



KPMG Taseer Hadi & Co.  
Chartered Accountants

## **Universal Service Fund**

Financial Statements  
For the year ended  
30 June 2015



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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## AUDITORS' REPORT TO THE MEMEBERS

We have audited the annexed balance sheet of Universal Service Fund ("the Company") as at 30 June 2015 and the related income and expenditure account and cash flow statement 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and income and expenditure account 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 the accounting policies consistently applied;
  - 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;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account and cash flow statement 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 2015 and of the loss and its cash flows for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to note 12.2 to the financial statements which describes the uncertainty related to the ultimate outcome of tax contingencies. No provision has been made in these financial statements in respect of tax, as cases are still pending before the taxation authorities. Based on advice of the tax expert, management believes that the matter will be settled in favour of the Company. Our opinion is not qualified in respect of this matter.



KPMG Taseer Hadi & Co.

*Other Matters*

The financial statement of the Company for the year ended 30 June 2014, were audited by another auditor whose report dated 19 October 2015 expressed unqualified opinion, with emphasis of matter on the same matter reported above, on those statements.

As part of our audit of financial statements for the year ended 30 June 2015, we also audited the adjustments described in note 3.6 that were applied to amend the financial statements for the years ended 30 June 2013 and 30 June 2014. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 30 June 2013 and 30 June 2014 of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the years ended 30 June 2013 and 30 June 2014 taken as a whole.

**Islamabad**  
**03 AUGUST 2016**

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

Universal Service Fund  
Balance Sheet  
As at 30 June 2015

	Note	2015 Rupees	2014 Rupees (Restated)	2013 Rupees (Restated)
<b>NON CURRENT ASSETS</b>				
Property and equipment	4	41,909,488	37,659,260	31,214,615
Intangible assets	5	4,137,790	200	200
		<b>46,047,278</b>	<b>37,659,460</b>	<b>31,214,815</b>
<b>CURRENT ASSETS</b>				
Advances, deposits and prepayments	6	877,694	13,907,206	6,650,530
Other receivables	7	927,872,765	397,662	447,560
Accrued profit on bank deposit		31,001,017	74,491,658	104,185,731
Cash and bank balances	8	414,401,535	2,236,295,903	1,336,289,942
		<b>1,374,153,011</b>	<b>2,325,092,429</b>	<b>1,447,573,763</b>
<b>TOTAL ASSETS</b>		<b>1,420,200,289</b>	<b>2,362,751,889</b>	<b>1,478,788,578</b>
<b>NON CURRENT LIABILITIES</b>				
Fund balance (restricted)	9	-	2,272,596,370	1,105,539,147
Deferred capital grant	10	46,047,278	37,659,460	31,214,815
		<b>46,047,278</b>	<b>2,310,255,830</b>	<b>1,136,753,962</b>
<b>CURRENT LIABILITIES</b>				
Creditors, accrued and other liabilities	11	1,374,153,011	52,496,059	342,034,616
<b>TOTAL LIABILITIES</b>		<b>1,420,200,289</b>	<b>2,362,751,889</b>	<b>1,478,788,578</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12			

The annexed notes 1 to 22 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

Universal Service Fund  
Income and Expenditure Account  
For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees (Restated)
<b>INCOME</b>			
Amortization of deferred capital grant	9	13,106,578	9,131,668
		<u>13,106,578</u>	<u>9,131,668</u>
<b>EXPENDITURE</b>			
Administrative and general expenses	14	225,477,354	198,969,839
Subsidy grant for projects	15	4,255,447,122	3,857,450,257
Fee to technical auditors for projects	16	21,168,957	22,746,590
		<u>4,502,093,433</u>	<u>4,079,166,686</u>
		<u>(4,488,986,855)</u>	<u>(4,070,035,018)</u>
<b>EXPENDITURE CHARGED TO FUND BALANCE</b>		<b>4,488,641,184</b>	<b>4,070,182,362</b>
<b>NET (LOSS) / SURPLUS FOR THE YEAR</b>		<b>(345,671)</b>	<b>147,344</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Item not to be reclassified to income and expenditure account in subsequent periods</i>			
Experience adjustments on staff retirement benefit obligation		345,671	(147,344)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-</b>	<b>-</b>

The annexed notes 1 to 22 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

# Universal Service Fund

## Cash Flow Statement

For the year ended 30 June 2015

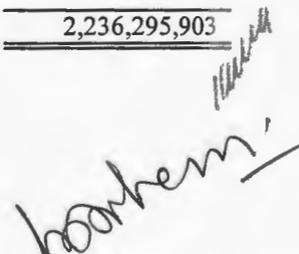
	2015 Rupees	2014 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Subsidy grant disbursement (net of liquidated damages)	(2,514,175,117)	(4,151,551,131)
Technical audit fee	(17,055,038)	(25,699,073)
Profit on bank deposit and other receipts	933,881,564	492,237,802
Payment to suppliers and employees	(210,031,918)	(200,222,692)
<i>Net cash used in operating activities</i>	<u>(1,807,380,509)</u>	<u>(3,885,235,094)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(11,004,485)	(7,623,761)
Proceeds from disposal of property and equipment	868,030	364,816
Purchase of intangible assets	(4,377,404)	-
<i>Net cash used in investing activities</i>	<u>(14,513,859)</u>	<u>(7,258,945)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Grant received	-	4,792,500,000
<i>Net cash generated from financing activities</i>	-	4,792,500,000
Net (decrease) / increase in cash and cash equivalents	(1,821,894,368)	900,005,961
Cash and cash equivalents at beginning of the year	2,236,295,903	1,336,289,942
<b>Cash and cash equivalents at end of the year</b>	<u><u>414,401,535</u></u>	<u><u>2,236,295,903</u></u>

Note

8.



**CHIEF EXECUTIVE**



**DIRECTOR**

# Universal Service Fund

## Notes to the Financial Statements

For the year ended 30 June 2015

### 1 STATUS AND ACTIVITIES

The Universal Service Fund ("the Company") was incorporated in Pakistan as a Public Company (limited by guarantee and not having a share capital) under section 42 of the Companies Ordinance, 1984 on 12 December 2006 as a not for profit entity. The Company was formed under Section 10 of the Universal Service Fund Rules, 2006 ("the Rules") and its registered office is situated in Islamabad.

Pursuant to Section 16 of the Rules, operations of the Company are funded by the Ministry of Information Technology, Government of Pakistan through Universal Service Fund ("USF"), a separate entity established under section 33 A of Telecommunication Re-organization Act, 1996. Effective from 29 June 2013, the USF is kept in the Federal Consolidated Fund and the Ministry of Finance releases the funds of the USF. The primary objective of the Company is to plan, develop, finance and execute communication network projects and services to un-served or under-served areas of Pakistan as defined under Section 26 of the Rules mainly through disbursement of grants received from Government of Pakistan, in the form of subsidy to selected contributors to USF for execution of the projects.

### 2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

#### 2.1 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 the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employee benefits - gratuity which is carried at present value of defined benefit obligation.

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of Estimates And Judgments

The preparation of financial statements in conformity with approved accounting 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.

The matters involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

**Universal Service Fund**  
**Notes to the Financial Statements**  
*For the year ended 30 June 2015*

**2.4.1 Useful lives and residual values of property and equipment**

The Company reviews the appropriateness of the rates of depreciation, useful lives and residual values used in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in estimates in the future might affect the carrying amount of the respective item of equipment, with corresponding effects on the depreciation charge and impairment.

**2.4.2 Impairment**

The carrying amount of Company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recorded on a judgmental basis, for which, provisions may differ in future years based on actual experience.

**2.4.3 Employee benefits**

obligations. Changes in these assumptions in future years may affect the liability under these schemes in those years.

**2.4.4 Provision against advances, project and other receivables**

The Company reviews its advances, project and other receivables to assess any amount of bad debts and provision required there against on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective assets with a corresponding affect on income and expenditure account.

**2.4.5 Provision and contingencies**

A provision is recognised 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 recognised as finance cost, if any. The Company reviews its advances, project and other receivables to assess any amount of bad debts and provision required there against on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective assets with a corresponding affect on income and expenditure account.

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**  
**Notes to the Financial Statements**  
*For the year ended 30 June 2015*

**2.5 Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

# Universal Service Fund

## Notes to the Financial Statements

For the year ended 30 June 2015

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.
- Amendment to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that is used in the supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investment in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2016). The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards. The adoption of these improvements are not likely to have an impact on Company's financial statements.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

Universal Service Fund  
Notes to the Financial Statements  
For the year ended 30 June 2015

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in the current year fund account. The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance or increase in economic useful life, the expenditure is capitalized as an additional cost of property and equipment.

Depreciation is provided on a straight-line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 4.

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to the recoverable amount.

#### 3.2 Impairment

##### 3.2.1 Financial Assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicate that one or more events have had negative effect on the estimated future cash flows of that asset.

Individually significant assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in group that share similar credit risk characteristics.

All impairment losses are recognized in income and expenditure account. Impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

**Universal Service Fund**  
**Notes to the Financial Statements**  
*For the year ended 30 June 2015*

**3.2.2 Non Financial Assets**

The carrying amount of the assets are reviewed at each balance sheet date to determine whether there is indication of any impairment. If such indication exists, the assets' recoverable amount are estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in income and expenditure account. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

**3.3 Intangible assets**

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged by using the straight line method at the rates disclosed in note 5 to these financial statements. Amortization on intangible asset is charged on straight line basis on the basis of total useful life of intangible asset from the month of acquisition.

**3.4 Receivables**

Receivables are recognized and carried at original invoice amount and cost less an allowance for any uncollectible amounts respectively. Carrying amounts of receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made. Balances considered bad and irrecoverable are written off against provision.

**3.5 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and balances with banks.

**3.6 Restricted Fund**

Grants received for specific purposes and interest thereon are classified as restricted grants. Such grants are transferred to income to the extent of actual expenditure incurred there against. Expenditure incurred against grant committed but not received is accrued and recognised in income and is reflected as receivable. Unspent portion of such grants are reflected as restricted grants in the balance sheet.

Universal Service Fund  
Notes to the Financial Statements  
For the year ended 30 June 2015

**Restatement of comparative figures**

Previously, grant income and expenditure relating to subsidy to selected contributors to the Fund for execution of the projects and fee for technical auditors were recognized in the income and expenditure account on receipt and payment basis respectively which have now been recognized on accrual basis to comply with the requirements of approved accounting standards as applicable in Pakistan. This change has been applied retrospectively in accordance with the requirement of IAS 8, "Accounting policies, change in accounting estimates and errors". Effect of this change has been disclosed as below:

<u>Income and expenditure account</u>	Effect for the year ended 30 June 2014 Rupees	
<b>Expenditure</b>		
Reversal of subsidy grant for projects relating to year ended 30 June 2013 disbursed during the year ended 30 June 2014 now recognized in the respective year		(322,500,932)
Recognition of subsidy grant payable for projects relating to year ended 30 June 2014		28,400,058
Reversal of fee to technical auditors relating to year ended 30 June 2013 disbursed during the year ended 30 June 2014 now recognized in the respective year		(3,597,985)
Recognition of fee payable to technical auditors relating to year ended 30 June 2014		645,502
<b>Income</b>		
Decrease in expenditure charged to Fund balance against subsidy grant for projects		(294,100,874)
Decrease in expenditure charged to Fund balance against fee to technical auditors		(2,952,483)
<b>Balance Sheet</b>		
	Effect as at 30 June 2014	Effect as at 30 June 2013
Project subsidy payable*	28,400,058	319,806,932
Increase / decrease in Fund balance (restricted)*	(29,045,560)	(323,404,917)
Technical auditor fee payable	645,502	3,597,985
	<u>                    </u>	<u>                    </u>
	-	-

\*Amounts are net of liquidated damages of Rs. 2.964 million accrued as at 30 June 2013.

**3.7 Profit on bank deposit and other receipts**

Profit on bank deposit 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 asset to the asset's net carrying amount. Any other income is recorded on accrual basis. Profit on bank deposits and other receipts are made part of fund balance and are adjusted against future funding from Ministry of Information Technology, Government of Pakistan.

# Universal Service Fund

## Notes to the Financial Statements

For the year ended 30 June 2015

### **3.8 Deferred capital grants**

Grants received for purchase of fixed assets with limited life are initially recorded as restricted grant upon receipt. When the assets are actually purchased they are then recorded as deferred capital grants. These are amortized into income on a systematic basis over the periods necessary to match them with carrying value of the related assets.

### **3.9 Provisions**

Provision is recognized when the Company has a present legal or constructive obligation as a result of a past event 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 of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### **3.10 Creditors 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.

### **3.11 Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized 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.

The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

### **3.12 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Company has a legal enforceable right to set-off the transaction and also intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

### **3.13 Staff retirement benefit - gratuity**

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. The latest actuarial valuation was carried out as at 30 June 2015, details are given in the related note.

Universal Service Fund  
Notes to the Financial Statement  
For the year ended 30 June 2015

4 PROPERTY AND EQUIPMENT

	Vehicles	Furniture and equipment	Computer and accessories	Communication equipment	Total
	Rupees				
<b>COST</b>					
As at 1 July 2013	30,792,946	8,741,957	18,977,510	868,872	59,381,285
Additions during the year	-	15,335,110	434,799	97,917	15,867,826
Disposals during the year	(890,314)	-	-	(12,000)	(902,314)
<b>As at 30 June 2014</b>	<b>29,902,632</b>	<b>24,077,067</b>	<b>19,412,309</b>	<b>954,789</b>	<b>74,346,797</b>
As at 1 July 2014	29,902,632	24,077,067	19,412,309	954,789	74,346,797
Additions during the year	1,688,874	8,370,201	7,781,275	-	17,840,350
Disposals during the year	(1,887,008)	-	(98,000)	(155,500)	(2,140,508)
<b>As at 30 June 2015</b>	<b>29,704,498</b>	<b>32,447,268</b>	<b>27,095,584</b>	<b>799,289</b>	<b>90,046,639</b>
<b>DEPRECIATION</b>					
As at 1 July 2013	10,686,874	3,019,418	13,859,166	601,212	28,166,670
Charge for the year	4,813,190	1,807,239	2,395,548	115,691	9,131,668
Disposals during the year	(598,801)	-	-	(12,000)	(610,801)
<b>As at 30 June 2014</b>	<b>14,901,263</b>	<b>4,826,657</b>	<b>16,254,714</b>	<b>704,903</b>	<b>36,687,537</b>
As at 1 July 2014	14,901,263	4,826,657	16,254,714	704,903	36,687,537
Charge for the year	4,775,136	5,654,292	2,339,126	98,210	12,866,764
Disposals during the year	(1,163,650)	-	(98,000)	(155,500)	(1,417,150)
<b>As at 30 June 2015</b>	<b>18,512,749</b>	<b>10,480,949</b>	<b>18,495,840</b>	<b>647,613</b>	<b>48,137,151</b>
<b>Carrying amount as at 30 June 2015</b>	<b>11,191,749</b>	<b>21,966,319</b>	<b>8,599,744</b>	<b>151,676</b>	<b>41,909,488</b>
Carrying amount as at 30 June 2014	15,001,369	19,250,410	3,157,595	249,886	37,659,260
Depreciation rate per annum	20%	20%	33.33%	20-33%	

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5 INTANGIBLE ASSETS

	Digital Maps	Software	Total
	Rupees		
<b>COST</b>			
As at 1 July 2013	7,500,000	6,114,589	13,614,589
Additions during the year	-	-	-
<b>As at 30 June 2014</b>	<b>7,500,000</b>	<b>6,114,589</b>	<b>13,614,589</b>
As at 1 July 2014	7,500,000	6,114,589	13,614,589
Additions during the year	-	4,377,404	4,377,404
<b>As at 30 June 2015</b>	<b>7,500,000</b>	<b>10,491,993</b>	<b>17,991,993</b>
<b>AMORTIZATION</b>			
As at 1 July 2013	7,499,990	6,114,399	13,614,389
Charge for the year	-	-	-
<b>As at 30 June 2014</b>	<b>7,499,990</b>	<b>6,114,399</b>	<b>13,614,389</b>
As at 1 July 2014	7,499,990	6,114,399	13,614,389
Charge for the year	-	239,814	239,814
<b>As at 30 June 2015</b>	<b>7,499,990</b>	<b>6,354,213</b>	<b>13,854,203</b>
<b>Carrying amount as at 30 June 2015</b>	<b>10</b>	<b>4,137,780</b>	<b>4,137,790</b>
Carrying amount as at 30 June 2014	10	190	200
Amortization rate p.a.	20%	33.33%	

6 ADVANCES, DEPOSITS AND PREPAYMENTS

	2015 Rupees	2014 Rupees
Advances to employees and contractors-considered good	564,327	691,324
Prepayments	185,867	13,088,382
Security deposits	127,500	127,500
	<b>877,694</b>	<b>13,907,206</b>

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7	OTHER RECEIVABLES - unsecured, considered good	Note	2015 Rupees	2014 Rupees
	Receivable from USF	9	926,597,866	-
	Other receivables		4,500	17,177
	Tax refund due from Government		438,735	380,485
	Gratuity fund	11.2	831,664	-
			<u>927,872,765</u>	<u>397,662</u>
8	CASH AND BANK BALANCE			
	Cash in hand		2,765	34,603
	Cash at bank			
	- local currency deposit account	8.1	414,398,770	2,236,261,300
			<u>414,401,535</u>	<u>2,236,295,903</u>

8.1 Local currency deposit account carry interest ranging 5.50% to 8% (2014: 7.75 % to 8.80%) per annum.

9	FUND BALANCE (RESTRICTED)	Note	2015 Rupees	2014 Rupees (Restated)	2013 Rupees (Restated)
	Balance at the beginning of the year - as previously reported		2,301,641,930	1,428,944,064	126,235,084
	Effect of change in policy	3.6	(29,045,560)	(323,404,917)	(231,936,000)
	Balance at the beginning of the year - as restated		2,272,596,370	1,105,539,147	(105,700,916)
	Grant received during the year		-	4,792,500,000	3,615,000,000
	Profit on bank deposit and other receipts	13	1,311,287,015	460,168,554	205,861,846
			3,583,883,385	6,358,207,701	3,715,160,930
	<i>Grants transferred to:</i>				
	Deferred capital grant	10	21,494,396	15,576,313	8,720,178
	Income and expenditure account		4,488,641,184	4,070,182,362	2,600,901,605
	Experience adjustment		345,671	(147,344)	-
			<u>4,510,481,251</u>	<u>4,085,611,331</u>	<u>2,609,621,783</u>
			(926,597,866)	2,272,596,370	1,105,539,147
	Transferred to other receivables	7	926,597,866	-	-
	Balance at the end of the year		<u>-</u>	<u>2,272,596,370</u>	<u>1,105,539,147</u>

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Notes to the Financial Statement  
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10	DEFERRED CAPITAL GRANT	Note	2015 Rupees	2014 Rupees
	Balance at beginning of the year		37,659,460	31,214,815
	Transferred from fund balance	9	21,494,396	15,576,313
	<i>Transferred to income and expenditure account</i>			
	Depreciation / amortization charged during the year	10.1	(13,106,578)	(9,131,668)
	Balance at end of the year		<u>46,047,278</u>	<u>37,659,460</u>

10.1 Up to year end, the Company has utilized Rs.115.64 million (2014: Rs.94.15 million) out of grant received for capital expenditure.

11	CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	2015 Rupees	2014 Rupees (Restated)	2013 Rupees (Restated)
	Project subsidy payable		1,351,853,035	28,400,058	319,806,932
	Technical auditor fee payable		4,759,421	645,502	3,597,985
	Payable to suppliers		15,497,896	11,766,537	14,407,390
	Accrued liabilities		1,465,483	3,935,978	2,604,948
	Payable to gratuity fund	11.1&11.2	-	5,793,627	306,098
	Other liabilities		577,176	1,954,357	1,311,263
			<u>1,374,153,011</u>	<u>52,496,059</u>	<u>342,034,616</u>

11.1 Debit balance has been shown under other receivables.

11.2	The movement in liability is as follows:	Note	2015 Rupees	2014 Rupees
	Balance at beginning of the year		5,793,627	306,098
	Charge for the year	11.3	9,373,994	8,393,596
	Other comprehensive income		(345,671)	147,344
	Benefits paid		(15,653,614)	(3,053,411)
	Balance at end of the year- (receivable) / payable		<u>(831,664)</u>	<u>5,793,627</u>

11.3 Charge for the year is as follows:

Current service cost	9,738,644	8,512,424
Interest cost	(364,650)	(118,828)
	<u>9,373,994</u>	<u>8,393,596</u>

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Universal Service Fund  
Notes to the Financial Statement  
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	Note	2015 Rupees	2014 Rupees
<b>11.4 The movement in the staff retirement benefit obligation is as follows:</b>			
Present value of obligation at beginning of the year		5,793,627	306,098
Current service cost	11.3	9,738,644	8,512,424
Interest cost	11.3	(364,650)	(118,828)
Benefits paid		(15,653,614)	(3,053,411)
Actuarial (gains) / loss		(345,671)	147,344
Present value of obligation at end of the year		<u>(831,664)</u>	<u>5,793,627</u>

**11.5 The principal actuarial assumptions used were as follows:**

Actuarial Valuation of the plan was carried out as at 30 June 2015 from an independent valuer using Projected Unit Credit Method on following assumptions:

	2015	2014
Valuation discount rate	9.75%	13.25%
Salary increase used for year end obligation		
Salary Increase FY 2015	N/A	12.25 %
Salary Increase FY 2016	8.75 %	12.25 %
Salary Increase FY 2017	8.75 %	12.25 %
Salary Increase FY 2018	8.75 %	12.25 %
Salary Increase FY 2019	8.75 %	12.25 %
Salary Increase FY 2020	8.75 %	12.25 %
Salary Increase FY 2021 onwards	8.75 %	12.25 %
Expected return on plan assets	9.75%	13.25%
Next salary is increased on	1-Jul-15	1-Jul-14
Mortality rates	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year
Withdrawal rates	Age-Based (per appendix)	Age-Based (per appendix)
Retirement assumption	Age 60	Age 60
<b>11.6 Estimated expenses to be charged to income and expenditure in</b>		
	<b>Financial Year 2016</b>	<b>Financial Year 2015</b>
Current service cost	9,327,677	9,576,714
Interest cost on defined benefit obligation	(375,882)	145,679
Amount chargeable to income and expenditure	<u>8,951,795</u>	<u>9,722,393</u>

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11.7 For a change of 100 basis points in these assumptions, present value of defined benefit obligation as at 30 June 2015 would have been as follows:

	2015		2014	
	Present value of obligation Increase	Present value of obligation Decrease	Present value of obligation Increase	Present value of obligation Decrease
	Rupees			
Discount rate	35,699,466	42,331,129	29,816,424	35,060,073
Salary increase rate	42,525,297	35,482,571	35,215,501	29,643,346

	2015	2014
The average duration of the defined benefit obligation is	9 Years	9 Years

11.8 Historical information	Rupees			
	2015	2014	2013	2012
Net staff retirement benefit liability	(831,664)	5,793,627	(306,098)	3,551,106
Experience adjustment	(345,671)	147,343	884,265	-

11.9 Expected maturity profile

Following are the expected distribution and timing of benefit payments at year end;

	2015 Rupees	2014 Rupees
Year 1	7,832,230	2,200,006
Year 2	5,354,349	2,805,886
Year 3	5,168,676	3,321,099
Year 4	5,021,429	3,724,209
Year 5	4,981,488	4,156,238
Year 6 to Year 10	28,048,903	28,210,489
Year 11 and above	449,784,065	2,618,810,217

11.10 Risks Associated with Defined Benefit Plans

**Investment Risks:**

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

**Longevity Risks:**

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

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Universal Service Fund  
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**Salary Increase Risk:**

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the accrual increases are higher than expectation and impacts the liability accordingly.

**Withdrawal Risk:**

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

12 CONTINGENCIES AND COMMITMENTS	Note	2015 Rupees	2014 Rupees (Restated)
<b>12.1 Commitments</b>			
Subsidy grant disbursements	15	<u>9,209,634,473</u>	<u>12,110,705,246</u>
Technical auditors	16	<u>28,787,666</u>	<u>42,351,380</u>
<b>12.2 Contingencies</b>			

The Additional Commissioner, Inland Revenue issued orders for the five tax years i.e. 2008 to 2013 during FY 2013-14 and raised a demand of aggregate amount of Rs. 3,939,571,607 by treating the grant as taxable income after allowing Administrative and General Expenses. The Company filed appeal against these orders to Commissioner Appeals against each order. All the cases have been remanded back by Commissioner Appeals, for re-examining of facts for disallowing the other business expenses. The Company has filed appeals against Commissioner Appeals orders, for not allowing Government Grants as exempt income.

For the Tax year 2013, the taxation officer raised the tax demand of Rs.139,511,568 under section 161/205 of the Income Tax Ordinance 2001. On appeal filed by the Company, Commissioner (Appeals) set-aside the order and directed the taxation officer to re-examine the matter. This is pending finalization by the taxation authorities.

Based on advice of the tax expert, management believes that these matters will be resolved in favour of the Company.

13 PROFIT ON BANK DEPOSIT AND OTHER RECEIPTS	Note	2015 Rupees	2014 Rupees (Restated)
Profit on deposit account-NBP	13.1	115,203,613	139,847,248
Gain on disposal of property and equipment		144,672	73,303
Miscellaneous receipts	13.2	<u>1,195,938,730</u>	<u>320,248,003</u>
		<u>1,311,287,015</u>	<u>460,168,554</u>

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- 13.1 As per understanding, profit on bank deposit and other receipts are adjusted against future funding from Ministry of Information Technology, Government of Pakistan and accordingly they are included in the fund balance.
- 13.2 This includes amount of Rs. 1,084,467,746 (Restated 2014: Rs. 319,776,981) against liquidated damages recovered on part of operators/vendors.

14 ADMINISTRATIVE AND GENERAL EXPENSES	Note	2015 Rupees	2014 Rupees
Salaries and benefits	14.1	155,389,057	138,697,404
Legal and professional charges		4,355,111	1,731,103
Rent		19,988,800	18,538,000
Office supplies		3,723,953	2,704,923
Communication charges		1,268,446	1,730,931
Entertainment		667,733	488,206
Traveling		10,440,883	10,948,962
Printing and stationery		1,066,136	924,936
Vehicle fuel expenses		7,812,966	9,402,671
Repairs and maintenance		2,762,116	1,711,516
Advertisement		3,100,560	1,600,627
Depreciation	4	12,866,764	9,131,668
Amortization of intangible asset	5	239,814	-
Auditors' remuneration		285,000	140,000
Insurance expense		1,489,692	1,198,633
Bank charges		20,323	20,259
		225,477,354	198,969,839

- 14.1 Salaries and benefits include Rs. 9,028,323 (2014: Rs. 8,540,940) charged in respect of staff retirement gratuity.

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15 SUBSIDY GRANT DISBURSEMENTS

Sr. No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	Subsidy due			Subsidy disbursed			Balance commitment	Bank guarantee	Milestones achieved
					As of 30 June 2014	For the year	As of 30 June 2015	As of 30 June 2014	For the year	As of 30 June 2015			

Rupees

A) RURAL TELECOM & E-SERVICES-RTeS

1	Malakand	Telenor*	4-Oct-07	62,029,745	62,029,745	-	62,029,745	62,029,745	-	62,029,745	-	-	Closed
2	Sukkur	PMCL**	15-Jan-08	112,300,000	112,300,000	-	112,300,000	112,300,000	-	112,300,000	-	-	Completed
3	DG Khan	Warid***	7-Feb-08	78,847,036	78,847,036	-	78,847,036	72,800,000	6,047,036	78,847,036	-	-	Completed
4	Pishin	PTCL****	29-May-08	175,000,000	175,000,000	-	175,000,000	175,000,000	-	175,000,000	-	-	Completed
5	Mansehra	PTCL****	24-Jun-08	300,000,000	120,000,000	-	120,000,000	120,000,000	-	120,000,000	180,000,000	-	Up to 1st
6	Dadu	PTCL****	25-Jul-08	250,000,000	250,000,000	-	250,000,000	250,000,000	-	250,000,000	-	-	Completed
7	Bahawalpur	Telenor*	22-Sep-08	248,381,865	248,381,865	-	248,381,865	248,381,865	-	248,381,865	-	-	Completed
8	Mirpur Khas	Telenor*	13-Mar-09	930,000,000	930,000,000	-	930,000,000	930,000,000	-	930,000,000	-	-	Completed
9	Larkana	PTCL****	17-May-09	228,000,000	136,800,000	-	136,800,000	136,800,000	-	136,800,000	91,200,000	-	Up to 2nd
10	Nasirabad	CM Pak *****	28-Jul-09	1,277,855,892	1,277,855,892	-	1,277,855,892	1,277,855,892	-	1,277,855,892	-	629,098,286	Completed
11	Mastung	PTCL****	31-May-12	3,156,000,000	1,800,000,000	600,000,000	2,400,000,000	1,800,000,000	600,000,000	2,400,000,000	756,000,000	1,262,400,000	Up to 3rd
12	Turbat	CM Pak *****	21-Feb-13	3,952,561,742	607,276,824	-	607,276,824	607,276,824	-	607,276,824	3,345,284,918	1,581,024,697	Up to 1st
13	Chitral	Telenor*	19-Feb-15	1,905,393,349	-	296,190,422	296,190,422	-	296,190,422	296,190,422	1,609,202,927	762,157,340	Mobilization Adv.
<b>Sub-total (A)</b>				<b>12,676,369,629</b>	<b>5,798,491,362</b>	<b>896,190,422</b>	<b>6,694,681,784</b>	<b>5,792,444,326</b>	<b>902,237,458</b>	<b>6,694,681,784</b>	<b>5,981,687,845</b>	<b>4,234,680,323</b>	

B) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Wateen Telecom	11-Feb-09	449,000,000	449,000,000	-	449,000,000	449,000,000	-	449,000,000	-	179,600,000	Completed
2	Balochistan Package-1	Wateen Telecom	17-May-09	374,000,000	374,000,000	-	374,000,000	374,000,000	-	374,000,000	-	149,600,000	Completed
3	Balochistan Package-2	PTCL****	25-Jun-09	1,200,000,000	960,000,000	-	960,000,000	960,000,000	-	960,000,000	240,000,000	480,000,000	Up to 3rd
4	Balochistan-Punjab Package-3	Wateen Telecom	24-Nov-09	986,000,000	591,600,000	-	591,600,000	591,600,000	-	591,600,000	394,400,000	394,400,000	Up to 2nd
5	Balochistan-Punjab Package-5	PTCL****	17-May-10	1,498,000,000	898,800,000	-	898,800,000	898,800,000	-	898,800,000	599,200,000	599,200,000	Up to 2nd
6	Balochistan-Package-4	Wateen Telecom	13-Jul-11	1,975,000,000	1,185,000,000	395,000,000	1,580,000,000	1,185,000,000	395,000,000	1,580,000,000	395,000,000	790,000,000	Up to 3rd
<b>Sub-total (B)</b>				<b>6,482,000,000</b>	<b>4,458,400,000</b>	<b>395,000,000</b>	<b>4,853,400,000</b>	<b>4,458,400,000</b>	<b>395,000,000</b>	<b>4,853,400,000</b>	<b>1,628,600,000</b>	<b>2,592,800,000</b>	

C) BROADBAND

1	FTR	PTCL****	27-Apr-09	1,183,720,000	476,648,000	707,072,000	1,183,720,000	476,648,000	416,340,537	892,988,537	-	476,648,000	Completed-LD payable
2	FTR-1	Wateen Telecom	27-Apr-09	238,832,000	191,312,000	47,520,000	238,832,000	191,312,000	63,235,534	254,547,534	-	95,656,000	Completed
3	MTR	PTCL****	25-Jun-09	1,152,452,500	696,626,400	455,826,100	1,152,452,500	696,626,400	354,583,494	1,051,209,894	-	464,417,600	Completed
4	STR-1	PTCL****	25-Jun-09	480,651,511	480,651,511	-	480,651,511	480,651,511	-	480,651,511	-	219,822,300	Completed
5	MTR	Worldcall Telecom	28-Jul-09	785,721,250	785,721,250	-	785,721,250	785,721,250	-	785,721,250	-	314,288,500	Completed
6	HTR	PTCL****	24-Nov-09	211,591,697	169,273,356	-	169,273,356	169,273,356	-	169,273,356	42,318,341	84,636,679	Up to 3rd
7	HTR	Wateen Telecom	24-Nov-09	54,799,000	54,799,000	-	54,799,000	54,799,000	-	54,799,000	-	21,919,600	Completed
8	GTR	PTCL****	22-Mar-10	394,283,250	394,283,250	-	394,283,250	394,283,250	-	394,283,250	-	157,714,000	Completed
9	GTR	Worldcall Telecom	30-Mar-10	479,212,250	479,212,250	-	479,212,250	479,212,250	-	479,212,250	-	192,566,100	Completed
10	GTR	Wateen Telecom	13-Apr-10	244,869,250	244,869,250	-	244,869,250	222,516,228	22,353,022	244,869,250	-	97,947,700	Completed
11	CTR	Wateen Telecom	28-Apr-10	-	104,943,500	(104,943,500)	-	104,943,500	(104,943,500)	-	-	-	SSA terminated
12	CTR	PTCL****	28-Apr-10	503,272,000	102,554,400	400,717,600	503,272,000	102,554,400	400,717,600	503,272,000	-	205,108,800	Completed
13	STR-V	PTCL****	8-May-12	1,206,175,000	241,235,000	482,470,000	723,705,000	241,235,000	482,470,000	723,705,000	482,470,000	482,470,000	Up to 2nd
14	RTR	PTCL****	11-Dec-13	1,391,972,500	278,394,500	278,394,500	556,789,000	278,394,500	-	278,394,500	835,183,500	556,789,000	Upto 1st
15	NTR-1	PTCL****	11-Dec-13	1,162,000,000	232,400,000	697,200,000	929,600,000	232,400,000	-	232,400,000	232,400,000	464,800,000	Up to 3rd
<b>Sub-total (C)</b>				<b>9,489,552,208</b>	<b>4,932,923,667</b>	<b>2,964,256,700</b>	<b>7,897,180,367</b>	<b>4,910,570,645</b>	<b>1,634,756,687</b>	<b>6,545,327,332</b>	<b>1,592,371,841</b>	<b>3,834,784,279</b>	

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Sr. No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	Subsidy due			Subsidy disbursed			Balance commitment	Bank guarantee	Milestones achieved
					As of 30 June 2014	For the year	As of 30 June 2015	As of 30 June 2014	For the year	As of 30 June 2015			

Rupees

D) SPECIAL PROJECTS- TELECENTERS

1	Broadband Mera Baghwal	NAYATEL- Broadband for MCT Mera Bhagwal	15-Mar-10	9,210,918	9,210,918	-	9,210,918	9,210,918	-	9,210,918	-	-	Completed
2	Broadband Pilot MCT Sites	PTCL- Broadband for Pilot MCT Sites	16-Mar-10	34,873,934	27,899,147	-	27,899,147	27,899,147	-	27,899,147	6,974,787	-	Up to 3rd
3	Broadband Pilot MCT Sites	World Call- Broadband for Pilot MCT Sites	31-Mar-10	5,944,157	5,944,157	-	5,944,157	5,944,157	-	5,944,157	-	-	Completed
<b>Sub-total (D)</b>				<b>50,029,009</b>	<b>43,054,222</b>	<b>-</b>	<b>43,054,222</b>	<b>43,054,222</b>	<b>-</b>	<b>43,054,222</b>	<b>6,974,787</b>	<b>-</b>	

E) SPECIAL PROJECTS-OTHER ICT SERVICES

1	Rawalpindi / Sukkur / Kohat	Alshifa Trust- ICT for Disabled- Up gradation / Establishment of Computerized Low Vision rehabilitation centre	8-Jul-08	24,716,660	24,716,660	-	24,716,660	24,716,660	-	24,716,660	-	-	Completed
2	Rawalpindi /Islamabad	Pakistan Foundation Fighting Blindness- PFFB - ICT for Disabled- Up gradation of Audio World & Access Internet Caf�� (I.T Help & Audio World Programmes)	15-Sep-08	6,494,118	6,494,118	-	6,494,118	6,494,118	-	6,494,118	-	-	Completed
3	Rawalpindi / Karachi / Multan	Oratier Technologies Pvt Ltd - Telemedicine Project	14-Oct-11	59,657,213	59,657,213	-	59,657,213	59,657,213	-	59,657,213	-	-	Completed
4	Petaro	Cadet College Petaro- Model ICT Labs	2-Apr-11	23,690,883	23,690,883	-	23,690,883	23,690,883	-	23,690,883	-	-	Completed
<b>Sub-total (E)</b>				<b>114,558,874</b>	<b>114,558,874</b>	<b>-</b>	<b>114,558,874</b>	<b>114,558,874</b>	<b>-</b>	<b>114,558,874</b>	<b>-</b>	<b>-</b>	
<b>Total (A+B+C+D+E)</b>				<b>28,812,509,720</b>	<b>15,347,428,125</b>	<b>4,255,447,122</b>	<b>19,602,875,247</b>	<b>15,319,028,067</b>	<b>2,931,994,145</b>	<b>18,251,022,212</b>	<b>9,209,634,473</b>	<b>10,662,264,602</b>	

- \* Telenor Pakistan (Private) Limited (Telenor)
- \*\* Pakistan Mobile Communications Limited (PMCL)
- \*\*\* Warid Telecom (Private) Limited (Warid)
- \*\*\*\* Pakistan Telecommunication Company Limited (PTCL) (a related party)
- \*\*\*\*\* CM Pak Limited (a related party)

Universal Service Fund  
Notes to the Financial Statement  
For the year ended 30 June 2015

15.1 SUBSIDY GRANT DISBURSEMENTS-continued  
Comparative note for the year ended 30 June 2014 (Restated)

Sr. No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	Subsidy due			Subsidy disbursed			Balance commitment	Bank guarantee	Milestones achieved
					As of 30 June 2013	For the year	As of 30 June 2014	As of 30 June 2013	For the year	As of 30 June 2014			

Rupees

A) RURAL TELECOM & E-SERVICES-RTeS

1	Malakand	Telenor*	4-Oct-07	62,029,745	62,029,745	-	62,029,745	62,029,745	-	62,029,745	-	-	Contract Closed
2	Sukkur	PMCL**	15-Jan-08	112,300,000	112,300,000	-	112,300,000	112,300,000	-	112,300,000	-	-	Completed
3	DG Khan	Warid***	7-Feb-08	78,847,036	72,800,000	6,047,036	78,847,036	72,800,000	-	72,800,000	-	-	Completed
4	Pishin	PTCL****	29-May-08	175,000,000	175,000,000	-	175,000,000	175,000,000	-	175,000,000	-	-	Completed
5	Mansehra	PTCL****	24-Jun-08	300,000,000	120,000,000	-	120,000,000	120,000,000	-	120,000,000	180,000,000	120,000,000	Up to 1st
6	Dadu	PTCL****	25-Jul-08	250,000,000	250,000,000	-	250,000,000	250,000,000	-	250,000,000	-	-	Completed
7	Bahawalpur	Telenor*	22-Sep-08	248,381,865	248,381,865	-	248,381,865	248,381,865	-	248,381,865	-	-	Completed
8	Mirpur Khas	Telenor*	13-Mar-09	930,000,000	930,000,000	-	930,000,000	930,000,000	-	930,000,000	-	-	Completed
9	Larkana	PTCL****	17-May-09	228,000,000	136,800,000	-	136,800,000	136,800,000	-	136,800,000	91,200,000	91,200,000	Up to 2nd
10	Nasirabad	CM Pak *****	28-Jul-09	1,277,855,892	1,258,196,569	19,659,323	1,277,855,892	943,647,427	334,208,465	1,277,855,892	-	629,098,286	Completed
11	Mastung	PTCL****	31-May-12	3,156,000,000	600,000,000	1,200,000,000	1,800,000,000	600,000,000	1,200,000,000	1,800,000,000	1,356,000,000	1,262,400,000	Up to 2nd
12	Turbat	CM Pak *****	21-Feb-13	3,952,561,742	303,638,412	303,638,412	607,276,824	303,638,412	303,638,412	607,276,824	3,345,284,918	1,581,024,697	Up to 1st
Sub-total (A)				10,770,976,280	4,269,146,591	1,529,344,771	5,798,491,362	3,954,597,449	1,837,846,877	5,792,444,326	4,972,484,918	3,683,722,983	

B) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Wateen Telecom	11-Feb-09	449,000,000	449,000,000	-	449,000,000	443,742,210	5,257,790	449,000,000	-	179,600,000	Completed
2	Balochistan Package-1	Wateen Telecom	17-May-09	374,000,000	374,000,000	-	374,000,000	374,000,000	-	374,000,000	-	149,600,000	Completed
3	Balochistan Package-2	PTCL****	25-Jun-09	1,200,000,000	960,000,000	-	960,000,000	960,000,000	-	960,000,000	240,000,000	480,000,000	Up to 3rd
4	Balochistan-Punjab Package-3	Wateen Telecom	24-Nov-09	986,000,000	394,400,000	197,200,000	591,600,000	394,400,000	197,200,000	591,600,000	394,400,000	394,400,000	Up to 2nd
5	Balochistan-Punjab Package-5	PTCL****	17-May-10	1,498,000,000	898,800,000	-	898,800,000	898,800,000	-	898,800,000	599,200,000	599,200,000	Up to 2nd
6	Balochistan-Package-4	Wateen Telecom	13-Jul-11	1,975,000,000	395,000,000	790,000,000	1,185,000,000	395,000,000	790,000,000	1,185,000,000	790,000,000	790,000,000	Up to 2nd
Sub-total (B)				6,482,000,000	3,471,200,000	987,200,000	4,458,400,000	3,465,942,210	992,457,790	4,458,400,000	2,023,600,000	2,592,800,000	

C) BROADBAND

1	FTR	PTCL****	27-Apr-09	1,191,620,000	476,648,000	-	476,648,000	476,648,000	-	476,648,000	714,972,000	476,648,000	Up to 1st
2	FTR-1	Wateen Telecom	27-Apr-09	239,140,000	95,656,000	95,656,000	191,312,000	95,656,000	95,656,000	191,312,000	47,828,000	95,656,000	Up to 3rd
3	MTR	PTCL****	25-Jun-09	1,161,044,000	435,099,600	261,526,800	696,626,400	435,099,600	261,526,800	696,626,400	464,417,600	464,417,600	Up to 2nd
4	STR-1	PTCL****	25-Jun-09	480,651,511	387,291,979	93,359,532	480,651,511	387,291,979	93,359,532	480,651,511	-	219,822,300	Completed
5	MTR	Worldcall Telecom	28-Jul-09	785,721,250	785,721,250	-	785,721,250	785,721,250	-	785,721,250	-	314,288,500	Completed
6	HTR	PTCL****	24-Nov-09	211,591,697	104,329,412	64,943,944	169,273,356	104,329,412	64,943,944	169,273,356	42,318,341	84,636,679	Up to 3rd
7	HTR	Wateen Telecom	24-Nov-09	54,799,000	54,799,000	-	54,799,000	54,799,000	-	54,799,000	-	21,919,600	Completed
8	GTR	PTCL****	22-Mar-10	394,283,250	229,562,950	164,720,300	394,283,250	229,562,950	164,720,300	394,283,250	-	157,714,000	Completed
9	GTR	Worldcall Telecom	30-Mar-10	479,212,250	479,212,250	-	479,212,250	479,212,250	-	479,212,250	-	192,566,100	Completed
10	GTR	Wateen Telecom	13-Apr-10	244,869,250	97,947,700	146,921,550	244,869,250	97,947,700	124,568,528	222,516,228	-	97,947,700	Completed
11	CTR	Wateen Telecom	28-Apr-10	524,717,500	104,943,500	-	104,943,500	104,943,500	-	104,943,500	419,774,000	209,887,000	Mobilization Adv.
12	CTR	PTCL****	28-Apr-10	512,772,000	102,554,400	-	102,554,400	102,554,400	-	102,554,400	410,217,600	205,108,800	Mobilization Adv.
13	STR-V	PTCL****	8-May-12	1,206,175,000	241,235,000	-	241,235,000	241,235,000	-	241,235,000	964,940,000	482,470,000	Mobilization Adv.
14	RTR	PTCL****	11-Dec-13	1,391,972,500	-	278,394,500	278,394,500	-	278,394,500	278,394,500	1,113,578,000	556,789,000	Mobilization Adv.
15	NTR-1	PTCL****	11-Dec-13	1,162,000,000	-	232,400,000	232,400,000	-	232,400,000	232,400,000	929,600,000	464,800,000	Mobilization Adv.
Sub-total (C)				10,040,569,208	3,595,001,041	1,337,922,626	4,932,923,667	3,595,001,041	1,315,569,604	4,910,570,645	5,107,645,541	4,044,671,279	

Universal Service Fund  
Notes to the Financial Statement  
For the year ended 30 June 2015

Sr. No.	Project / Lot	Alloted to	Contract date	Total subsidy as per contract	Subsidy due			Subsidy disbursed			Balance commitment	Bank guarantee	Milestones achieved
					As of 30 June 2013	For the year	As of 30 June 2014	As of 30 June 2013	For the year	As of 30 June 2014			

Rupees

**D) SPECIAL PROJECTS- TELECENTERS**

1	Broadband Mera Baghwal	NAYATEL- Broadband for MCT Mera Baghwal	15-Mar-10	9,210,918	9,210,918	-	9,210,918	9,210,918	-	9,210,918	-	-	Completed
2	Broadband Pilot MCT Sites	PTCL- Broadband for Pilot MCT Sites	16-Mar-10	34,873,934	27,899,147	-	27,899,147	27,899,147	-	27,899,147	6,974,787	13,949,574	Up to 3rd
3	Broadband Pilot MCT Sites	World Call- Broadband for Pilot MCT Sites	31-Mar-10	5,944,157	5,944,157	-	5,944,157	5,944,157	-	5,944,157	-	-	Completed
<b>Sub-total (D) -</b>				<b>50,029,009</b>	<b>43,054,222</b>	<b>-</b>	<b>43,054,222</b>	<b>43,054,222</b>	<b>-</b>	<b>43,054,222</b>	<b>6,974,787</b>	<b>13,949,574</b>	

**E) SPECIAL PROJECTS-OTHER ICT SERVICES**

1	Rawalpindi / Sukkur / Kohat	Alshifa Trust- ICT for Disabled- Up gradation / Establishment of	8-Jul-08	24,716,660	24,716,660	-	24,716,660	24,716,660	-	24,716,660	-	-	Completed
2	Rawalpindi / Islamabad	Pakistan Foundation Fighting Blindness-PFFB - ICT for Disabled- Up gradation of Audio World & Access Internet Café( I.T Help & Audio World Programmes)	15-Sep-08	6,494,118	6,494,118	-	6,494,118	6,494,118	-	6,494,118	-	-	Completed
3	Rawalpindi / Karachi/Multan	Oratier Technologies Pvt Ltd- Telemedicine Project	14-Oct-11	59,657,213	56,674,353	2,982,860	59,657,213	56,674,353	2,982,860	59,657,213	-	-	Completed
4	Petaro	Cadet College Petaro- Model ICT Labs	2-Apr-11	23,690,883	23,690,883	-	23,690,883	23,690,883	-	23,690,883	-	-	Completed
<b>Sub-total (E)</b>				<b>114,558,874</b>	<b>111,576,014</b>	<b>2,982,860</b>	<b>114,558,874</b>	<b>111,576,014</b>	<b>2,982,860</b>	<b>114,558,874</b>	<b>-</b>	<b>-</b>	
<b>Total (A+B+C+D+E)</b>				<b>27,458,133,371</b>	<b>11,489,977,868</b>	<b>3,857,450,257</b>	<b>15,347,428,125</b>	<b>11,170,170,936</b>	<b>4,148,857,131</b>	<b>15,319,028,067</b>	<b>12,110,705,246</b>	<b>10,335,143,836</b>	

- \* Telenor Pakistan (Private) Limited (Telenor)
- \*\* Pakistan Mobile Communications Limited (PMCL)
- \*\*\* Warid Telecom (Private) Limited (Warid)
- \*\*\*\* Pakistan Telecommunication Company Limited (PTCL) (a related party)
- \*\*\*\*\* CM Pak Limited (a related party)

Universal Service Fund  
Notes to the Financial Statement  
For the year ended 30 June 2015

16 PAYMENTS FOR TECHNICAL AUDIT  
For the year ended 30 June 2015

Sr. No.	Project / Lot	Allotted to	Contract date	Total cost as per contract	Technical audit fee due			Technical audit fee disbursed			Balance commitment	Milestones achieved
					As of 30 June 2014	For the year	As of 30 June 2015	As of 30 June 2014	For the year	As of 30 June 2015		

Rupees

A) RURAL TELECOM & E-SERVICES-RTeS

1	Malakand	Telecom Services *	02-Aug-08	5,000,000	5,000,000	-	5,000,000	5,000,000	-	5,000,000	-	Contract Closed
2	DG Khan	Telecom Services *	01-Jan-09	12,594,400	12,594,400	-	12,594,400	12,594,400	-	12,594,400	-	Completed
3	Sukkur	Optiwave **	01-Jan-09	11,327,700	11,327,700	-	11,327,700	11,327,700	-	11,327,700	-	Completed
4	Bahawalpur	Telecom Services *	26-Mar-09	8,975,000	8,975,000	-	8,975,000	8,975,000	-	8,975,000	-	Completed
5	Dadu	Myson Engineering	15-Apr-09	6,400,000	6,400,000	-	6,400,000	6,400,000	-	6,400,000	-	Completed
6	Pishin	Myson Engineering	15-Apr-09	6,700,000	6,700,000	-	6,700,000	6,700,000	-	6,700,000	-	Completed
7	Mansehra	Optiwave **	09-Dec-09	5,264,040	5,264,040	-	5,264,040	5,264,040	-	5,264,040	-	Up to 2nd, Contract Closed
8	MirpurKhas	Telecom Services *	30-Dec-09	3,375,000	3,375,000	-	3,375,000	3,375,000	-	3,375,000	-	Completed
9	Nasirabad	Technology at Work	08-Feb-10	7,809,678	7,809,678	-	7,809,678	7,809,678	-	7,809,678	-	Upto 4th 5th 50% and Idle days
10	Turbat	Technology at Work	21-May-14	6,916,952	1,383,390	-	1,383,390	1,383,390	-	1,383,390	5,533,562	Up to 1st
11	Mastung	Komkonsult ****	23-May-14	2,974,211	1,189,684	594,842	1,784,526	1,189,684	594,842	1,784,526	1,189,685	Up to 3rd
<b>Sub-total (A)</b>				<b>77,336,981</b>	<b>70,018,892</b>	<b>594,842</b>	<b>70,613,734</b>	<b>70,018,892</b>	<b>594,842</b>	<b>70,613,734</b>	<b>6,723,247</b>	

B) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Technology at Work	29-Sep-09	12,002,488	12,002,488	-	12,002,488	12,002,488	-	12,002,488	-	Completed and Idle days
2	Balochistan Package-1	Technology at Work	17-Mar-10	7,226,443	7,484,443	(258,000)	7,226,443	7,484,443	(258,000)	7,226,443	-	Completed and 2 Idle days
3	Balochistan Package-2	Shaukat Hayat Javed	21-May-10	8,601,988	6,245,588	-	6,245,588	6,245,588	-	6,245,588	2,356,400	Up to 3rd, 2 Idle days/Adl node
4	Balochistan- Punjab Package-3	Teralight Limited	27-Sep-10	835,858	835,858	-	835,858	835,858	-	835,858	-	Up to 1st, Contract Closed
5	Balochistan- Punjab Package-5	TEACH ***	19-May-11	2,850,000	1,767,000	-	1,767,000	1,767,000	-	1,767,000	1,083,000	Up to 2nd, 3rd 50%
6	Balochistan- Punjab Package-4	TEACH ***	28-Oct-13	3,952,193	2,055,138	632,350	2,687,488	2,055,138	632,350	2,687,488	1,264,705	Up to 3rd
7	Balochistan- Punjab Package-3	TEACH ***	16-Apr-14	8,974,928	2,243,732	-	2,243,732	2,243,732	-	2,243,732	6,731,196	Up to 2nd
<b>Sub-total (B)</b>				<b>44,443,898</b>	<b>32,634,247</b>	<b>374,350</b>	<b>33,008,597</b>	<b>32,634,247</b>	<b>374,350</b>	<b>33,008,597</b>	<b>11,435,301</b>	

Universal Service Fund  
Notes to the Financial Statement  
For the year ended 30 June 2015

Sr. No.	Project / Lot	Allotted to	Contract date	Total cost as per contract	Technical audit fee due			Technical audit fee disbursed			Balance commitment	Milestones achieved
					As of 30 June 2014	For the year	As of 30 June 2015	As of 30 June 2014	For the year	As of 30 June 2015		

Rupees

C) BROADBAND

1	STR-1	BIDCON	27-Jul-10	13,689,376	13,689,376	-	13,689,376	13,689,376	-	13,689,376	-	Completed
2	HTR-PTCL	People Logic	27-Jul-10	4,668,084	3,422,676	-	3,422,676	3,422,676	-	3,422,676	1,245,408	Up to 3rd/4th 50% and Idle days
3	HTR-Wateen	People Logic	27-Jul-10	2,343,463	1,987,633	-	1,987,633	1,987,633	-	1,987,633	355,830	Up to 4th and Idle days
4	MTR-World call	Emerging Systems	27-Jul-10	7,336,740	7,336,740	-	7,336,740	7,336,740	-	7,336,740	-	Completed
5	MTR-PTCL	Emerging Systems	27-Jul-10	10,421,505	4,402,044	6,019,461	10,421,505	4,402,044	3,818,440	8,220,484	-	Completed
6	CTR	Optiwave **	05-Aug-11	-	-	-	-	-	-	-	-	Advance refunded,
7	GTR-World call	Technology at Work	05-Aug-11	3,508,042	2,792,407	715,635	3,508,042	2,146,905	645,502	2,792,407	-	Completed
8	GTR-Wateen	Technology at Work	05-Aug-11	1,590,300	1,272,240	318,060	1,590,300	1,272,240	-	1,272,240	-	Completed
9	GTR-PTCL	Technology at Work	05-Aug-11	2,783,025	2,226,420	556,605	2,783,025	2,226,420	-	2,226,420	-	Completed
10	FTR-PTCL	Technology at Work	18-Apr-14	5,492,920	-	5,492,920	5,492,920	-	5,492,920	5,492,920	-	Completed, Descoped
11	FTR-Wateen	Technology at Work	18-Apr-14	1,386,228	695,114	691,114	1,386,228	695,114	691,114	1,386,228	-	Completed
12	STR-V PTCL	Seronic Pvt Limited	22-May-14	6,915,000	-	2,766,000	2,766,000	-	2,766,000	2,766,000	4,149,000	Up to 2nd
13	NTR-1 PTCL	Seronic Pvt Limited	17-Oct-14	4,840,500	-	2,904,300	2,904,300	-	1,936,200	1,936,200	1,936,200	Up to 3rd
14	RTR-1 PTCL	Makkays	23-Oct-14	3,678,350	-	735,670	735,670	-	735,670	735,670	2,942,680	Up to 1st
<b>Sub-total (C)</b>				<b>68,653,533</b>	<b>37,824,650</b>	<b>20,199,765</b>	<b>58,024,415</b>	<b>37,179,148</b>	<b>16,085,846</b>	<b>53,264,994</b>	<b>10,629,118</b>	
<b>Total (A+B+C)</b>				<b>190,434,412</b>	<b>140,477,789</b>	<b>21,168,957</b>	<b>161,646,746</b>	<b>139,832,287</b>	<b>17,055,038</b>	<b>156,887,325</b>	<b>28,787,666</b>	

\* Telecom Services & Consultants (Private) Limited- Tel-e-Com

\*\* Optiwave Technologies (Pvt.) Ltd.

\*\*\* Telecom Engineering & Consultancy House (Pvt) Limited- TEACH

\*\*\*\* Komkonsult Private Limited

## Universal Service Fund

### Notes to the Financial Statement

For the year ended 30 June 2015

#### 16.1 PAYMENTS FOR TECHNICAL AUDIT-continued

Comparative note for the year ended 30 June 2014 (Restated)

Sr. No.	Project / Lot	Allotted to	Contract date	Total cost as per contract	Technical audit fee due			Technical audit fee disbursed			Balance commitment	Milestones achieved
					As of 30 June 2013	For the year	As of 30 June 2014	As of 30 June 2013	For the year	As of 30 June 2014		

Rupees

#### A) RURAL TELECOM & E-SERVICES-RTeS

1	Malakand	Telecom Services *	02-Aug-08	5,000,000	5,000,000	-	5,000,000	5,000,000	-	5,000,000	-	Contract Closed
2	DG Khan	Telecom Services *	01-Jan-09	12,594,400	12,594,400	-	12,594,400	12,594,400	-	12,594,400	-	Completed
3	Sukkur	Optiwave **	01-Jan-09	11,327,700	11,327,700	-	11,327,700	11,327,700	-	11,327,700	-	Completed
4	Bahawalpur	Telecom Services *	26-Mar-09	8,975,000	8,975,000	-	8,975,000	8,975,000	-	8,975,000	-	Completed
5	Dadu	Myson Engineering	15-Apr-09	6,400,000	6,400,000	-	6,400,000	6,400,000	-	6,400,000	-	Completed
6	Pishin	Myson Engineering	15-Apr-09	6,700,000	6,700,000	-	6,700,000	6,700,000	-	6,700,000	-	Completed
7	Mansehra	Optiwave **	09-Dec-09	5,264,040	5,264,040	-	5,264,040	5,264,040	-	5,264,040	-	Up to 2nd, Contract Closed
8	MirpurKhas	Telecom Services *	30-Dec-09	3,375,000	3,375,000	-	3,375,000	3,375,000	-	3,375,000	-	Completed
9	Nasirabad	Technology at Work	08-Feb-10	7,809,678	6,533,653	1,276,025	7,809,678	5,605,123	2,204,555	7,809,678	-	Up to 4th and Idle days
10	Turbat	Technology at Work	21-May-14	6,916,952	-	1,383,390	1,383,390	-	1,383,390	1,383,390	5,533,562	Up to 1st
11	Mastung	Komkonsult ****	23-May-14	2,974,211	-	1,189,684	1,189,684	-	1,189,684	1,189,684	1,784,527	Up to 2nd
<b>Sub-total (A)</b>				<b>77,336,981</b>	<b>66,169,793</b>	<b>3,849,099</b>	<b>70,018,892</b>	<b>65,241,263</b>	<b>4,777,629</b>	<b>70,018,892</b>	<b>7,318,089</b>	

#### B) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Technology at Work	29-Sep-09	12,002,488	9,636,677	2,365,811	12,002,488	9,636,677	2,365,811	12,002,488	-	Up to 5th and Idle days
2	Balochistan Package-1	Technology at Work	17-Mar-10	7,484,443	5,742,243	1,742,200	7,484,443	5,742,243	1,742,200	7,484,443	-	Up to 5th and Idle days
3	Balochistan Package-2	Shaukat Hayat Javed	21-May-10	8,601,988	5,572,956	672,632	6,245,588	5,572,956	672,632	6,245,588	2,356,400	Up to 3rd and Idle days
4	Balochistan-Punjab Package-3	Teralight Limited	27-Sep-10	835,858	835,858	-	835,858	835,858	-	835,858	-	Up to 1st, Contract Closed
5	Balochistan-Punjab Package-5	TEACH ***	19-May-11	2,850,000	1,482,000	285,000	1,767,000	1,482,000	285,000	1,767,000	1,083,000	Up to 2nd
6	Balochistan-Punjab Package-4	TEACH ***	28-Oct-13	3,952,193	-	2,055,138	2,055,138	-	2,055,138	2,055,138	1,897,055	Up to 2nd
7	Balochistan-Punjab Package-3	TEACH ***	16-Apr-14	8,974,928	-	2,243,732	2,243,732	-	2,243,732	2,243,732	6,731,196	Up to 2nd
<b>Sub-total (B)</b>				<b>44,701,898</b>	<b>23,269,734</b>	<b>9,364,513</b>	<b>32,634,247</b>	<b>23,269,734</b>	<b>9,364,513</b>	<b>32,634,247</b>	<b>12,067,651</b>	

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Sr. No.	Project / Lot	Allotted to	Contract date	Total cost as per contract	Technical audit fee due			Technical audit fee disbursed			Balance commitment	Milestones achieved
					As of 30 June 2013	For the year	As of 30 June 2014	As of 30 June 2013	For the year	As of 30 June 2014		

Rupees

C) BROADBAND

1	STR-1	BIDCON	27-Jul-10	13,689,376	9,869,720	3,819,656	13,689,376	9,869,720	3,819,656	13,689,376	-	Completed
2	HTR-PTCL	People Logic	27-Jul-10	4,668,084	2,490,816	931,860	3,422,676	2,490,816	931,860	3,422,676	1,245,408	Up to 3rd/4th 50% and Idle days
3	HTR-Wateen	People Logic	27-Jul-10	2,343,463	1,423,324	564,309	1,987,633	1,423,324	564,309	1,987,633	355,830	Up to 4th and Idle days
4	MTR-World call	Emerging Systems	27-Jul-10	7,336,740	5,869,392	1,467,348	7,336,740	4,402,044	2,934,696	7,336,740	-	Completed
5	MTR-PTCL	Emerging Systems	27-Jul-10	11,005,110	3,301,533	1,100,511	4,402,044	3,301,533	1,100,511	4,402,044	6,603,066	Up to 2nd
6	CTR	Optiwave **	05-Aug-11	-	-	-	-	-	-	-	-	Advance refunded, Contract Closed
7	GTR-WorldCall	Technology at Work	05-Aug-11	3,508,042	2,792,407	-	2,792,407	2,146,905	-	2,146,905	715,635	Up to 4th
8	GTR-Wateen	Technology at Work	05-Aug-11	1,590,300	318,060	954,180	1,272,240	318,060	954,180	1,272,240	318,060	Up to 4th
9	GTR-PTCL	Technology at Work	05-Aug-11	2,783,025	2,226,420	-	2,226,420	1,669,815	556,605	2,226,420	556,605	Up to 4th
10	FTR-PTCL	Technology at Work	18-Apr-14	5,560,920	-	-	-	-	-	-	5,560,920	-
11	FTR-Wateen	Technology at Work	18-Apr-14	1,390,230	-	695,114	695,114	-	695,114	695,114	695,116	Up to 2nd
12	STR-V PTCL	Seronic Pvt Limited	22-May-14	6,915,000	-	-	-	-	-	-	6,915,000	-
<b>Sub-total (C)</b>				<b>60,790,290</b>	<b>28,291,672</b>	<b>9,532,978</b>	<b>37,824,650</b>	<b>25,622,217</b>	<b>11,556,931</b>	<b>37,179,148</b>	<b>22,965,640</b>	
<b>Total (A+B+C)</b>				<b>182,829,169</b>	<b>117,731,199</b>	<b>22,746,590</b>	<b>140,477,789</b>	<b>114,133,214</b>	<b>25,699,073</b>	<b>139,832,287</b>	<b>42,351,380</b>	

\* Telecom Services & Consultants (Private) Limited- Tel-e-Com

\*\* Optiwave Technologies (Pvt.) Ltd.

\*\*\* Telecom Engineering & Consultancy House (Pvt) Limited- TEACH

\*\*\*\* Komkonsult Private Limited

Universal Service Fund  
Notes to the Financial Statement  
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**17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk and
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and 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 Board of Directors of the Company 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 which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company's credit risk is primarily attributable to advances, deposits, other receivables and balances at bank.

The Company limits its exposure to credit risk by maintaining bank accounts only with counterparties that have a credit rating of at least A 1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations. Company's other receivables are from Government of Pakistan, as a result there is no credit risk. The carrying amount of financial assets represents the maximum credit exposure at the reporting date as follows:

	2015 Rupees	2014 Rupees
Other receivables	926,602,366	17,177
Accrued profit on bank deposit	31,001,017	74,491,658
Bank balances	414,398,770	2,236,261,300
	<u>1,372,002,153</u>	<u>2,310,770,135</u>

Geographically there is no concentration of credit risk. None of the financial assets are overdue. Based on the past experience, the management believes that no impairment allowance is necessary in respect of the Company's financial assets.

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The credit quality of financial assets, for which the counter party is a bank can be assessed by reference to external credit ratings as shown below:

**Bank balance**

<b>Bank name</b>	<b>Rating</b>	<b>Rating Agency</b>	<b>2015 Rupees</b>	<b>2014 Rupees</b>
National Bank of Pakistan	AAA/A-1+	JCR-VIS	414,398,770	2,236,261,300
			<u>414,398,770</u>	<u>2,236,261,300</u>

The management believes that no impairment allowance is necessary in respect of these financial assets unless explicitly stated in the respective notes.

**17.2 Liquidity risk**

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The Company's approach to managing the 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 damage to the Company's reputation. Further, the Company is fully funded by the Ministry of Information Technology, Government of Pakistan.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Maturity upto 1 year</b>	<b>Maturity over 1 year and upto 5 years</b>
	<b>Rupees</b>			
<b>2015</b>				
Project subsidy payable	1,351,853,035	1,351,853,035	1,351,853,035	-
Technical auditor fee payable	4,759,421	4,759,421	4,759,421	-
Payable to suppliers	15,497,896	15,497,896	15,497,896	-
Accrued liabilities	1,465,483	1,465,483	1,465,483	-
Other liabilities	577,176	577,176	577,176	-
	<u>1,374,153,011</u>	<u>1,374,153,011</u>	<u>1,374,153,011</u>	<u>-</u>
<b>2014</b>				
Project subsidy payable	28,400,058	28,400,058	28,400,058	-
Technical auditor fee payable	645,502	645,502	645,502	-
Payable to suppliers	11,766,537	11,766,537	11,766,537	-
Accrued liabilities	3,935,978	3,935,978	3,935,978	-
Other liabilities	1,954,357	1,954,357	1,445,381	508,976
	<u>46,702,432</u>	<u>46,702,432</u>	<u>46,193,456</u>	<u>508,976</u>

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

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**Universal Service Fund**  
**Notes to the Financial Statement**  
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**17.3 Market risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, due to changes 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 incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Company is not significantly exposed to market risk.

**17.3.1 Currency risk**

Currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is not exposed to currency risks as it has no transaction in foreign currency.

**17.3.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A majority of the interest rate exposure arises on bank balances. The effective interest rates are mentioned in respective notes in these financial statements.

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not hold any financial asset at fair value through profit and loss. Therefore a change in interest rate at reporting date would not affect income and expenditure account of the Company.

**17.3.3 Other price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments whose fair value or future cash flows will fluctuate because of changes in market prices.

**17.4 Fair value**

The carrying value of all the financial assets and liabilities reflected in financial statements approximate their fair values.

Universal Service Fund  
Notes to the Financial Statement  
*For the year ended 30 June 2015*

**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. The fair value is similar to the carrying amount.

**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 since these assets and liabilities are due to be settled within one year, the fair value is approximately their carrying values.

**17.6 Fund management**

The Board of Directors of the Company, monitor the performance along with the funds required for sustainable operations of the Company. There were no changes to the Company's approach to the fund management during the year. The Company is not subject to externally imposed fund requirements.

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**18 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

The Company is governed by the Ministry of Information Technology, Government of Pakistan (GoP). Therefore, all departments and agencies controlled by the GoP ("State-controlled entities") are related parties of the Company. Other related parties include directors, members, key management personnel, USF Employees' Gratuity Fund and entities under common directorship. Remuneration to the Chief Executive is disclosed in note 19 to these financial statements. Balances with related parties are disclosed in note 7 and 15 to the financial statements. Insignificant transaction with Government of Pakistan and Government owned entities are not disclosed as the management is of the opinion that it is impracticable to disclose such transactions. Significant transactions with related parties (State-controlled entities) are as follows:

	Note	2015 Rupees	2014 Rupees
<b>State-controlled entities</b>			
Grant received during the year		-	4,792,500,000
<b>Associate due to common directorship</b>			
Subsidy grant disbursement - PTCL & CM Pak	15	2,254,111,631	2,618,642,811
<b>USF Employees' Gratuity Fund</b>			
Contributions paid by the Company	11	15,653,614	3,053,411

**19 REMUNERATION OF CHIEF EXECUTIVE**

Managerial remuneration	7,668,750	4,883,064
Allowances	6,005,250	3,785,722
Bonus	810,000	-
Compensated absences	333,333	-
	<u>14,817,333</u>	<u>8,668,786</u>

Monetization allowance is provided in lieu of Company vehicle to the entitled employees across the Board. Further Chief Executive is also entitled to gratuity, the provision for which is determined by the actuary.

Directors of the Company were not paid any remuneration during the year except for the meeting fee of Rs. 440,000 (2014: Rs. 420,000), number of directors: 9 (2014: 9)

**20 NUMBER OF EMPLOYEES**

	2015	2014
Employees at the year end (Number)	<u>76</u>	<u>84</u>
Average employees during the year (Number)	<u>80</u>	<u>84</u>

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21 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board on

03 AUG 2016

22 GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.



CHIEF EXECUTIVE



DIRECTOR