Schedule-III

Statement of Corporate Intent 2025-26

(see Section 8(4))

1. Name of State-Owned Enterprise: **UNIVERSAL SERVICE FUND CO.**

2. Incorporated/established on: **12th December 2006**

3. Subsidiaries included in this statement of corporate intent: **None**

4. Description of the main business of the state-owned enterprise:

As per Section 33(B)(2) of the Pakistan Telecommunication (Reorganization) Act, 1996 (as amended) USF Shall be utilized exclusively for "providing access to telecommunication services to people in the un-served, under-served, rural and remote areas and other expenditure to be made and incurred by the Federal Government in managing USF."

Pursuant to this, USF company has been established by the Federal Government under Section 42 of the Companies Ordinance, 1984 (Now Companies Act, 2017)

5. Summary of the business goals of the state-owned enterprise:

The business lucrative areas are being covered by Telecom Operators on their own or as per PTA's roll out obligations, whereas USF will continue to focus on identification of the un/underserved, rural/remote areas having low/no business viability and launch appropriate telecommunication projects.

USF will launch number of new projects in three years, subject to fiscal space. [as per the approved business- plan]

KEY PERFORMANCE INDICATORS	Financial Year		
	2025-26	2026-27	2027-28
Mauzas to be Covered	760	977	1,109
Population to be Served	1,171,960	1,812,155	1,675,189
OFC KMs to be Laid	825	1,964	4,091
UCs/Towns to be Connected	91	243	424

These KPIs are based on the following assumptions:
1- The targets may vary depending upon how many projects are successfully auctioned and whether any of the risks, impacting implementation activities, are materialized including approvals, security situation, timely approvals from the concerned authorities, and external factors including weather, flood etc.
2- The targets may also vary based on the available fiscal space (regular inflow, releases from FCF etc.) and decisions by the Board on award of the contracts

6. Summary of the performance measures and benchmarks against the state-owned enterprises business goals and its primary objective:

The performance benchmarks have been specified under para 5 above. Achievement of these benchmarks under the contracts of awards of projects will depict the

organizational performance towards achieving its primary goals

7. Summary of the strategies of the state-owned enterprise for achieving its business goals and primary objective:
   a. **USF will concentrate on fulfilling its already signed/contracted commitments**
   b. **Prioritization of high impact new projects for optimal utilization of forecasted funds.**
   c. **Potential Risks and their mitigation strategies are attached as Annex-A**

8. The current or anticipated borrowing of the state-owned enterprise. including borrowing by a subsidiary: **Not Applicable/Nil**

9. The accounting policies that the state-owned enterprise will apply for financial records and reporting: - **Attached as Annex-B**

   The financial statements are prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of

   a) **International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);**
   b) Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
   c) **Provisions of and directives issued under the Companies Act, 2017**
   d) **Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 are followed.**

10. Summary indicative balance sheet and profit and loss statement for the state-owned enterprise:

    The indicative Balance Sheet and profit and loss statement have been prepared based on the following Funds forecast and attached as Annex-C

FUNDS FORECAST (OPENING + CONTRIBUTION + FCF) (Rs' Million)

Description	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Opening Balance	**23,785**	**15,976**	**337**	**2,031**	**121**
FCF release budgeted by Govt for FY 2025-26	4,000				-
Annual Contribution	10,890	11,979	13,177	14,495	15,944
Total Inflows	**38,675**	**27,955**	**13,513**	**16,525**	**16,065**
Access Projects Disbursements	11,436	20,887	9,054	7,847	1,129
OFC Projects Disbursements	9,076	21,422	16,637	7,049	-
Access & OFC Projects Opex Subsidy	673	750	1,000	1,320	1,600
Technical & Monitoring Audits	446	491	540	594	653
Company Operational Expenses	1,068	1,228	1,412	1,624	1,867
Total Outflows	**22,699**	**44,778**	**28,643**	**18,434**	**5,250**
Surplus/(Deficit)	**15,976**	**(16,823)**	**(15,129)**	**(1,909)**	**10,816**
FCF Inflows	-	17,160	17,160	2,030	-
Surplus with FCF	**15,976**	**337**	**2,031**	**121**	**10,816**

Fund forecast is based on the following:

- **“Opening Balance” is the Current Balance available with USF Fund.**
- **Annual Average Contribution growth for last 3 years (FY 22 to FY 24) is 9.5%. 10% annual growth rate has been used for FY 2025-26 onwards. Annual Company Opex is forecasted to increase @ 15% p.a.**
- **Timely collection of annual contribution inflows from licensees.**
- **Return of funds parked in Federal Consolidated Funds, by the Federal Government as per SIFC Apex Committee decision.**
- **Timely release of budgeted funds to the Company.**

11. Consolidated summary indicative balance sheet and profit and loss statement for the state- owned enterprise and its subsidiaries as a group: **Not Applicable/Nil**

12. The proposed dividend declaration and distribution policy of the state-owned enterprise: **Not Applicable/Nil**

13. Description of any public service obligations and their impact on the forecasted financial outcomes of the state-owned enterprise: **Not Applicable/Nil**

14. Any other matter directed to be included in this statement by the Federal Government: **Not Applicable/Nil**

Annex A

Risks and their mitigation strategies.

Financial Risks	Mitigation Measures	Probability
Any reduction in estimated USF contribution growth rates may lead to liquidity issues. Currently ~10% annual growth in USF contributions has been forecasted for the next three years.	Government initiatives to promote investments and revenues in Telecom Industry.	LOW
Return of USF Funds held in FCF: No further return of USF Funds from FCF in FY 2025-26 and onwards due to shortage of fiscal space. Limitation on planning and launch of new projects resulting in restricted subsidy program. Quantum of subsidy program to be limited to annual USF contribution inflows.	USF program subsidies to be prioritized, slow down of USF projects, moratorium on launch of new projects. Due to restriction on subsidy programs, maintaining 05% cap on the operational budget will be a challenge, however, USF Rules allow approval of additional budget by the MoIT&T in case of operational budget shortfall.	HIGH
'APC for USF' Collections.	PTA has issued the determination. The matter would be followed up with relevant quarters.	MEDIUM
Fiscal space limits launch of additional new projects (beyond USF approved plan). Paced up launch of new projects will again land USF into fiscal crunch.	In the current available fiscal space including FCF funds, no additional project beyond USF's approved business plan for that specific year may be considered for launch.	MEDIUM

Project Risks	Mitigation Measures	Probability
Delay in release of USF fund from FCF as per Federal Budget	The current business plan will be valid if the releases from FCF are made at least as per the SIFC Commitment. In case of any change in the FCF release commitments, the Business plan will have to be reviewed accordingly.	HIGH
Security Concerns	LEAs and local government bodies to be taken on board on ministerial level for assurance of USF projects execution through service providers	HIGH
NOC issues related to ROW	Proactive Engagement with Authorities through relevant departments & Ministries.	MEDIUM
Services blocked by LEAs in security risk areas	Engagement with law enforcement agencies through MoIT&T.	HIGH
Damage to Site Infrastructure due to Terrorist Activities	Coordination with LEAs & Service providers for proactive steps for future prevention of damage to deployed infrastructure and timely site restorations.	MEDIUM
Jirga/Community Issues - Land disputes	Engagement with the concerned communities through Local Administration, Political Leadership for approval of infrastructure deployment.	MEDIUM
Unfavorable Weather Conditions (extreme rains, flash floods etc)	Follow-ups with USF Service Providers to keep the project on track and avoid unnecessary delays, where possible.	MEDIUM

Corporate Risk	Mitigation Measures	Probability
Present Composition of the USF Board	Amendments to the USF Rules 2006, is currently in progress ensuring compliance with the SOE Act and Policy.	MEDIUM

UNIVERSAL SERVICE FUND

(A Company incorporated under Section 42 of the Companies Act, 2017)

Basis and accounting policies for preparation of financial records and reporting

As per annual audited financial statements of FY 2024-25

1 BASIS OF PREPARATION

1.1 Statement of compliance

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

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

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

1.2 Basis of measurement

These Financial statements have been prepared under the historical cost convention except for liability for gratuity, which is carried at present value of defined benefit obligation net of fair value of plan asset.

1.3 Functional and presentation currency

These Financial statements have been presented in Pakistan Rupees which is the Company's functional and presentation currency.

2 CHANGES IN ACCOUNTING STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS

2.1 Amendments and interpretations to accounting and reporting standards that became effective in the current year

There were certain amendments and interpretations to published accounting and reporting standard which are mandatory for the Company’s accounting period which began on July 1, 2024. However, these do not have any significant impact on the Company’s financial statements except as disclosed in note 3 to these financial statements.

2.1.1. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual periods beginning on or after)
IAS 21	The Effects of changes in Foreign Exchange Rates (Amendments)	January 1, 2025
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2026
IFRS 17	Insurance Contracts	January 1, 2026
IFRS 9	Financial Instruments – Classification and Measurement of Financial Instruments (Amendments)	January 1, 2026

The above standards, amendments to approved accounting standards and interpretations are not likely to have any material impact on the Company’s financial statements.

Other than the aforesaid standards, interpretations and amendments, International Accounting Standards Board (IASB) has also issued the following standards and interpretation, which have not been notified locally or declared exempt by the Securities and Exchange Commission of Pakistan (SECP) as at December 31 2024;

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRIC 12	Service Concession Arrangement
IFRS 18	Presentation and Disclosures in Financial Statements

IFRS 19 Subsidiaries without Public Accountability: Disclosures

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies have been applied consistently to all periods presented in these financial

3.1 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment losses (if any). Cost comprises of acquisition cost, non-refundable indirect taxes and any other directly attributable costs.

Depreciation is charged so as to write off the cost or revalued amount of assets (other than land and capital work in progress) over their estimated useful lives, using the straight-line method at rates specified in note 5.2 to the financial statements.

Useful lives are determined by the management based on the expected usage of an asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. The effects of adjustments to residual values, useful lives and methods are recognized prospectively as a change in accounting estimates.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income and expenditure statement in the year the asset is derecognized.

The cost of the day-to-day servicing of property and equipment is recognized in the income and expenditure statement as incurred

3.2 Right-of-use assets and their related lease liability

3.2.1 Right of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability.

Depreciation is charged on straight line basis ovr the shorter of the lease term or useful life of the asset.

3.2.2 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. Remeasurements of lease liabilities only occur in cases where the terms of the lease are changed during the lease tenure. These remeasurements of lease liabilities are recognized as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the income and expenditure statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3.3 Intangibles

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that cost of such an asset can also be measured reliably.

Intangible assets are measured on initial recognition at cost, being the fair value of the consideration given. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment, if any.

The useful lives of intangible assets are assessed either as finite or indefinite. The Company does not have an intangible asset with indefinite useful life. Intangible assets with finite useful lives are amortized over the period

of their useful life, at rate mentioned in note 6.

Changes in expected useful lives or the expected pattern of consumption of future economic benefits, embodied in intangible assets, are accounted for by changing the useful life or amortization method, as appropriate, and treated as a change in accounting estimate.

3.4 Advances, deposits and other receivables

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each statement of financial position date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the asset's recoverable amount and its carrying value.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash with bank in assignment account.

3.6 Fund balance (restricted)

The management is following deferral method of accounting for amount received from MoIT&T and included in the fund balance. Any income earned on these funds is also included in the fund. Expenditure incurred, as reduced by the income earned on these funds, is transferred from the fund balance to the income and expenditure statement to match the net expenditure incurred during the year.

3.7 Deferred capital grant

Restricted funds utilized for capital expenditure are transferred from the Fund balance (restricted) and accounted for as a deferred capital grant. An amount equal to the charge for depreciation and amortization for the year, on property and equipment acquired, is then recognized in the income and expenditure statement.

3.8 Trade and other payables

Creditors and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

3.9 Provision

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

3.10 Staff benefits

i) Defined benefit plan

The Company operates a funded gratuity scheme for employees who have completed the minimum qualifying period of service to the Company. Provision for gratuity is made to cover obligations under the scheme in accordance with the actuarial recommendations using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at June 30, 2025, details are given in the note 16.2 of the Financial Statements.

ii) Compensated absences

The compensated absences provides a short-term leave encashment benefit to its employees whereby, employees can carry forward up to a maximum of 10 leaves for a year. Employees can either avail these leaves or en-cash them.

3.11 Taxation

i) Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to surplus for the year if enacted after taking into account tax credits, rebates and exemptions, if any. Where, at assessment stage, the taxation authorities have adopted a different tax treatment and the Company considers that the most likely outcome will be in favour of the Company, the amounts are shown as contingent liabilities.

shown as contingent liabilities.

ii) Deferred

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

No provision for taxation has been made in the financial statements as the management considers that grants received by the Company from the MoIT&T are not chargeable to tax.

Notwithstanding the above, the Company being a Non-Profit Organization also qualifies for tax credit equal to 100% of its tax liability for which application for approval under Section 2(36) is pending before Commissioner. The management and its tax advisor are confident of a favorable outcome.

3.12 Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the income and expenditure statement.

3.12.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets:

(i) Debt instruments designated at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Debt instrument designated at other comprehensive income

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

• the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

Amortized cost and effective interest rate method:

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in income and expenditure statement and is included in the "finance income - interest income" line item.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to income and expenditure statement on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in income and expenditure.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortized cost Criteria or the FVTOCI Criteria are classified as at FVTPL. in addition, Debt instruments that meet either the amortized cost Criteria or the FVTOCI Criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or Liabilities or recognizing the gains and Losses on them on different bases. the Company has not designated any Debt instruments as at FVTPL

designated any Debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in income and expenditure statement.

Impairment of financial assets:

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument,
e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument,
e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time

or the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

(ii) Definition of default:

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 360 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets:

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy:

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in income and expenditure statement.

(v) Measurement and recognition of expected credit losses:

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by

as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets:

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in income and expenditure statement. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to income and expenditure statement. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to income and expenditure statement, but is transferred to retained earnings.

3.12.2 Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognized in the statement of income and expenditure to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in the income and expenditure statement incorporates any

interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch income and expenditure statement. The remaining amount of change in the fair value of liability is recognized in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in statement of other comprehensive income are not subsequently reclassified to income and expenditure statement; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognized in income and expenditure statement.

(ii) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities:

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in income and expenditure statement.

ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income and expenditure statement.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss recognized in the prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.13 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly

transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability; or

ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the Financial Statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Chief Financial Officer determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The Company does not measure any of its assets or liabilities at fair value, except plan assets for gratuity, under the gratuity scheme.

3.14 Significant accounting judgments and estimates

The preparation of Financial Statements in conformity with approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods affected.

In the process of applying the Company’s accounting policies, management has made the following estimates and judgments, which are significant to the Financial Statements:

3.14.1 Property, equipment and intangible assets

The Company reviews the appropriateness of the rate of depreciation, useful lives and residual values used in the calculation of depreciation/ amortization on an annual basis. Any change in estimates in the future years might affect the carrying amounts of the respective items of property and equipment and intangible assets, with

a corresponding effect on the depreciation and amortization charge.

3.14.2 Employee benefits

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations. Changes in these assumptions in future years may affect the liability under this scheme in those years.

3.14.3 Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws, and decisions taken by the taxation authorities. In instances where the Company's views differ from the views taken by the income tax department at the assessment stage, and where the Company considers that its views on items of a material nature are in accordance with the law, the related amounts are disclosed as contingent liabilities.

3.14.4 Provisions and contingencies

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost, if any.

Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is disclosed as contingent liability.

UNIVERSAL SERVICE FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
INDICATIVE STATEMENT OF FINANCIAL POSITION

ANNEX-C

	FY 2027-28 (Rupees)	FY 2026-27 (Rupees)	FY 2025-26 (Rupees)	FY 2024-25 (Rupees)
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	93,284,835	130,068,369	170,884,661	224,708,824
Intangible assets	14,013,000	11,083,833	7,897,189	11,597,530
Long term deposits	7,535,000	7,535,000	7,535,000	7,535,000
Long term advances	-	-	-	4,657,026
	114,832,835	148,687,202	186,316,850	248,498,380
CURRENT ASSETS				
Advances	-	-	-	165,200,754
Short-term prepayments	-	-	-	3,893,445
Interest accrued	-	-	-	-
Other receivables	2,346,988,677	2,346,988,677	2,346,988,677	2,347,107,995
Cash and bank balance	1,760,787,462	(362,769,122)	205,851,203	2,015,028,869
	4,107,776,139	1,984,219,555	2,552,839,880	4,531,231,063
TOTAL ASSETS	4,222,608,974	2,132,906,757	2,739,156,730	4,779,729,443
FUNDS AND LIABILITIES				
NON-CURRENT LIABILITIES				
Fund balance (restricted)	3,367,768,677	1,193,807,170	1,723,067,412	3,361,530,131
Deferred capital grant	107,297,835	141,152,202	178,781,850	236,306,354
Lease liability	63,479,326	113,884,249	153,244,332	183,306,957
	3,538,545,838	1,448,843,621	2,055,093,594	3,781,143,442
CURRENT LIABILITIES				
Trade and other payables	684,063,136	684,063,136	684,063,136	998,586,001
Current portion of lease liabilities		-	-	-
	684,063,136	684,063,136	684,063,136	998,586,001
TOTAL FUNDS AND LIABILITIES	4,222,608,974	2,132,906,757	2,739,156,730	4,779,729,443

UNIVERSAL SERVICE FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
INDICATIVE STATEMENT OF INCOME AND EXPENDITURE

	FY 2027-28 (Rupees)	FY 2026-27 (Rupees)	FY 2025-26 (Rupees)	FY 2024-25 (Rupees)
INCOME				
Amortization of deferred capital grant	72,436,982	71,179,748	86,698,504	81,813,649
EXPENDITURE				
Administrative and general expenses	1,395,528,378	1,226,164,290	1,076,909,892	712,274,307
Subsidy grant for projects	26,261,407,161	43,758,855,308	21,063,731,411	11,029,115,710
Technical and monitoring audit fee	539,957,321	490,870,292	445,345,920	96,904,399
	28,196,892,860	45,475,889,890	22,585,987,223	11,838,294,416
	(28,124,455,878)	(45,404,710,142)	(22,499,288,719)	(11,756,480,767)
FUNDS (RESTRICTED) RECOGNIZED AS GRANT AGAINST EXPENDITURE	28,124,455,878	45,404,710,142	22,499,288,719	11,756,480,767
NET SURPLUS FOR THE YEAR	-	-	-	-