)
Profit from saving account		(3,674)	(1,483)
Working capital changes		(393,698)	(268,052)
		<u>93,629</u>	<u>243,653</u>
<b>33.1 Working capital changes</b>			
<b>(Increase) / decrease in current assets</b>			
Communication stores		(40,651)	979
Trade debts		(492,069)	(111,192)
Advances, deposits and prepayments		(172,513)	29,172
Other receivables		(46,375)	(58,793)
		(751,608)	(139,834)
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		357,910	(128,218)
		<u>(393,698)</u>	<u>(268,052)</u>
<b>34. FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<b>34.1 Financial assets measured at amortised cost</b>			
Long-term deposits	8	95	95
Short term investment	11	125,000	-
Trade debts	12	1,563,689	1,114,794
Advances, deposits and prepayments *	13	105,064	27,686
Other receivable **	14	198,629	155,245
Bank balances	15	30,633	53,042
		<u>2,023,110</u>	<u>1,350,862</u>

		June 30, 2022	June 30, 2021
	Note	----- ( Rupees in '000') -----	
<b>34.2 Financial liabilities measured at amortised cost</b>			
- Long-term financing	17	-	23,438
- Lease liabilities	18	616	3,145
- Trade and other payables ***	20	1,133,171	772,963
- Accrued mark-up	21	7,315	5,883
- Current portion of lease liabilities and short term financing	23	<u>164,515</u>	<u>180,481</u>
		<u>1,305,617</u>	<u>985,910</u>

\*Advances amounting to Rs. 163.312 million (June 30, 2021: Rs 67.953 million) and prepayments amounting to Rs. 2.445 million (June 30, 2021: Rs 2.669 million) are not financial assets and are not included.

\*\*Income tax refundable amounting to Rs. 2.991 million (June 30, 2021: Rs.2.991 million) is not a financial asset and is not included.

\*\*\*Contractual liability to franchisees, Workers welfare fund, provision for employees' compensated absences and payable to employees' provident fund amounting in aggregated to Rs. 8.813 million (June 30, 2021: 6.666 million) are not financial liabilities and are not included.

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

#### 35.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market variables such as interest rates, foreign exchange rates and equity prices. The Company is only exposed to foreign currency and interest rates risk as at reporting date.

##### 35.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. As of June 30, 2022 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, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
<b>Variable rate instruments:</b>		
<b>Financial asset</b>		
- Saving account	22,893	47,250
- Short-term investments	125,000	-
<b>Financial liabilities</b>		
- Long-term financing	-	(23,438)
- Short-term financing	(161,986)	(178,313)
	<u>(161,986)</u>	<u>(201,751)</u>
Net financial liabilities at variable interest rates	<u>(14,093)</u>	<u>(154,501)</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. 1.142 million (June 30, 2021: Rs. 1.545 million) and a 1% decrease would result in an increase in the Company's profit by the same amount. However, in practice, the actual results may differ from the sensitive analysis.

**35.1.2 Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of the changes in foreign exchange rates. 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\$ 3.073 million (June 30, 2021: US\$ 4.785 million). Spot rate as at June 30, 2022 is Rs. 204.85 to US\$ (June 30, 2021: 157.54 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. 6.303 million (June 30, 2021: 7.538 million). However, in practice, the actual results may differ from the sensitively analysis.

**35.1.3 Equity risk**

Equity risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. As of June 30, 2022, the Company is not exposed to equity price risk.

**35.2 Credit risk**

Credit risk is the risk that counter party will cause a financial loss to the Company by failing to discharge its obligations. 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.

*Raza*

	June 30, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
Long-term deposits	95	95
Short term investment	125,000	-
Trade debts	1,563,689	1,114,794
Deposits	105,064	27,686
Other receivables	198,629	152,254
Bank balances	30,633	53,042
	<u>2,023,110</u>	<u>1,347,871</u>

### 35.2.1 Short-term deposits and other receivables

The Company carries short-term deposits and other receivables amounting to Rs. 303.693 million (June 30, 2021: 179.940 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 months 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.

### 35.2.2 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 12.3 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, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
Expected credit losses on trade debts arising from contracts with customers	<u>68,236</u>	<u>85,062</u>

For movement in expected credit losses during the year, refer note 12.2.



### 35.2.3 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	Rating		June 30,	June 30,
		Long term	Short term	2022	2021
		----- ( Rupees in '000') -----			
Habib Metropolitan Bank Limited	PACRA	AA+	A-1+	22,691	47,010
Bank Islami Pakistan Limited	PACRA	A+	A-1	310	310
Habib Bank Limited	JCR-VIS	AAA	A-1+	239	490
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A-1+	5,725	3,153
National Bank of Pakistan	PACRA	AAA	A-1+	635	616
MCB Bank Limited	PACRA	AAA	A-1+	204	242
Silk Bank Limited	JCR-VIS	A-	A-2	-	818
Meezan Bank Limited	JCR-VIS	AAA	A-1+	630	204
Allied Bank Limited	PACRA	AAA	A-1+	199	199
				<u>30,633</u>	<u>53,042</u>

### 35.3 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	3 to 12	1 to 5	
		than 3 months	months	Years	
-----Rs. in '000'-----					
<b>Financial liabilities</b>					
Long-term financing	-	-	-	-	-
Short-term financing	138,548	7,812	15,626	-	161,986
Trade and other payables	-	81,449	1,051,722	-	1,133,171
Accrued mark-up	-	7,315	-	-	7,315
<b>June 30, 2022</b>	<u>138,548</u>	<u>96,576</u>	<u>1,067,348</u>	<u>-</u>	<u>1,302,472</u>

ROA

	Contractual cash flows				Total
	On demand	Less	3 to 12	1 to 5	
		than 3 months	months	Years	
-----Rs. in '000'-----					
<b>Financial liabilities</b>					
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
<b>June 30, 2021</b>	<b>147,063</b>	<b>210,855</b>	<b>599,241</b>	<b>23,438</b>	<b>980,597</b>

#### 35.4 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.

#### 35.5 Capital risk management

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



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

	June 30, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
Total debt	165,131	207,064
Cash & cash equivalent	(155,853)	(53,232)
Net debt	9,278	153,832
Total equity	1,561,865	1,105,888
<b>Total debt and equity</b>	<b>1,571,143</b>	<b>1,259,720</b>
<b>Gearing ratio</b>	<b>0.59%</b>	<b>12.21%</b>

### 36. 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.

### 37. 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	
	2022	2021	2022	2021
	----- ( Rupees in '000') -----			
Managerial remuneration	10,648	11,213	103,638	91,971
Medical	195	62	675	1,107
Perquisites and benefits	6,835	7,062	87,016	76,488
Others	990	887	12,193	7,600
	<u>18,668</u>	<u>19,224</u>	<u>203,522</u>	<u>177,166</u>
<b>Number of person</b>	<b>1</b>	<b>1</b>	<b>38</b>	<b>31</b>

37.1 No remuneration has been paid to any of the directors during the reporting period ( 2021: nil).

### 38. 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 37 to these unconsolidated financial statements are as follows:

Name	Nature of transactions	June 30,	June 30,
		2022	2021
		----- ( Rupees in '000') -----	
<b>Relationship: Holding Company</b>			
	Services rendered	220,000	13
Telecard Limited	Advance repaid by the Holding Company	424,800	1,370,516
	Advance given to the Holding Company	474,119	1,334,267
<b>Relationship: Entities having directors in common with the Company</b>			
Supernet E-Solutions (Private) Limited	Services received	3,179.00	1,015
	Services rendered	1,077	1,179
	Advance given	6,500	60,731
	Advance received	9,180	28,578
Phoenix Global FZE	Services rendered	47,679	26,214
	Sale of equipment	143	13,824
Supernet Infrastructure Solutions (Private) Ltd.	Advances granted	28,298	18,235
	Advances received	30,094	1,500
	Services received	13,000	-
Supernet Secure Solutions (Private) Ltd.	Services received	11,000	-
Provident Fund	Contribution during the year	10,055	10,045

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

### 39. PROVIDENT FUND RELATED DISCLOSURES

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

	Note	June 30,	June 30,
		2022	2021
		(Un-audited)	(Un-audited)
		----- ( Rupees in '000') -----	
Size of the fund - Total assets	39.1	132,536	121,992
Cost of the investment made		78,795	78,173
Fair value of investments		73,326	79,131
Percentage of investments made		55.33%	64.87%

39.1 The share of employees of the Company is 53% (June 30, 2021: 53%) in the total assets of the fund.

		<b>June 30, 2022</b>		<b>June 30, 2021</b>
		<b>(Un-audited)</b>		<b>(Un-audited)</b>
		----- ( Rupees in '000') -----		
39.2	The break-up of fair value of investments is:			
	Bank balances / deposits	91%	66,704	91% 72,324
	Mutual funds	9%	6,622	9% 6,807
			<u>73,326</u>	<u>79,131</u>

39.3 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.

		<b>June 30, 2022</b>	<b>June 30, 2021</b>
		----- ( Rupees in '000') -----	
40.	<b>NUMBER OF EMPLOYEES</b>		
	Total employees of the Company at the year end	<u>396</u>	<u>390</u>
	Average employees of the Company during the year	<u>396</u>	<u>387</u>

41. **CORRESPONDING FIGURES**

Corresponding figures have been reclassified / rearranged wherever necessary for better presentation, however, there was no material reclassification of corresponding figures.

42. **NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

The Board of Directors in its meeting held on October 7, 2022 has proposed a bonus shares of 10% (2021: bonus shares 100%) in respect of the year ended June 30, 2022. The consolidated financial statements for the year ended June 30, 2022 do not include the effect of these appropriations which will be accounted for in the year ending June 30, 2023.

43. **AUTHORISATION FOR ISSUE**

These unconsolidated financial statements were authorised for issue on 06 Oct, 22 by the board of directors of the Company.

44. **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



# CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

[www.super.net.pk](http://www.super.net.pk)

**Independent Auditor's 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, 2022, 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, 2022 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<p><b>1. Revenue recognition</b></p> <p>The Group has reported revenue amounting to Rs. 3,156.41 million during the year ended June 30, 2022. The Group provides data networking and support services, sale of equipment's and licenses and carrying turnkey projects.</p> <p>We considered revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Group and gives rise to an inherent risk that revenue could be subject misstatement to meet expectations or targets. In addition, revenue is also considered as an area of significant risk as part of the audit process.</p>	<p>Our key audit procedures in this area amongst others included the following:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue;</li> <li>• comparing a sample of transactions comprising of various revenue streams recorded during the year with relevant underlying supporting documents and receipts;</li> </ul>



Key audit matters	How the matter was addressed in our audit
	<ul style="list-style-type: none"> <li>• inspecting manual journal entries relating to revenue recognized during the year and the corresponding underlying documentation for those journal entries which were considered to be material or met certain specified risk-based criteria;</li> <li>• tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue was recognized in the correct period;</li> <li>• reviewed and assess the appropriateness of revenue recognition process on the subsidiary companies to ensure compliance with the requirements of applicable framework; and</li> <li>• assessed the adequacy of disclosures made in the consolidated financial statements related to revenue.</li> </ul>
<p><b>2. Contingencies</b></p> <p>There are a number of regulatory and tax cases against the Group. These contingencies require management to make judgments and estimates in relation to the interpretation of laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies.</p> <p>Involvement of subjectivity, inherent uncertainty and the time period such matters may take to resolve, the management judgements and estimate in relation to such contingencies may be complex and can significantly impact the consolidated financial statements. For such reasons, we have considered contingencies and provision as a key audit matter.</p>	<p>Our key audit procedures in this area amongst others included the following:</p> <ul style="list-style-type: none"> <li>• assessed management's processes to identify new possible litigations, obligations and changes in existing obligations through inquiries from management and review of the minutes of meetings of the Board of Directors and Audit Committee;</li> <li>• reviewed the relevant information including case proceedings, legal opinions related industry information and correspondences in respect of the ongoing litigations;</li> <li>• obtained confirmation from the legal counsel of the Holding Company to evaluate the status of the pending litigations;"</li> <li>• examined legal and professional expenses to confirm that all pending legal matters are identified and disclosed; and</li> </ul>



Key audit matters	How the matter was addressed in our audit
	<ul style="list-style-type: none"> <li>assessed the appropriateness of the related disclosures made in the accompanying consolidated financial statements in light of IAS-37 "Provisions and Contingencies"</li> </ul>

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's 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 Board of Directors 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 the requirements of Companies Act, 2017 (XIX of 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. Board of directors are 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 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.

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

  
(Chartered Accountants)

Date: October 07, 2022  
Karachi.

UDIN: AR202210192ai7Q110X3

SUPERNET LIMITED  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2022

	Note	June 30, 2022 ---- ( Rupees in '000') ----	June 30, 2021
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	373,343	358,706
Intangible assets	5	2,755	3,045
Right of use asset	6	2,067	4,073
Long-term deposits	7	95	95
Deferred taxation	8	63,616	41,920
		<u>441,876</u>	<u>407,839</u>
<b>CURRENT ASSETS</b>			
Communication stores	9	170,160	125,529
Short term investment	10	125,000	-
Trade debts	11	1,700,642	1,147,269
Advances, deposits and prepayments	12	306,617	124,374
Other receivables	13	207,207	121,003
Taxation - net		82,485	163,225
Cash and bank balances	14	100,892	159,190
		<u>2,693,003</u>	<u>1,840,590</u>
<b>TOTAL ASSETS</b>		<u><b>3,134,879</b></u>	<u><b>2,248,429</b></u>

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

  
CHIEF EXECUTIVE OFFICER

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

**SUPERNET LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**

		June 30, 2022	June 30, 2021
	Note	---- ( Rupees in '000') ----	
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 150,000,000 (2021: 150,000,000) ordinary shares of Rs.10 each	15.1	<u>1,500,000</u>	<u>1,500,000</u>
Issued, subscribed and paid-up capital	15.2	1,122,222	1,000,000
Foreign currency translation reserve		26,129	(984)
Unappropriated profit		440,514	152,885
Share premium		<u>145,658</u>	<u>-</u>
Capital and reserves attributable to the owners of the Holding Company		1,734,523	1,151,901
Non-controlling interest		<u>2,711</u>	<u>(1,764)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>1,737,234</u>	<u>1,150,137</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	16	-	23,438
Lease liabilities	17	616	3,145
Deferred liability	18	2,436	2,737
		<u>3,052</u>	<u>29,320</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	1,213,891	873,736
Accrued mark-up	20	7,315	5,883
Contractual liability to customer	21	8,872	8,872
Current portion of lease liabilities and short-term financing	22	164,515	180,481
		<u>1,394,593</u>	<u>1,068,972</u>
Contingencies & commitments	23		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,134,879</u>	<u>2,248,429</u>

The annexed notes from 1 to 43 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, 2022**

	Note	June 30, 2022	June 30, 2021
		---- ( Rupees in '000') ----	
Revenue - net	24	3,156,413	2,665,397
Cost of services	25	(2,103,585)	(1,905,926)
<b>Gross profit</b>		<b>1,052,828</b>	<b>759,471</b>
Administrative & other expenses	26	(395,919)	(311,320)
Distribution costs	27	(167,654)	(157,253)
Exchange (loss) / gain		(91,119)	46,896
Other income	28	17,102	28,077
		(637,590)	(393,600)
<b>Operating profit</b>		<b>415,238</b>	<b>365,871</b>
Finance costs	29	(27,206)	(25,761)
<b>Profit before taxation</b>		<b>388,032</b>	<b>340,110</b>
Taxation	30	(100,228)	(106,704)
<b>Profit after taxation</b>		<b>287,804</b>	<b>233,406</b>
<b>Profit / (loss) attributable to:</b>			
Owners of the Holding Company		287,629	233,421
Non-controlling interests		175	(15)
		<b>287,804</b>	<b>233,406</b>
-----Amount in Rupees-----			
<b>Earnings per share - basic and diluted</b>		<b>2.80</b>	<b>2.33</b>

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

  
**CHIEF EXECUTIVE OFFICER**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

**SUPERNET LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	June 30, 2022	June 30, 2021
	---- ( Rupees in '000') ----	
Profit after taxation	287,804	233,406
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operation	27,113	(1,465)
<b>Total comprehensive income for the period</b>	<b><u>314,917</u></b>	<b><u>231,941</u></b>
<b>Total comprehensive income / (loss) attributable to:</b>		
Owners of the Holding Company	314,742	231,956
Non-controlling interests	175	(15)
	<b><u>314,917</u></b>	<b><u>231,941</u></b>

The annexed notes from 1 to 43 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, 2022**

	Attributable to the owner of the Holding Co.					Total
	Issued, subscribed and paid-up capital	Share premium	Un appropriated profit	Foreign currency translation reserve	Non - controlling interest	
	( Rupees in '000' )					
<b>Balance as at July 01, 2020</b>	500,000		421,964	481	(1,749)	920,696
Profit for the year	-		233,421	-	(15)	233,406
Other comprehensive income / (loss)	-		-	(1,465)	-	(1,465)
<b>Total comprehensive income / (loss) for the year</b>	-		233,421	(1,465)	(15)	231,941
Bonus issue of shares	500,000		(500,000)	-	-	-
Cost of issuance of shares	-		(2,500)	-	-	(2,500)
<b>Balance as at June 30, 2021</b>	<b>1,000,000</b>	<b>-</b>	<b>152,885</b>	<b>(984)</b>	<b>(1,764)</b>	<b>1,150,137</b>
Profit for the year	-		287,629	-	175	287,804
Other comprehensive income	-		-	27,113	-	27,113
Share issued	122,222	152,778	-	-	-	275,000
Cost of issuance of shares	-	(7,120)	-	-	-	(7,120)
<b>Transaction with owners in their capacity as owners</b>			<b>287,629</b>	<b>27,113</b>	<b>175</b>	<b>314,917</b>
Issuance of shares	-		-	-	4,300	4,300
<b>Balance as at June 30, 2022</b>	<b>1,122,222</b>	<b>145,658</b>	<b>440,514</b>	<b>26,129</b>	<b>2,711</b>	<b>1,737,234</b>

The annexed notes from 1 to 43 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, 2022**

June 30,      June 30,  
**2022**              2021  
 Note ----- ( Rupees in '000') -----

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash generated from operations	32	25,020	328,045
Income tax paid		(41,184)	(95,517)
Finance cost paid		(20,747)	(26,641)
Long-term deposits		-	687
Gratuity paid		(318)	(197)
<b>Net cash (used in) / generated from operating activities</b>		<u>(37,229)</u>	<u>206,377</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property, plant and equipment		(159,816)	(99,179)
Short-term investment made		(125,000)	-
Proceeds from disposal of property, plant and equipment		-	855
Income received from saving account		4,221	1,745
<b>Net cash used in investing activities</b>		<u>(280,595)</u>	<u>(96,579)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from issuance of shares		275,000	-
Long-term financing		(23,438)	(31,250)
Lease rentals paid		(2,822)	(2,781)
Short-term running finance		(16,327)	20,364
<b>Net cash used in financing activities</b>		<u>232,413</u>	<u>(13,667)</u>
Exchange difference on translation of foreign subsidiary		27,113	(1,344)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(58,298)</u>	<u>94,787</u>
Cash and cash equivalents at the beginning of the year		<u>159,190</u>	<u>64,403</u>
<b>Cash and cash equivalents at the end of the year</b>	14	<u><u>100,892</u></u>	<u><u>159,190</u></u>

The annexed notes from 1 to 43 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, 2022**

**I. THE GROUP AND ITS OPERATIONS**

**The Group comprises of:**

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

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 was listed on Pakistan Stock Exchange at GEM Board on May 10 2022. During the year, the Company offered 12.22 million ordinary shares of Rs. 10 each to general public at the floor price of Rs. 22.5 per share including premium of Rs. 12.5 per share which resulted in Book Building proceeds of Rs. 275 million. As at reporting date, 81.185% shares of the Company are held by the Holding 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 group 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 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 principle business is provision of telecommunication services and sales of telecom equipment within UAE. Supernet Limited 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.



## 1.1 Utilization of proceeds from Book Building

The Company raised the funds through Book Building by issuing new capital in order to fund procurement of fixed assets, invest in its subsidiaries and raise working capital.

<b>Summary of Book Building proceeds</b>	<b>Rupees in '000'</b>
Issuance of 12,222,200 ordinary shares at face value of Rs.10 per share	122,222
Excess fund received - Share premium at Rs.12.50	152,778
Less: Issuance cost	(7,120)
<b>Net book building proceeds</b>	<b><u>267,880</u></b>

<b>Estimated breakup of utilization of the book building proceeds : is mentioned below</b>	<b>Rupees in '000'</b>
Issuance of 12,222,200 ordinary shares at Rs 22.20 per share	275,000
Less: Expenses related to initial offering	(7,120)
<b>Net proceed received from initial offering</b>	<b><u>267,880</u></b>
Less: Investment in subsidiaries	(17,200)
Less: Capital expenditure	(40,317)
Less: Utilization for working capital requirement	(70,273)
<b>Balance</b>	<b><u>140,090</u></b>

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

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- i) it has power to direct the relevant activities of the subsidiaries;
- ii) it is exposed to variable returns from the subsidiaries; and
- iii) decision making power allows the Group to affect its variable returns from the subsidiaries

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.

## **2.2 Accounting convention**

These consolidated financial statements have been prepared under the historical cost convention following accrual basis of accounting.

## **2.3 Functional and presentation currency**

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

## **2.4 CHANGE IN ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED ACCOUNTING AND REPORTING STANDARDS**

### **a) Amendments to published accounting and reporting standards which became effective during the year:**

There were certain amendments to the accounting and reporting standards which became mandatory for the Company during the year. However, the amendments did not have any significant impact on the financial reporting of the Group and, therefore, have not been disclosed in these consolidated financial statements.

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**b) Amendments to published accounting and reporting standards that are not yet effective:**

There are certain amendments to the accounting and reporting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2022. However, these amendments will not have any significant impact on the financial reporting of the Group and, therefore, have not been disclosed in these consolidated financial statements.

**2.5 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	3.1, 3.2, 4 & 5
Provisions for doubtful debts and other receivables	3.6, 11 & 13
Recognition of tax and deferred tax	3.15, 8 & 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	3.4 & 6

**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 years for which financial information is presented in these consolidated financial statements, unless otherwise stated.

**3.1 Fixed assets**

**3.1.1 Property, plant and equipment**

These are stated at cost less accumulated depreciation and 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.

## **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.

**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, cash in hand and short-term running finance.

**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.

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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

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.

#### 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.

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### 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 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

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 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 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

- Revenue from data networking services is recognised upon the rendering of such services.
- Revenue from turnkey projects is recognised as and when the projects are completed.
- Revenue from sales of equipment is recognised when equipment is dispatched to customers.
- Revenue from sales of software 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 ordinary shareholders of the group 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 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.

#### Following are the related parties of the group:

Name of related party	Basis of relationship	% of share holding
Telecard Limited	Holding Company	81.185%
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	Fully 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. Naureen 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:

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

4.2 Communication equipment costing Rs. 1,278.70 million (June 30, 2021: Rs. 1,166.13 million), having a net book value of Rs. 454.302 million (June 30, 2021: Rs. 364.626 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:

	June 30, 2022	June 30, 2021
Cost of services	25	134,777
Administrative expenses	26	10,402
		<u>145,179</u>
		<u>139,115</u>

4.4 The cost of fully depreciated assets as at June 30, 2022 is 1,469.98 million (June 30, 2021: 1,372.92 million).

*Sanjay*

June 30, June 30,  
2022 2021  
----- (Rupees in '000') -----

Note

## 5. INTANGIBLE ASSETS

Computer software  
Goodwill

5.1	868	1,158
5.1	1,887	1,887
	<u>2,755</u>	<u>3,045</u>

## 5.1 Computer software

	Cost			Accumulated amortisation		WDV as at June 30, 2022	Amortisation rate per annum %
	As at July 01, 2021	Additions	Retranslation	As at July 01, 2021	Charge for the year		
Computer software	41,224	-	-	40,066	290	40,356	20
Goodwill	1,887	-	-	-	-	1,887	
	<u>43,111</u>	<u>-</u>	<u>-</u>	<u>40,066</u>	<u>290</u>	<u>40,356</u>	
	----- (Rupees in '000') -----						

	Cost			Accumulated amortisation		WDV as at June 30, 2021	Amortisation rate per annum %
	As at July 01, 2020	Additions	Retranslation	As at July 01, 2020	Charge for the year		
Computer software	39,776	1,448	-	39,776	290	40,066	20
Goodwill	1,887	-	-	-	-	1,887	
	<u>41,663</u>	<u>-</u>	<u>-</u>	<u>39,776</u>	<u>290</u>	<u>40,066</u>	
	----- (Rupees in '000') -----						

	June 30, 2022	June 30, 2021
Note	----- ( Rupees in '000') -----	
<b>6. RIGHT-OF-USE ASSETS</b>		
<b>As at July 01</b>		
Cost	8,823	8,823
Accumulated depreciation	(4,750)	(2,396)
Closing net book value	<u>4,073</u>	<u>6,427</u>
<b>Movement during the year</b>		
Opening net book value	4,073	6,427
Depreciation for the year	(2,006)	(2,354)
Closing net book value	<u>2,067</u>	<u>4,073</u>
<b>As at June 30</b>		
Cost	8,823	8,823
Accumulated depreciation	(6,756)	(4,750)
Closing net book value	<u>2,067</u>	<u>4,073</u>
<b>7. LONG-TERM DEPOSITS</b>		
<b>Security deposits - considered good</b>		
Others	<u>95</u>	<u>95</u>
<b>8. DEFERRED TAXATION</b>		
<b>Deductible temporary differences</b>		
Accelerated accounting depreciation	26,786	15,134
Post retirement benefits	702	794
Doubtful debts and other provision	25,390	30,269
Others	8,975	-
Exchange differences	1,450	-
Lease liabilities	912	1,541
	<u>64,215</u>	<u>47,738</u>
<b>Taxable temporary differences</b>		
Right of use assets	(599)	(1,181)
Exchange differences	-	(4,637)
	<u>(599)</u>	<u>(5,818)</u>
	<u>63,616</u>	<u>41,920</u>
<b>9. COMMUNICATION STORES</b>		
Stores	157,300	113,213
Provision against obsolete stock	(16,875)	(16,875)
	<u>140,425</u>	<u>96,338</u>
Consumables	29,735	29,191
	<u>170,160</u>	<u>125,529</u>

BQSI

		June 30, 2022	June 30, 2021
	Note	----- ( Rupees in '000') -----	
<b>9.1 Provision against obsolete stock</b>			
Opening balance		16,875	10,743
Provision for the year		-	6,132
Balance at the end of the year		<u>16,875</u>	<u>16,875</u>

**10. SHORT TERM INVESTMENT**

Islamic sharika certificates	10.1	<u>125,000</u>	<u>-</u>
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10.1 These investments are made in Islamic sharikah certificates on Musharaka basis carrying expected return at the rate of 10.5% per annum and having maturity of 15 days.

		June 30, 2022	June 30, 2021
	Note	----- ( Rupees in '000') -----	

**11. TRADE DEBTS****Unsecured-considered good**

Related parties	11.1	84,628	-
Others		1,616,014	1,147,269
		1,700,642	1,147,269

Considered doubtful trade debts		68,237	85,062
Loss allowance for ECLs		(68,237)	(85,062)

		-	-
		<u>1,700,642</u>	<u>1,147,269</u>

**11.1 Related parties**

Telcard Limited		<u>84,628</u>	<u>-</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, 2022	June 30, 2021
		----- ( Rupees in '000') -----	
Telcard Limited		<u>84,628</u>	<u>-</u>

**11.2 Loss allowance for ECLs**

Opening balance		85,062	102,975
Loss allowance made during the year		43,174	40,537
Provisions written off		(60,000)	(58,450)
		<u>68,236</u>	<u>85,062</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	84,628	84,628	-	-	-
Others	1,616,014	782,631	159,221	184,466	489,696
<b>June 30, 2022</b>	<b>1,700,642</b>	<b>867,259</b>	<b>159,221</b>	<b>184,466</b>	<b>489,696</b>
Related Party	-	-	-	-	-
Others	1,147,269	298,931	127,721	152,448	568,169
<b>June 30, 2021</b>	<b>1,147,269</b>	<b>298,931</b>	<b>127,721</b>	<b>152,448</b>	<b>568,169</b>

June 30, 2022      June 30, 2021

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

## 12. ADVANCES, DEPOSITS AND PREPAYMENTS

### Advances - considered good, unsecured

Employees - against expenses and projects	37,591	27,919
Suppliers	161,517	66,100
	<b>199,108</b>	<b>94,019</b>

### Deposits - considered good

Earnest money	32,785	24,669
Margin against guarantee	67,400	388
Others	4,879	2,629
	<b>105,064</b>	<b>27,686</b>

### Deposits - considered doubtful

Loss allowance against deposits considered doubtful	2,441	2,441
	<b>(2,441)</b>	<b>(2,441)</b>
	<b>105,064</b>	<b>27,686</b>

### Prepayments

Rent	1,835	1,835
Subscription	507	507
Others	103	327
	<b>2,445</b>	<b>2,669</b>
	<b>306,617</b>	<b>124,374</b>

## 13. OTHER RECEIVABLES

### Considered good

Current account with related party	13.1	162,284	106,886
Insurance claim		4,756	4,306
Income tax refundable		2,991	2,991
Others		37,176	6,820
		<b>207,207</b>	<b>121,003</b>

	Note	June 30, 2022	June 30, 2021
		----- ( Rupees in '000') -----	
<b>13.1 Current account with related party</b>			
Telecard Limited - the Parent Company	13.1.1	<u>162,284</u>	<u>106,886</u>
13.1.1 This represent amount due from the Parent Company against current account balance which is recoverable on demand and is non-interest bearing.			
13.1.2 The maximum amount outstanding at any time during the year calculated by reference to month end			
Telecard Limited - the Parent Company		<u>162,284</u>	<u>170,747</u>
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 Holding Company as assessed 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, 2022	June 30, 2021
		----- ( Rupees in '000') -----
<b>14. CASH AND BANK BALANCES</b>		
Cash in hand	220	190
<b>In current accounts</b>		
Local currency	17,794	15,994
Foreign currency	57,648	95,544
	<u>75,442</u>	111,538
<b>In saving account</b>		
Local currency	25,230	47,462
	<u>100,892</u>	<u>159,190</u>
<b>15. SHARE CAPITAL AND RESERVES</b>		
<b>15.1 AUTHORISED SHARE CAPITAL</b>		
150,000,000 ordinary shares of Rs.10 each	<u>1,500,000</u>	<u>1,500,000</u>
<b>15.2 ISSUED, PAID-UP AND SUBSCRIBED CAPITAL</b>		
112,222,200 (June 30, 2021: 100,000,000 of Rs 10 each) ordinary shares of Rs.10 each		
- 45,772,610 (June 30, 2021: 33,550,410) allotted as fully paid in cash	457,726	335,504
- 66,449,590 (June 30, 2021: 66,449,590) allotted as bonus shares	664,496	664,496
	<u>1,122,222</u>	<u>1,000,000</u>

15.2.1 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.

During the year, the Company has become listed on GEM Board on Pakistan Stock Exchange Limited. The Company has issued 12,222,200 ordinary shares at rupees 22.50 each including premium of 12.50 rupees per share.

	Note	2022 ---- ( Rupees in '000') ----	2021
<b>16. LONG-TERM FINANCING</b>			
<b>Secured</b>			
Term finance facility	16.1	23,438	54,688
Current portion of long-term financing	22	<u>(23,438)</u>	<u>(31,250)</u>
		<u>-</u>	<u>23,438</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. 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.			
		June 30, 2022	June 30, 2021
		----- ( Rupees in '000') -----	
<b>17. LEASE LIABILITIES</b>			
Lease liabilities		3,145	5,313
Current portion of lease liabilities		<u>(2,529)</u>	<u>(2,168)</u>
		<u>616</u>	<u>3,145</u>
17.1 Reconciliation of the carrying amount is as follows:			
As at July 01		5,313	7,128
Accretion of interest		654	966
Lease rental payments made during the year		<u>(2,822)</u>	<u>(2,781)</u>
Lease liability as at June 30		3,145	5,313
Current portion of lease liabilities		<u>(2,529)</u>	<u>(2,168)</u>
Long-term lease liabilities as at June 30		<u>616</u>	<u>3,145</u>
17.2 Maturity analysis			
Gross lease liabilities - minimum lease payments:			
Not later than one year		2,067	2,821
Later than one year but not later than five years		<u>1,484</u>	<u>3,551</u>
		3,551	6,372
Future finance charge		<u>(406)</u>	<u>(1,059)</u>
Present value of finance lease liabilities		<u>3,145</u>	<u>5,313</u>

	June 30, 2022	June 30, 2021
Note	----- ( Rupees in '000') -----	
<b>18. DEFERRED LIABILITY</b>		
Staff gratuity	<u>2,419</u>	<u>2,737</u>
<b>19. TRADE AND OTHER PAYABLES</b>		
<b>Trade creditors, unsecured</b>		
Creditors	<u>1,123,496</u>	641,296
Telecard Limited - the Parent Company	-	<u>135,372</u>
	<u>1,123,496</u>	776,668
<b>Other payables</b>		
Contractual liability to franchisees	<u>200</u>	200
Accrued liabilities	<u>75,174</u>	72,309
Provision against compensated absences	<u>3,577</u>	3,577
Royalty to Pakistan Telecommunication Authority (PTA)	<u>5,737</u>	4,620
Workers' welfare fund payable	<u>2,254</u>	2,782
Payable to employees' provident fund	<u>2,782</u>	107
Others	<u>671</u>	13,473
	<u>90,395</u>	97,068
	<u>1,213,891</u>	<u>873,736</u>
<b>20. ACCRUED MARK-UP</b>		
<b>On secured</b>		
On long-term financing	<u>713</u>	1,979
On short-term financing	<u>6,387</u>	3,689
Employees' provident fund	<u>215</u>	215
	<u>7,315</u>	<u>5,883</u>
<b>21. CONTRACTUAL LIABILITY TO CUSTOMER</b>		
Pakistan Mobile Communication Limited	<u>8,872</u>	<u>8,872</u>
<b>22. CURRENT PORTION OF LEASE LIABILITIES AND SHORT-TERM FINANCING</b>		
Running finance from bank – secured	22.1 <u>138,548</u>	147,063
Current maturity of long-term financing:		
Term-finance	17 <u>23,438</u>	31,250
Finance lease obligation	<u>2,529</u>	2,168
	<u>25,967</u>	33,418
	<u>164,515</u>	<u>180,481</u>



- 22.1 This represents running finance facility aggregated to Rs. 200 million (June 30, 2021: 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. 52.352 million (June 30, 2021: 2.937 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 Holding Company for the recovery of transponder service fee inclusive of withholding tax and interest thereon, amounting to US\$324,625 equivalent to Rs. 66.548 million (June 30, 2021: Rs. 50.021 million). Out of this amount, a sum of Rs. 24.648 million (June 30, 2021: Rs.18.942 million) had been withheld from the payments made by the Holding Company to the above-referred entity. The balance amount of Rs. 41.900 million (June 30, 2021: Rs. 31.079 million) has not been provided for in these consolidated 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.
- 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 Holding Company for the return of certain equipment or payment of US\$300,000 equivalent to Rs. 61.5 million (June 30, 2021: Rs.46.227million) and a compensation of US\$270,000 [approximately Rs. 55.35 million (June 30, 2021: Rs. 41.604 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.
- 23.3 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 to business and profitability of 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.

- 23.4 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, 2021: 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 provision has been made in these financial statements.
- 23.5 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, 2021: Rs. 15.398 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 provision has been made in these financial statements.
- 23.6 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.
- 23.7 In the year 2017, the Company filed an appeal against the notices received by the PTA to its customers for discontinuing the VSAT services. The Court passed an interim order whereby the notices were suspended. The matter is at the stage of hearing of application. Accordingly, base on the lawyer's opinion no provision has been made in these unconsolidated financial statements.
- 23.8 During our audit the Company has received a demand of Rs 12.6 million from the Chief Inspector of Stamps, Board of Revenue in respect of payment of deficit stamp duty on the transfer of shares done in the year 1996 to 2000 and in the years from 2011 to 2014, under Section 40(1)(b) of the Stamp Act, 1899. The Company filed an appeal before the Chief Revenue Authority of Sindh, the appeal is on initial stage and no hearing has been set, the lawyer on the grounds that the Chief Inspector of Stamps has failed to properly appreciate the evidence and the Company had paid the stamp duty amounting to Rs. 5.03 million on transfer of shares on August 8, 2003 therefore the appellant was never liable to pay the Stamp duty on Transfer of Shares as it is the responsibility of the transferee as per Section 29(31) of The Stamp Act, 1899. Accordingly, base on the lawyers opinion the provision has not been made in these consolidated financial statements.
- 23.9 The Holding Company has committed to deposit an amount of Rs. 22.307 million (June 30, 2021:22.307 nil) in terms of security deposit to its satellite bandwidth vendor.
- 23.10 Letters of guarantee, amounting to Rs. 107.551 million (June 30, 2021: Rs. 33.04 million), have been issued by commercial banks on behalf of the Holding Company.



		June 30, 2022	June 30, 2021
	Note	----- ( Rupees in '000') -----	
<b>24. REVENUE - NET</b>			
<b>Revenue from contracts with customers</b>			
Data networking		2,159,657	1,982,990
Sale of equipment, licenses and softwares		734,371	428,163
Revenue from turnkey projects		262,385	254,244
		<u>3,156,413</u>	<u>2,665,397</u>
<b>25. COST OF SERVICES</b>			
Salaries and other benefits	25.1	201,883	189,324
Interoperator services cost	25.2	878,239	1,042,453
Cost of turnkey projects and licenses		188,221	180,803
Communication stores consumed	25.3	506,874	212,459
Consultancy charges		9,185	5,759
Support services		47,836	55,440
Depreciation	4.3	134,777	127,199
Insurance		2,688	5,308
Installation and maintenance		66,565	42,597
Royalty to Pakistan Telecommunication Authority (PTA)	25.4	5,524	4,498
Conveyance and travelling		7,682	5,826
Rent and utilities		2,809	1,547
Communication		2,583	2,297
Repairs and maintenance		962	939
Office supplies		1,261	816
Fuel and power		167	332
Subscription charges		15,443	6,812
Others		30,886	21,517
		<u>2,103,585</u>	<u>1,905,926</u>
<b>25.1</b>	This includes a sum of Rs 6.030 million (June 30, 2021: Rs. 5.897 million) in respect of Group's contribution toward provident fund.		
		June 30, 2022	June 30, 2021
		----- ( Rupees in '000') -----	
<b>25.2 Interoperator services cost</b>			
Other than satellite bandwidth charges		157,959	111,992
Satellite bandwidth charges		674,313	930,461
		<u>878,239</u>	<u>1,042,453</u>
<b>25.3 Communication stores consumed</b>			
Opening balance as at July 01,		125,529	129,063
Purchases for the year		551,505	208,925
Closing balance as at		(170,160)	(125,529)
Communication stores consumed		<u>506,874</u>	<u>212,459</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.

	Note	June 30, 2022	June 30, 2021
----- ( Rupees in '000') -----			
<b>26. ADMINISTRATIVE &amp; OTHER EXPENSES</b>			
Salaries and other benefits	26.1	219,558	174,216
Rent and utilities		62,288	40,843
Insurance		1,494	2,950
Depreciation	4.3	10,402	11,916
Depreciation on right-of-use assets	6	2,006	2,354
Amortization	5.1	290	290
Legal and professional charges		10,071	2,891
Repairs and maintenance		9,190	8,926
Conveyance and travelling		8,106	5,926
Office supplies		1,525	873
Subscription		6,690	580
Commission		493	554
Auditors' remuneration	26.2	1,810	2,154
Communication		2,822	2,510
Loss allowance for ECLs		43,174	40,537
Provision against slow moving stores		-	6,132
Entertainment		1,619	1,521
Others		14,381	6,147
		<u>395,919</u>	<u>311,320</u>

- 26.1 This includes a sum of Rs. 2.187 million (June 30, 2021: Rs. 2.165 million) in respect of Group's contribution toward provident fund.

	Note	June 30, 2022	June 30, 2021
----- ( Rupees in '000') -----			
<b>26.2 Auditors' remuneration</b>			
<b>The Holding Company</b>			
Audit fee for unconsolidated financial statements		800	800
Audit fee for consolidated financial statements		200	200
Other services		-	600
Out of pocket expenses		416	222
		<u>1,416</u>	<u>1,822</u>
<b>Subsidiaries</b>			
Audit fee for unconsolidated financial statements		350	300
Out of pocket expenses		44	32
		<u>394</u>	<u>332</u>
		<u>1,810</u>	<u>2,154</u>

**27. DISTRIBUTION COSTS**

Salaries and other benefits	27.1	153,088	147,911
Conveyance and traveling		9,469	7,181
Office supplies		1,261	816
Repairs and maintenance		23	22
Advertisement and promotion		2,946	631
Communication		164	146
Entertainment		208	253
Utilities		354	195
Others		141	98
		<u>167,654</u>	<u>157,253</u>

27.1 This includes a sum of Rs. 1.961 million (June 30, 2021: Rs. 2.045 million) in respect of Group's contribution toward provident fund.

June 30,                  June 30,  
2022                          2021  
----- ( Rupees in '000') -----

**28. OTHER INCOME**

<b>Income from financial assets</b>			
Income on saving accounts		4,221	1,745
<b>Others</b>			
Scrap sales		2,353	8,500
Loss on disposal of property, plant and equipment		-	(78)
Reversal of provisions against staff incentives		2,853	17,910
Provision written back		7,675	-
		<u>17,102</u>	<u>28,077</u>

**29. FINANCE COSTS**

Long-term financing		4,250	6,694
Short-term financing		17,929	13,937
Mark-up on unpaid contribution to provident fund		-	215
Bank charges and commission		4,373	3,949
Finance cost on lease liability against ROU assets		654	966
		<u>27,206</u>	<u>25,761</u>

**30. TAXATION**

Current		118,419	117,067
Prior		3,505	1,358
Deferred		(21,696)	(11,721)
		<u>100,228</u>	<u>106,704</u>

**30.1 RELATIONSHIP BETWEEN ACCOUNTING PROFIT AND INCOME TAX EXPENSE**

Profit before taxation		<u>388,032</u>	<u>340,110</u>
Tax @ 29%		112,529	98,632
Effect of prior year tax		3,505	1,358
Others		(15,806)	6,714
		<u>100,228</u>	<u>106,704</u>

*ESMS*

- 30.2 The income tax assessments of the Group have been finalised up to and including the tax year 2021, 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 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, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
Profit for the year - (Rupees in '000')	<u>287,629</u>	<u>233,421</u>
Weighted average number of shares - (In '000')	<u>102,546</u>	<u>100,000</u>
Earnings per share - (Rupees)	<u>2.80</u>	<u>2.33</u>

- 31.1 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.

	Note	June 30, 2022	June 30, 2021
		----- ( Rupees in '000') -----	
<b>32. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		388,032	340,110
<b>Adjustments for non - cash charges and other items:</b>			
Depreciation		145,179	139,115
Depreciation on ROU assets		2,006	2,354
Amortisation		290	290
Finance cost		22,833	25,761
Staff gratuity		391	73
Loss on disposal of property, plant and equipment		-	78
Provision for ECL against trade debts		43,174	40,537
Provision for obsolete stock		-	6,132
Unrealised exchange loss / (gain)		5,000	(15,991)
Adjustment of long-term deposits		-	29,949
Reversal of provision		(7,675)	(17,910)
Profit from saving account		(4,221)	(1,745)
Working capital changes	32.1	<u>(569,989)</u>	<u>(220,708)</u>
		<u>25,020</u>	<u>328,045</u>

#### 32.1 Working capital changes

##### (Increase) / decrease in current assets

Communication stores	(44,631)	(2,598)
Trade debts	(596,547)	(28,599)
Advances, deposits and prepayments	(182,243)	6,113
Other receivables	(86,204)	(35,668)
	(909,625)	(60,752)

##### Increase / (decrease) in current liabilities

Trade and other payables	339,636	(159,956)
	<u>(569,989)</u>	<u>(220,708)</u>

**33. FINANCIAL INSTRUMENTS BY CATEGORY****33.1 Financial assets measured at amortised cost**

- Long-term deposits	7	95	95
- Trade debts	11	1,700,642	1,147,269
- Advances, deposits and prepayments	12	105,064	27,686
- Other receivables	13	204,216	118,012
- Cash and bank balances	14	100,892	159,190
		<u>2,110,909</u>	<u>1,452,252</u>

**33.2 Financial liabilities measured at amortised cost**

- Long-term financing	16	-	23,438
- Lease liabilities	17	616	3,145
- Trade and other payables	19	1,205,078	867,070
- Accrued mark-up	20	7,315	5,883
- Current portion of lease liabilities and short-term financing	22	164,515	180,481
		<u>1,377,524</u>	<u>1,080,017</u>

**34. 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.

**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 Group 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, 2022, 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, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
<b>Variable rate instruments:</b>		
<b>Financial asset</b>		
- Saving account	25,230	47,462
<b>Financial liabilities</b>		
- Long-term financing	-	(23,438)
- Short-term financing	(161,986)	(178,313)
	<u>(161,986)</u>	<u>(201,751)</u>
Net financial liabilities at variable interest rates	<u>(136,756)</u>	<u>(154,289)</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. 1.142 million (June 30, 2021: Rs. 1.545 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.

#### 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 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\$ 3.073 million (June 30, 2021: US\$ 4.785 million). Spot rate as at June 30, 2022 is Rs. 205.12 to US\$ (June 30, 2021: 157.54 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. 6.303 million (June 30, 2021: 7.538 million). However, in practice, the actual results may differ from the

#### 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, 2022, the Group 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 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, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
Long-term deposits	95	95
Trade debts	1,700,642	1,147,269
Deposits	105,064	27,686
Other receivables	204,216	118,012
Bank balances	100,672	159,000
	<u>2,110,689</u>	<u>1,452,062</u>

#### 34.2.1 Short-term deposits and other receivables

The Group carries short-term deposits and other receivables amounting to Rs. 304.172 million (June 30, 2021: 148.689 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

### 34.2.2 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 11.3 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, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
Expected credit losses on trade debts arising from contracts with customers	<u>68,236</u>	<u>85,062</u>

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

### 34.2.1 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		June 30, 2022	June 30, 2021
				----- Rs. in '000' -----	
		Long-term	Short-term		
Habib Metropolitan Bank Ltd.	PACRA	AA+	A-1+	28,082	58,136
Bank Islami Pakistan Limited	PACRA	A+	A-1	310	310
Bank Al-Falah Limited	PACRA	AA+	A-1+	57,648	91,851
Habib Bank Limited	JCR-VIS	AAA	A-1	239	490
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A-1+	5,725	3,153
National Bank of Pakistan	PACRA	AAA	A-1+	635	616
MCB Bank Limited	PACRA	AAA	A-1+	204	242
Silk Bank Limited	JCR-VIS	A-	A-2	-	818
Summit Bank Limited	JCR-VIS	BBB-	A-3	7,000	2,980
Meezan Bank Limited	JCR-VIS	AAA	A-1+	630	204
Allied Bank Limited	PACRA	AAA	A-1	199	200
				<u>100,672</u>	<u>159,000</u>

### 34.3 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'				
<b>Financial liabilities</b>					
Short-term financing	138,548	7,812	23,438	-	169,798
Trade and other payables	-	153,356	1,051,722	-	1,205,078
Accrued mark-up	-	7,315	-	-	7,315
<b>June 30, 2022</b>	<b>138,548</b>	<b>168,483</b>	<b>1,075,160</b>	<b>-</b>	<b>1,382,191</b>

	Contractual cash flows				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 Years	
	Rs. in '000'				
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
<b>June 30, 2021</b>	<b>147,063</b>	<b>322,056</b>	<b>582,147</b>	<b>23,438</b>	<b>1,074,704</b>

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 17.2 to the consolidated 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 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.

### 34.5 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, 2022	June 30, 2021
	----- ( Rupees in '000') -----	
Total debt	165,131	207,064
Cash & cash equivalent	(225,892)	(159,190)
	(60,761)	47,874
Total shareholders' equity	1,737,234	1,150,137
<b>Total debt and equity</b>	<b>1,676,473</b>	<b>1,198,011</b>
<b>Gearing ratio</b>	<b>-3.62%</b>	<b>4.00%</b>

### 35. 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.

### 36. 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:

	Chief Executive Officer of the Holding Company		Executives	
	2022	2021	2022	2021
	----- ( Rupees in '000') -----			
Managerial remuneration	10,648	11,213	103,638	110,179
Medical	195	62	675	1,107
Perquisites and benefits	6,835	7,062	87,016	80,881
Others	990	887	12,193	7,600
	<b>18,668</b>	<b>19,224</b>	<b>203,522</b>	<b>199,767</b>
<b>Number of person</b>	<b>1</b>	<b>1</b>	<b>38</b>	<b>34</b>

36.1 No remuneration has been paid to any of the directors during the reporting period (June 30, 2021: nil).

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

### 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 follows:

Name	Nature of transaction	June 30,	June 30,
		2022	2021
		----- ( Rupees in '000') -----	
<b>Relationship: Parent Company</b>			
	Services received	220,000	13
Telecard Limited	Advance repaid by the Parent Company	424,800	668,216
	Advance given to the Parent Company	474,119	610,100

### 38. PROVIDENT FUND RELATED DISCLOSURES

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

	Note	June 30,	June 30,
		2022	2021
		-- (Rupees in '000') --	
Size of the fund - Total assets		132,536	121,992
Cost of the investment made		78,795	78,173
Fair value of investments	38.1	73,326	79,131
Percentage of investments made		55.33%	64.87%

38.1 The share of employees of the Group is 55% (June 30, 2020: 55%) in the total assets of the fund.

	June 30, 2022		June 30, 2021	
	Rupees in '000	%	Rupees in '000	%
38.2 The break-up of fair value of investments is:				
Bank balances/deposits	66,704	90.97%	72,324	91.40%
Mutual funds	6,622	9.03%	6,807	8.60%
	<u>73,326</u>		<u>79,131</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,	June 30,
	2022	2021
		----- ( Rupees in '000') -----
39. NUMBER OF EMPLOYEES		
Total employees of the Group at the year end	<u>441</u>	<u>454</u>
Average employees of the Group during the year	<u>447</u>	<u>433</u>

**40. CORRESPONDING FIGURES**

Corresponding figures have been reclassified / rearranged wherever necessary for better presentation, however was no material reclassification of corresponding figures.

**41. NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

The Board of Directors in its meeting held on October 7, 2022 has proposed a bonus shares of 10% (2021: bonus shares 100%) in respect of the year ended June 30, 2022. The consolidated financial statements for the year ended June 30, 2022 do not include the effect of these appropriations which will be accounted for in the year ending June 30, 2023.

**42. AUTHORISATION FOR ISSUE**

These consolidated financial statements were authorised for issue on 06 Oct, 22 by the board of directors of the Holding Company.

**43. 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



Empowering Networks

**COMBINED PATTERN OF CDC & PHYSICAL SHARE HOLDINGS  
AS AT 30/06/2022**

<b>NUMBER OF SHARE HOLDERS</b>	<b>S H A R E   H O L D I N G S</b>			<b>TOTAL SHARES HELD</b>
2	1	-	100	89
9	101	-	500	4,500
4	501	-	1,000	4,000
31	1,001	-	5,000	95,802
8	5,001	-	10,000	64,480
4	10,001	-	15,000	50,000
2	15,001	-	20,000	36,500
3	20,001	-	25,000	74,000
2	25,001	-	30,000	58,282
5	35,001	-	40,000	194,758
1	60,001	-	65,000	63,500
1	75,001	-	80,000	79,500
3	90,001	-	95,000	272,600
1	105,001	-	110,000	105,117
1	115,001	-	120,000	117,900
1	130,001	-	135,000	133,000
1	140,001	-	145,000	140,910
1	145,001	-	150,000	146,978
1	160,001	-	165,000	162,895
1	195,001	-	200,000	197,695



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2	215,001	-	220,000	437,000
1	255,001	-	260,000	260,000
1	285,001	-	290,000	289,500
2	495,001	-	500,000	1,000,000
1	635,001	-	640,000	637,000
1	805,001	-	810,000	806,392
2	1,105,001	-	1,110,000	2,220,000
1	1,205,001	-	1,210,000	1,206,929
1	1,245,001	-	1,250,000	1,250,000
1	1,310,001	-	1,315,000	1,315,000
1	1,515,001	-	1,520,000	1,516,500
1	1,800,001	-	1,805,000	1,800,854
1	2,370,001	-	2,375,000	2,374,440
1	3,995,001	-	4,000,000	4,000,000
1	91,105,001	-	91,110,000	91,106,111
<hr/>				
<b>100</b>				<b>112,222,232</b>
<hr/>				



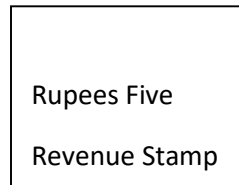
Empowering Networks

<b>Supernet Limited Categories of Shareholders</b>			
<b>As at June 30, 2022</b>			
<b>Name</b>	<b>NO OF SHARES</b>	<b>NOS</b>	<b>%</b>
<b>INDIVIDUALS</b>	<b>8,861,644</b>	<b>79</b>	<b>8</b>
<b>JOINT STOCK COMPANIES</b>	9,724,382	7	8.67
BANKS, DFI'S, INSURANCE COMPANIES	1,733,500	2	1.54
MODARBAS AND MUTUAL FUND & OTHERS	791,595	4	0.71
	<b>12,249,477</b>	<b>13</b>	<b>10.92</b>
<b>ASSOCIATES</b>	<b>91,106,111</b>	<b>1</b>	<b>81.18</b>
<b>DIRECTORS, CHIEF EXECUTIVE AND THEIR SPOUSES</b>			
JAMAL NASIR KHAN	1000	1	0.00
SYED AAMIR HUSSAIN	500	1	0.00
SYED HASHIM ALI	500	1	0.00
WASEEM AHMAD	500	1	0.00
AHMER QAMAR	1,000	1	0.00
ASAD MUJTABA NAQVI	500	1	0.00
Ms. NAUEEN AHMED	1,000	1	0.00
	<b>5,000</b>	<b>7</b>	<b>0.00</b>
<b>Total</b>	<b>112,222,232</b>	<b>100</b>	<b>100</b>

## Form of Proxy for the Annual General Meeting

I/We \_\_\_\_\_ s/o \_\_\_\_\_ of \_\_\_\_\_ being a member of **Supernet Limited** and holding \_\_\_\_\_ ordinary shares as per Folio No. \_\_\_\_\_ and/or CDC participant I.D. No. \_\_\_\_\_ and Sub-Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us and on my behalf at the Annual General Meeting of the Company to be held on Thursday 27 October, 2022 at 1100 at 3<sup>rd</sup> Floor, 75 East Blue Area, Fazal ul Haq Road, Islamabad, and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2022.



**WITNESS:**

1. Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_

CNIC No.  

						-								-	
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Or Passport No. \_\_\_\_\_

2. Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_

CNIC No.  

						-								-	
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Or Passport No. \_\_\_\_\_

**Signature of the shareholder**

1. For physical shareholders: The signature should agree with the specimen registered with the company.  
 2. For CDC shareholders: The signature should agree with the specimen on CNIC attached).

CNIC No.  

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**NOTES:**

1. A member of the Company entitled to attend and vote may appoint a proxy to attend and vote instead of him / her. Proxies in-order must be received, during business hours, at the Registered Office of the Company situated at Islamabad not less than 48 hours before the time of holding Annual General Meeting.
2. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
3. For attending the meeting and appointing proxies, CDC account holders will further have to follow the guidelines as laid down in Circular 01 dated 26 January, 2000 issued by the SECP.