KPMG Taseer Hadi & Co.
Chartered Accountants

IGNITE
(Formerly National ICT R&D Fund)

Financial Statements
For the year ended
30 June 2017

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building, Blue Area
Islamabad, Pakistan
Telephone 92 (51) 282 3558, Fax 92 (51) 282 2671

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of IGNITE (formerly National ICT R&D Fund) ("the Company") as at 30 June 2017 and the related statement of comprehensive income, cash flow statement and statement of changes in funds together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) during the year ended 30 June 2016, the Company changed its accounting policy for recognition of expenditure on project / program activities from cash to accrual basis of accounting. This change was applied to the financial statements prospectively from 1 July 2015. Comparative figures of statement of comprehensive income include cumulative impact of change in accounting policy attributable to preceding periods;

(b) in our opinion, except for the possible effects of matter referred to in paragraph (a) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(c) in our opinion, except for the possible effects of matter referred to in paragraph (a) above:

(i) the balance sheet and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting polices consistently applied except for the changes as stated in Note 2, with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(d) in our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of matter referred to in paragraph (a) above, the balance sheet, statement of comprehensive income, cash flow statement and statement of changes in funds together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the surplus, its cash flows and changes in funds for the year then ended; and

(e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended 30 June 2016 were audited by another auditor whose report dated 14 November 2017 expressed a qualified opinion, based on the matter detailed in paragraph (a) above, on those financial statements.

Islamabad
10 May 2018

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner:
Riaz Pesnani

IGNITE
(Formerly NATIONAL ICT R&D FUND)
Balance Sheet
As at 30 June 2017

	Note	2017 (Rupees)	2016 (Rupees)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	9,831,063	12,524,114
Intangible	7	2,022,818	3,184,648
		11,853,881	15,708,762
CURRENT ASSETS			
Advances - considered good	8	82,245,778	13,194,410
Short term prepayments		-	14,365,016
Accrued interest on bank balance		7,309,136	10,184,480
Other receivables		8,740	98,740
Bank balance	9	538,343,501	607,462,524
		627,907,155	645,305,170
TOTAL ASSETS		639,761,036	661,013,932
FUNDS AND LIABILITIES			
FUNDS			
Unrestricted funds		6,709,285	6,709,285
NON-CURRENT LIABILITIES			
Restricted funds	10	305,889,986	339,847,847
Deferred capital grant	11	11,853,881	15,708,762
		317,743,867	355,556,609
CURRENT LIABILITIES			
Trade and other payables	12	315,307,884	298,748,038
TOTAL FUNDS AND LIABILITIES		639,761,036	661,013,932
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 21 form an integral part of these financial statements.

Yusuf Hussain

CHIEF EXECUTIVE

DIRECTOR

IGNITE

(Formerly NATIONAL ICT R&D FUND)

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 (Rupees)	2016 (Rupees)
INCOME			
Grant income recognized	*14*	**771,755,828**	1,313,110,790
EXPENDITURE			
Project / program activities	*15*	**(570,738,757)**	(1,131,622,436)
Operating costs	*16*	**(184,956,934)**	(176,812,462)
		(755,695,691)	(1,308,434,898)
SURPLUS FOR THE YEAR		**16,060,137**	4,675,892
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss not to be reclassified to statement of comprehensive income in subsequent periods:			
Remeasurement loss on defined benefit scheme	*12.2.4*	**(16,060,137)**	(4,675,892)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-

The annexed notes 1 to 21 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

IGNITE

(Formerly NATIONAL ICT R&D FUND)

Cash Flow Statement

For the year ended 30 June 2017

	Note	2017 (Rupees)	2016 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		**16,060,137**	4,675,892
Adjustments for:			
Depreciation	6	**4,352,128**	2,398,961
Amortization of intangible	7	**1,161,830**	315,413
Amortization of deferred capital grant	11	**(5,513,958)**	(2,714,374)
Amortization of restricted funds	10	**(766,241,870)**	(1,310,396,416)
Provision for staff gratuity	12.2.3	**7,221,783**	7,103,317
		(742,959,950)	(1,298,617,207)
Changes in:			
Advances - considered good		**(69,051,368)**	(10,647,856)
Short term prepayments		**14,365,016**	(1,266,000)
Other receivables		**90,000**	(33,800)
Trade and other payables		**7,579,365**	274,200,737
		(47,016,987)	262,253,081
Cash used in operating activities		**(789,976,937)**	(1,036,364,126)
Contribution made to staff gratuity fund	12.2.2	**(14,301,439)**	(13,219,454)
Restricted funds received during the year	10	**718,000,000**	1,527,000,000
Amount received from closed projects		-	4,321,408
Interest income received on bank balance		**18,818,430**	11,449,710
Net cash (used in) / from operating activities		**(67,459,946)**	493,187,538
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	6	**(1,659,077)**	(12,919,309)
Insurance claim received		-	125,399
Net cash used in investing activities		**(1,659,077)**	(12,793,910)
CASH FLOW FROM FINANCING ACTIVITIES		-	-
(Decrease) / increase in cash and cash equivalents		**(69,119,023)**	480,393,628
Cash and cash equivalents at beginning of the year		**607,462,524**	127,068,896
Cash and cash equivalents at end of the year		**538,343,501**	607,462,524

The annexed notes 1 to 21 form an integral part of these financial statements.

Yusuf Hussain

CHIEF EXECUTIVE

DIRECTOR

IGNITE
(Formerly NATIONAL ICT R&D FUND)
Statement of Changes in Funds
For the year ended 30 June 2017

	Unrestricted (Rupees)
Balance at 01 July 2015	**6,709,285**
Surplus for the year	4,675,892
Other comprehensive loss for the year	(4,675,892)
Total comprehensive income for the year	-
Balance at 30 June 2016	**6,709,285**
Balance at 01 July 2016	**6,709,285**
Surplus for the year	**16,060,137**
Other comprehensive loss for the year	**(16,060,137)**
Total comprehensive income for the year	-
Balance at 30 June 2017	**6,709,285**

The annexed notes 1 to 21 form an integral part of these financial statements.

Yusuf Hussain
CHIEF EXECUTIVE

DIRECTOR

1 THE COMPANY AND ITS OPERATIONS

IGNITE (formerly National ICT R&D Fund) (the "Company") was incorporated in Pakistan as a Not for Profit Company limited by guarantee and not having a share capital under section 42 of the Companies Ordinance, 1984, on 20 November 2006. The Company was formed under Section 33(D) of Pakistan Telecommunication (Reorganization) Act 1996. The registered office of the Company is situated at 6th Floor, HBL Tower, Jinnah Avenue, Blue Area, Islamabad.

Pursuant to Section 3 of the Research and Development Fund Rules 2006, operations of the Company are funded by the Ministry of Information Technology (MoIT), Government of Pakistan through a Research and Development Fund (the "Fund"), [a separate entity established under section 33(C) of Telecommunication Re-organization (Amendment) Ordinance, 2005]. The Fund is under the control of Federal Government, which administers the Fund through a Policy Committee.

The primary objective of the Company is to promote research and development activities in the field of Information Communication Technologies (ICT) through disbursement of grants to implementing partners, received from the Government of Pakistan and other national and international funding agencies.

The name of the Company was changed to "IGNITE" on 20 June 2017.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under Companies Ordinance, 1984 (the repealed Ordinance), the Accounting Standards for Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan, provisions of and directives issued under the Companies Ordinance, 1984 (the repealed Ordinance). In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 (the repealed Ordinance) shall prevail.

These financial statements were previously prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 (the repealed Ordinance). The change has been made in compliance with requirements of Securities and Exchange Commission of Pakistan S.R.O. No. 413/2016 dated 11 May 2016. The adoption of new standards does not have a material impact on the Company's financial statements.

3 BASIS OF PREPARATION AND MEASUREMENT

During the year on 30 May 2017, the Companies Act, 2017 (the "Act") was enacted which replaced and repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities and Exchange Commission of Pakistan (SECP), through its Circular No. 17 of 2017 dated 20 July 2017, has advised the Companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

These financial statements have been prepared under 'historical cost convention' except as otherwise disclosed in respective accounting policy notes.

3.1 Functional and presentation currency

These financial statements are presented in Pakistan rupees (rupees), which is the Company's functional currency. All financial information presented in rupees has been rounded off to the nearest rupee, unless otherwise stated.

3.2 Significant estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

Property and equipment

The Company reviews the useful life and residual value of property and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on depreciation charge.

Provisions

Estimates of the amount of provisions recognized are based on current legal and constructive obligations. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

Impairment of financial and non-financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. Any change in estimates in future years might effect the carrying amounts of the respective assets with a corresponding effect on the impairment.

- Amendments to IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and Securities and Exchange Commission of Pakistan (SECP) vide its circular 17 of 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 1 July 2017 requires certain additional disclosures. Management is in the process of assessing the impact of such changes on the financial statements.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the changes as stated in note 2 to the financial statements.

5.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged using the straight-line method so as to write off the depreciable amount of property and equipment over their estimated useful lives. The rates used are stated in note 6 to the financial statements. Depreciation is charged on additions from the month the assets becomes available for the intended use up to the month in which these are derecognized. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to the statement of comprehensive income as and when incurred. Major extensions, renewals and improvements are capitalized.

5.2 Intangible

These are recognized if it is probable that future economic benefits that are attributable to such assets will flow to the Company and the cost of the assets can also be measured reliably. These are stated at cost less accumulated amortization and any identified impairment loss, if any. Amortization is charged on a straight line basis so as to write off the amortizable amount of the intangible assets over their estimated useful life at the rate specified in note 7. Amortization is charged on additions from the month the assets become available for the intended use up to the month in which these are derecognized.

5.3 Impairment of non-financial assets

The carrying value of the Company's assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such condition exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of an asset or a Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs of disposal.

5.4 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

5.4.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity investments, loans and receivables and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. All financial instruments held by the Company have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements based on the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: observable inputs; and
- Level 3: unobservable inputs.

Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the trade date; the date on which the Company commits to purchase or sell the asset. The Company's financial assets as at 30 June 2017 comprised of "loans and receivables".

Loans and receivables 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 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise advances, accrued interest on bank balance, other receivables and bank balance in the balance sheet. Loans and receivables are carried at amortized cost using the effective interest method less allowance for any uncollectible amounts.

5.4.2 Impairment of financial assets

The Company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

5.4.3 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of comprehensive income.

5.4.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognized amounts and the Company intends to settle on a net basis, or realize the asset and settle the liability simultaneously.

5.5 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank. Cash and cash equivalents are carried in the balance sheet at cost.

5.6 Staff retirement benefits

Accumulated compensated absences

The Company accounts for accumulated compensated absences in the period in which these absences are earned. An accrual is made for employees compensated absences on the basis of accumulated leaves at the last drawn pay.

Gratuity scheme

The Company operates a funded gratuity scheme for its employees who have completed the qualifying period as defined under the respective scheme. Liabilities for the scheme are recognized on the basis of an actuarial valuation using the "Projected Unit Credit Method". The latest actuarial valuation was performed on 30 June 2017 details of which are given in note 12.2.

Remeasurement gains and losses for the gratuity are recognized in full in the periods in which they occur in other comprehensive income and are not reclassified to statement of comprehensive income in subsequent periods. The past service costs are recognized at the earlier of when the amendment or curtailment occurs and when the Company has recognized related restructuring or terminations.

5.7 Grants

Grants are recognized as deferred income, when there is a reasonable assurance that the grant will be received and the Company will comply with the conditions associated with the grant. Amounts received from the Ministry of Information Technology are included in the balance of the restricted funds. Any income earned on these funds is also included in the fund.

Grants that compensate the Company for expenses incurred are recognized in the statement of comprehensive income in the same period in which the expenses are recognized. Grants that compensate the Company for cost of an asset are recognized in the statement of comprehensive income on a systematic basis over the expected useful life of the related asset, upon capitalization.

5.8 Expenditure on project / program activities

Grants received from Ministry of Information Technology, are allocated to the projects / programs based on an evaluation of the envisaged projects' budgets. The Company recognizes expenditure on project / program activities on the basis of verified cost statements received from the implementing partner.

5.9 Taxation

The income of the Company is exempted under clause 102(A) of the Second Schedule to the Income Tax Ordinance, 2001. Therefore, no provision for taxation has been made in these financial statements.

5.10 Provision

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

5.11 Interest income

Interest income on bank balance is accrued on a time basis, with reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the asset's net carrying amount and included in the restricted fund.

6 PROPERTY AND EQUIPMENT

	Furniture and fittings	Vehicles	Office equipment	Computer equipment	Total
			(Rupees)		
Cost					
Balance at 01 July 2015	4,260,785	110,913	2,044,046	11,589,868	18,005,612
Additions	136,890	-	458,327	9,254,531	9,849,748
Disposals	-	-	-	(295,000)	(295,000)
Balance at 30 June 2016	4,397,675	110,913	2,502,373	20,549,399	27,560,360
Balance at 01 July 2016	**4,397,675**	**110,913**	**2,502,373**	**20,549,399**	**27,560,360**
Additions	**-**	**-**	**409,243**	**1,249,834**	**1,659,077**
Balance at 30 June 2017	**4,397,675**	**110,913**	**2,911,616**	**21,799,233**	**29,219,437**
Accumulated depreciation					
Balance at 01 July 2015	1,844,362	9,727	1,251,564	9,826,632	12,932,285
Depreciation	430,647	20,580	209,133	1,738,601	2,398,961
Disposals	-	-	-	(295,000)	(295,000)
Balance at 30 June 2016	2,275,009	30,307	1,460,697	11,270,233	15,036,246
Balance at 01 July 2016	**2,275,009**	**30,307**	**1,460,697**	**11,270,233**	**15,036,246**
Depreciation	**433,654**	**20,580**	**236,330**	**3,661,564**	**4,352,128**
Balance at 30 June 2017	**2,708,663**	**50,887**	**1,697,027**	**14,931,797**	**19,388,374**
Carrying amounts - 2017	**1,689,012**	**60,026**	**1,214,589**	**6,867,436**	**9,831,063**
Carrying amounts - 2016	2,122,666	80,606	1,041,676	9,279,166	12,524,114
Depreciation rate per annum	**10%**	**20%**	**10%**	**33%**	

		Note	2017 (Rupees)	2016 (Rupees)
7	**INTANGIBLE**			
	Cost			
	Balance at 01 July		**5,928,300**	2,858,739
	Acquisitions		**-**	3,069,561
	Balance at 30 June		**5,928,300**	5,928,300
	Accumulated amortization			
	Balance at 01 July		**2,743,652**	2,428,239
	Amortization	*7.1*	**1,161,830**	315,413
	Balance at 30 June		**3,905,482**	2,743,652
	Carrying amounts		**2,022,818**	3,184,648

7.1 Annual rate of amortization is 33%.

8 ADVANCES - considered good

	2017 (Rupees)	2016 (Rupees)
Advances to implementing partners	**75,115,823**	11,048,178
Advances to employees against:		
- Salaries	**6,902,700**	1,908,400
- Expenditure	**227,255**	237,832
	7,129,955	2,146,232
	82,245,778	13,194,410

9 BANK BALANCE

This represents bank balance in saving account and carries markup at 3.75% (2016: 3.75%) per annum.

		Note	2017 (Rupees)	2016 (Rupees)
10	**RESTRICTED FUNDS**			
	Balance at 01 July		**339,847,847**	117,033,182
	Add:			
	Received during the year from MoIT		**718,000,000**	1,527,000,000
	Interest income		**15,943,086**	14,683,583
	Received from closed projects		**-**	4,321,408
	Insurance claim		**-**	125,399
	Less:			
	Recognized as grant income		**(766,241,870)**	(1,310,396,416)
	Transferred to deferred capital grant during the year	*11*	**(1,659,077)**	(12,919,309)
	Balance at 30 June		**305,889,986**	339,847,847

IGNITE
(Formerly NATIONAL ICT R&D FUND)
Notes to the Financial Statements
For the year ended 30 June 2017

		Note	2017 (Rupees)	2016 (Rupees)
11	**DEFERRED CAPITAL GRANT**			
	Balance at 01 July		**15,708,762**	5,503,827
	Additions during the year:			
	Property and equipment	6	**1,659,077**	9,849,748
	Intangible	7	**-**	3,069,561
		11.1	**1,659,077**	12,919,309
	Amortization of deferred capital grant	11.2	**(5,513,958)**	(2,714,374)
	Balance at 30 June		**11,853,881**	15,708,762

11.1 This represents property and equipment and intangible purchased during the year from the funds received from Ministry of Information Technology as given in note 10.

		Note	2017 (Rupees)	2016 (Rupees)
11.2	**Amortization of deferred capital grant**			
	Depreciation charge for the year	6	**(4,352,128)**	(2,398,961)
	Amortization charge for the year	7	**(1,161,830)**	(315,413)
			(5,513,958)	(2,714,374)

		Note	2017	2016
12	**TRADE AND OTHER PAYABLES**			
	Payable to implementing partners		**272,309,873**	264,718,847
	Payable to suppliers		**11,818,664**	8,764,146
	Payable to gratuity fund	12.2.1	**21,841,775**	12,861,294
	Leave encashment payable	12.1	**7,031,839**	5,858,149
	Accrued liabilities		**2,183,370**	6,521,294
	Withholding tax payable		**122,363**	24,308
			315,307,884	298,748,038

		2017	2016
12.1	**Leave encashment payable**		
	Balance at 01 July	**5,858,149**	5,282,211
	Charge for the year	**7,031,839**	5,858,149
	Benefits paid during the year	**(5,858,149)**	(5,282,211)
	Balance at 30 June	**7,031,839**	5,858,149

	Note	2017 (Rupees)	2016 (Rupees)
12.2 Payable to gratuity fund			

12.2.1 The amount recognized in the balance sheet is as follows:

	Note	2017	2016
Present value of defined benefit obligation	12.2.5	**42,354,204**	32,644,913
Payables		**5,728,994**	5,474,013
Fair value of plan assets	12.2.6	**(26,241,423)**	(25,257,632)
Net liability at 30 June	12.2.2	**21,841,775**	12,861,294

12.2.2 Movement in net liability recognized in balance sheet is as follows:

	Note	2017	2016
Balance at 01 July		**12,861,294**	14,301,539
Cost for the year recognised in statement of comprehensive income	12.2.3	**7,221,783**	7,103,317
Total amount of remeasurement loss recognised in other comprehensive income	12.2.4	**16,060,137**	4,675,892
Employer's contribution during the year		**(14,301,439)**	(13,219,454)
Balance at 30 June		**21,841,775**	12,861,294

12.2.3 The amount recognized in statement of comprehensive income is as follows:

	2017	2016
Current service cost	**6,965,636**	6,620,223
Net interest cost	**256,147**	483,094
	7,221,783	7,103,317

12.2.4 Remeasurement recognized in other comprehensive income is as follows:

	2017	2016
Remeasurement loss on defined benefit obligation	**2,506,355**	3,473,309
Remeasurement loss on plan assets	**13,553,782**	1,202,583
	16,060,137	4,675,892

12.2.5 The movement in the present value of defined benefit obligation is as follows:

	2017	2016
Balance at 01 July	**32,644,913**	27,934,321
Current service cost	**6,965,636**	6,620,223
Interest cost	**2,586,019**	2,346,773
Benefits payable	**(254,981)**	(5,474,013)
Benefits paid	**(2,093,738)**	(2,255,700)
Remeasurement loss on defined benefit obligation	**2,506,355**	3,473,309
Balance at 30 June	**42,354,204**	32,644,913

12.2.6 The movement in the fair value of plan assets is as follows:	**2017 (Rupees)**	2016 (Rupees)
Balance at 01 July	**25,257,632**	13,632,782
Expected return on plan assets	**2,329,872**	1,863,679
Contributions	**14,301,439**	13,219,454
Benefits paid	**(2,093,738)**	(2,255,700)
Remeasurement loss on plan assets	**(13,553,782)**	(1,202,583)
Balance at 30 June	**26,241,423**	25,257,632
12.2.7 Actual return on plan assets	**973,522**	798,257

12.2.8 Plan assets comprise of:

Cash at bank - saving account (Unquoted)	**26,241,423**	25,257,632
12.2.9 Expected contribution for the next year	**29,798,089**	19,826,930

The company contributes to the gratuity fund on the advice of the fund's actuary. The contributions are equal to the current service cost with the adjustment for any deficit.

12.2.10 Significant actuarial assumptions used were as follows:

	2017	2016
Withdrawal rate	**Very High**	Very High
Mortality rate	**Adjusted SLIC (2001-05)**	Adjusted SLIC (2001-05)
Discount rate per annum	**9.25%**	9.00%
Salary increase rate per annum	**8.25%**	8.00%
Weighted average duration of the obligation	**12.64 Years**	10.49 years

12.2.11 Sensitivity analysis

The calculation of defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	Change in assumption	**Impact on defined benefit obligation**	
		Increase in assumption	**Decrease in assumption**
		(Rupees)	
Discount	1%	38,062,244	48,762,249
Salary increase	1%	48,848,280	37,785,862

12.2.12 Distribution of timing of benefit payments	Note	2017 (Rupees)	2016 (Rupees)
Year 1		**4,149,228**	5,307,513
Year 2		**4,136,374**	4,471,328
Year 3		**3,651,572**	4,166,901
Year 4		**3,490,354**	3,568,780
Year 5		**3,008,769**	3,183,307
Year 6 - 10		**30,402,036**	13,870,172

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There are no contingencies at 30 June 2017 (2016: Rs. Nil).

13.2 Commitments

Commitments to disburse funds in respect of:

National Incubation Centres	**516,851,727**	-
Technical Research and Development Projects	**641,792,414**	351,670,588
Human Resource and Development Programs	**20,523,868**	287,756,019
National ICT Scholarship Programs	**624,770,178**	1,000,809,762

14 GRANT INCOME RECOGNIZED

	Note	2017 (Rupees)	2016 (Rupees)
Amortization of deferred capital grant	*11.2*	**5,513,958**	2,714,374
Restricted funds recognized as grant income during the year:			
Operating costs	*16.2*	**179,442,976**	174,098,088
Project / program activities	*15*	**570,738,757**	1,131,622,436
Remeasurement loss on defined benefit scheme		**16,060,137**	4,675,892
	10	**766,241,870**	1,310,396,416
		771,755,828	1,313,110,790

15	**PROJECT / PROGRAM ACTIVITIES**	*Note*	**2017 (Rupees)**	2016 (Rupees)
	National Incubation Centres		**105,484,230**	-
	Technical Research and Development Projects		**120,754,357**	158,942,521
	Human Resource Development Projects		**85,771,756**	237,170,442
	National ICT Scholarship Programs		**249,494,756**	728,521,875
	Conferences, Seminars and Scientific Events		**9,233,658**	6,987,598
			570,738,757	1,131,622,436

16 OPERATING COSTS

Salaries and benefits	*16.1*	**133,663,739**	125,966,780
Rent		**23,975,016**	21,520,834
Travelling expenses		**6,146,516**	5,749,854
Communication charges		**1,467,200**	1,838,791
Entertainment		**1,267,991**	755,193
Printing and stationery		**1,065,367**	1,278,806
Utilities		**1,893,824**	2,067,945
Repairs and maintenance		**1,865,999**	2,616,952
Advertising expenses		**1,131,916**	1,746,480
Auditors' fee		**350,000**	350,000
Legal and professional charges		**609,750**	454,592
Depreciation and amortization	*6 & 7*	**5,513,958**	2,714,374
External evaluators' fee		**2,852,500**	3,733,450
Director fees and other expenses		**2,024,080**	2,806,790
Training, workshop and seminars		**1,111,912**	3,023,415
Miscellaneous		**17,166**	188,206
		184,956,934	176,812,462

16.1 This includes staff benefits amounting to Rs. 17,706,726 (2016: Rs. 14,136,469).

16.2	**Operating cost charged to restricted funds**	*Note*	**2017 (Rupees)**	2016 (Rupees)
	Operating costs	*16*	**184,956,934**	176,812,462
	Less: Depreciation and amortization charged to deferred capital grant	6 & 7	**(5,513,958)**	(2,714,374)
			179,442,976	174,098,088

17 FINANCIAL INSTRUMENTS

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

17.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Company's credit risk is primarily attributable to advances, other receivables and balance at bank. The management believes that the Company is not exposed to major concentration of credit risk as the exposure is limited and the major exposure is with banks with reasonably high credit ratings. The carrying amount of financial assets represents the maximum credit exposure at the reporting date as follows:

	2017 (Rupees)	2016 (Rupees)
Advances - considered good	**6,902,700**	1,908,400
Accrued interest on bank balance	**7,309,136**	10,184,480
Other receivables	**8,740**	98,740
Bank balance	**538,343,501**	607,462,524
	552,564,077	619,654,144

17.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities:

	Carrying value	Less than 1 year	Between 1 and 5 years	5 years onwards
	(Rupees)			
At 30 June 2017				
Trade and other payables	**286,311,907**	**286,311,907**	-	-
At 30 June 2016				
Trade and other payables	280,004,287	280,004,287	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

17.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Company is not exposed to any market risk.

17.4 Fair values

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

17.5 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

However, the fair value approximates to their carrying values.

17.6 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amounts				Fair value			
Financial assets and liabilities	**Held to maturity**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Rupees)				(Rupees)			
30 June 2017								
Financial assets not measured at fair value								
Advances - considered good	-	6,902,700	-	6,902,700	-	-	-	-
Accrued interest on bank balance	-	7,309,136	-	7,309,136	-	-	-	-
Other receivables	-	8,740	-	8,740	-	-	-	-
Bank balance	-	538,343,501	-	538,343,501	-	-	-	-
Total financial assets	-	552,564,077	-	552,564,077	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	286,311,907	286,311,907	-	-	-	-
Total financial liabilities	-	-	286,311,907	286,311,907	-	-	-	-
30 June 2016								
Financial assets not measured at fair value								
Advances - considered good	-	1,908,400	-	1,908,400	-	-	-	-
Accrued interest on bank balance	-	10,184,480	-	10,184,480	-	-	-	-
Other receivables	-	98,740	-	98,740	-	-	-	-
Bank balance	-	607,462,524	-	607,462,524	-	-	-	-
Total financial assets	-	619,654,144	-	619,654,144	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	280,004,287	280,004,287	-	-	-	-
Total financial liabilities	-	-	280,004,287	280,004,287	-	-	-	-

The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

18 REMUNERATION OF THE CHIEF EXECUTIVE AND DIRECTORS	**2017 (Rupees)**	2016 (Rupees)
18.1 Remuneration of the Chief Executive		
Managerial remuneration	**6,058,278**	3,767,956
Medical allowance	**38,573**	34,998
Conveyance allowance	**634,244**	318,000
Communication allowance	**59,516**	54,000
Fuel allowance	**-**	136,377
Leave encashment	**488,444**	-
Gratuity entitlement	**493,253**	-
	7,772,308	4,311,331
Number of persons including those who worked part of the year	**2**	2

18.2 Managerial remuneration includes additional charge allowance paid to the acting chief executive appointed by the Board of Directors. Chief executive was appointed with effect from 12 December 2016.

18.3 The aggregate amount charged in the financial statements for the year as fees to Directors is Rs. 540,000 (2016: Rs. 1,014,000) for attending Board of Directors and sub-committee meetings.

19 RELATED PARTY TRANSACTIONS

The Company is wholly owned and sponsored by Ministry of Information Technology, Government of Pakistan. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. Other related parties comprise companies with common directorship, key management personnel and employees gratuity fund. Transactions of the Company with related parties and balances outstanding at year end, other than remuneration of key management personnel, are as follows:

	2017 (Rupees)	2016 (Rupees)
Grant received during the year:		
From Ministry of Information Technology	**718,000,000**	1,527,000,000
Disbursements made to:		
Nayatel (Private) Limited	**427,249**	1,402,920
National Telecommunication Corporation	**741,854**	320,551
Pakistan Software Export Board	**64,125,935**	7,579,400
Dawood University of Engineering and Technology	**-**	315,000
Universal Service Fund (USF), Islamabad	**413,644**	-
Institute of Business and Administration	**-**	3,336,949
Virtual University of Pakistan	**4,399,370**	118,750

IGNITE

(Formerly NATIONAL ICT R&D FUND)

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 (Rupees)	2016 (Rupees)
Amount payable as at year end:		
National Telecommunication Corporation	**43,838**	27,024
Nayatel (Private) Limited	**9,028**	-
Pakistan Software Export Board	**-**	785,520

20 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 10 MAY 2018

21 GENERAL

21.1 Number of employees

Number of persons employed as on 30 June 2017 are 46 (2016: 52). Average number of employees during the year were 49 (2016: 57).

21.2 Comparatives

Certain comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current year.

The reclassification of items is not considered material and does not impact the financial statement as at the beginning of the earliest comparative period. Thus a third statement of financial position at the beginning of the earliest comparative period has not been presented.

21.3 Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR