

UNIVERSAL SERVICE FUND
(A Company incorporated under Section 42 of the Companies
Ordinance, 1984)

FINANCIAL STATEMENTS
AS AT JUNE 30, 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Universal Service Fund - Company

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of **Universal Service Fund (the Company)** which comprise the statement of financial position as at June 30, 2018, and the income and expenditure statement, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the surplus and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 14.2.1 & 14.2.2 to the financial statement which describes the uncertainty relating to tax matters of the Company. No provision for tax amounting to Rs. 3,939,571,607 & Rs. 139,511,568 is made in these financial statement on the basis of management stance and expectation of successful outcome.

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has a realistic alternative to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

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



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- b) the statement of financial position, the income and expenditure statement and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of accounts and returns;
- c) investments made, expenditures incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Waqas Waris.

Grant Thornton Anjum Rahman
GRANT THORNTON ANJUM RAHMAN
Islamabad

November 05, 2018

UNIVERSAL SERVICE FUND

(A Company incorporated under Section 42 of the Companies Ordinance, 1984)

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	Note	June 30, 2018 ----- Rupees -----	June 30, 2017
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	20,439,819	17,956,676
Intangible assets	6	4,100,881	1,565,439
Long term deposits		127,500	127,500
Long term advances	7	1,756,049	-
		<u>26,424,249</u>	<u>19,649,615</u>
CURRENT ASSETS			
Advances	8	1,302,301,673	1,305,006,904
Short-term prepayments	9	19,318,403	189,063
Interest accrued		54,653,185	33,850,779
Other receivables		4,500	21,825
Cash and bank balance	10	2,866,569,141	258,050,652
		<u>4,242,846,902</u>	<u>1,597,119,223</u>
TOTAL ASSETS		<u><u>4,269,271,151</u></u>	<u><u>1,616,768,838</u></u>
EQUITY AND LIABILITIES			
EQUITY			
		-	-
NON-CURRENT LIABILITIES			
Fund balance (Restricted)	11	3,839,836,759	1,266,316,110
Deferred capital grant	12	24,540,700	19,522,115
		<u>3,864,377,459</u>	<u>1,285,838,225</u>
CURRENT LIABILITIES			
Trade and other payables	13	404,893,692	330,930,613
TOTAL EQUITY AND LIABILITIES		<u><u>4,269,271,151</u></u>	<u><u>1,616,768,838</u></u>
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes, from 1 to 23 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

UNIVERSAL SERVICE FUND

(A Company incorporated under Section 42 of the Companies Ordinance, 1984)

INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018 ----- Rupees -----	June 30, 2017 -----
INCOME			
Amortization of deferred capital grant	12	14,809,411	15,442,270
EXPENDITURE			
Administrative and general expenses	15	315,862,068	259,602,260
Subsidy grant for projects	16	6,834,436,561	9,934,784,374
Fee to technical auditors for projects	17	13,724,933	14,716,061
		7,164,023,562	10,209,102,695
		<u>(7,149,214,151)</u>	<u>(10,193,660,425)</u>
EXPENDITURE CHARGED TO FUND BALANCE	11	7,153,421,102	10,192,934,239
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>4,206,951</u>	<u>(726,186)</u>
OTHER COMPREHENSIVE INCOME			
<i>Item not to be reclassified to income and expenditure account in subsequent periods</i>			
Re-measurement (loss)/gain on deferred benefit plan		(4,206,951)	726,186
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>-</u>	<u>-</u>

The annexed notes, from 1 to 23 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

UNIVERSAL SERVICE FUND**(A Company incorporated under Section 42 of the Companies Ordinance, 1984)****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2018	June 30, 2017
Note	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Subsidy grant disbursement	(6,786,484,959)	(11,556,139,702)
Technical audit fee	(13,622,192)	(17,735,943)
Liquidated damages, profit on deposit account and others	102,735,390	326,312,042
Payment to suppliers and employees	(297,598,967)	(262,035,489)
Net cash used in operating activities	(6,994,970,728)	(11,509,599,092)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(10,204,398)	(3,616,563)
Proceeds from disposal of fixed assets	-	-
Purchase of intangible assets	(5,306,385)	(414,747)
Net cash used in investing activities	(15,510,783)	(4,031,310)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant received	9,619,000,000	8,433,000,000
Net cash used in financing activities	9,619,000,000	8,433,000,000
Net (decrease)/increase in cash & cash equivalents	2,608,518,489	(3,080,630,402)
Cash & cash equivalents at beginning of year	258,050,652	3,338,681,054
Cash & cash equivalents at end of year	2,866,569,141	258,050,652

The annexed notes, from 1 to 23 form an integral part of these financial statements.

**CHIEF EXECUTIVE****DIRECTOR**

UNIVERSAL SERVICE FUND

(A Company incorporated under Section 42 of the Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1 STATUS AND ACTIVITIES

The Universal Service Fund Company ("the Company") was incorporated in Pakistan as a Public Company, limited by guarantee, not having a share capital and licensed under section 42 of the repealed 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 at 5th floor, HBL Tower, Jinnah Avenue, Islamabad.

Pursuant to Section 16 of the Rules, operations of the Company are funded by the Ministry of Information Technology (MoIT), Government of Pakistan through the Universal Service Fund ("USF"), a separate entity established under section 33 A of the 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 subsidies to selected contributors to USF, for execution of the related teleco projects.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS 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.

The Act has also brought certain changes with regard to preparation and presentation of these financial statements. These changes, amongst others, included change in respect of nomenclature of these financial statements. Further, the disclosure requirements contained in the fifth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures.

2.2 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.

3 SUMMARY OF SIGNIFICANT EVENTS & TRANSACTIONS

Due to applicability of Companies, Act 2017 certain disclosers of financial statements have been presented in accordance with fifth schedule notified by Securities and Exchange Commission of Pakistan vide SRO 1169, Dated November 07, 2017.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

4.1 Functional and presentation currency

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

4.2 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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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:

4.2.1 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.

4.2.2 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.

4.2.3 Provision for doubtful advances, project and other receivables

The Company has used judgments, based on the history of its transactions and the future outlook of the concerned receivable party, for making provisions for doubtful advances, project receivables and other receivables. Any change in estimates in future years might affect the carrying amounts of the respective assets with a corresponding affect on income and expenditure statement. Management believes that the changes in the outcome of these estimates will not have a significant effect on the financial statements.

4.2.4 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.

4.2.5 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.

4.3 Amendments to approved accounting and reporting standards that are not yet effective

The following standards and amendments and interpretations to the approved accounting and reporting standards would be effective from the dates mentioned below against the respective standard.

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 2 Share Based Payments - Amendments	January 01, 2018
IFRS 4 Insurance Contracts - Amendments	January 01, 2018
IFRS 9 Financial Instruments	July 01, 2018
IFRS 9 Financial Instruments - Amendments	January 01, 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint ventures: Sales or Contribution of Assets between an Investor and its Associates or joint Venture - Amendments.	Not yet finalized
IFRS 15 Revenue from Contract with Customers	July 01, 2018
IFRS 16 Leases	January 01, 2019
IAS 19 Plan Amendment, Curtailment or settlement - Amendments	January 01, 2019
IAS 28 Long term interest in Associates and Joint Ventures - Amendments	January 01, 2019

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IAS 40	Investment Property: Transfer of Investment Property - Amendments	January 01, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The Company is yet to assess the full impact of the amendments.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019 respectively. The company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period on initial application.

The IASB has also issued the revised Conceptual Framework for the Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 14 Regulatory Deferral Accounts

IFRS 17 Insurance Contracts

4.4 Changes in accounting policies and disclosures resulting from adoption of standards during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New Standards

The Company has adopted the following amendments and interpretations of IFRSs which became effective for the current year:

IAS 7 Statement of Cash Flows - Disclosure Initiative - Amendment

IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses - Amendments

The adoption of above amendments to accounting standards did not have any effect on the financial statements.

4.5 Property and equipment

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 on assets using the straight line method, at the rates stated in note 5. A full month's depreciation is charged in the month of acquisition of an asset, while no depreciation is charged in the month of an assets' retirement.

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.

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The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property and equipment is recognized in the income and expenditure statement as incurred.

4.6 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. In respect of additions and disposal of intangible assets during a year, amortization is charged to income and expenditure statement from the month of acquisition and up to the month preceding the disposal of such intangible assets.

Gains and losses arising from the de-recognition of intangible assets are measured as the difference between the net disposal proceeds and carrying amount of the asset, and recognized in income and expenditure statement when the asset is de-recognized.

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.

4.7 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.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the statement of financial position in case of local currency balances and at closing exchange rate, in case of foreign currency balances.

4.9 Fund balance (restricted)

The management is following deferral method of accounting for amount received from MoIT 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.

4.10 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

4.11 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.

4.12 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.

4.13 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

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scheme in accordance with the actuarial recommendations using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 30 June 2018, details are given in the note 13 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.

4.14 **Taxation**

i) **Current**

Provision for taxation is based on taxable profits, at the current rates of taxation, after taking into account tax credits and tax rebates, if any. Further, the Company's income is not liable for minimum tax, under Section 113 of the Income Tax Ordinance, 2001, as the Company considers the amount received from the MoIT as grant.

ii) **Deferred**

Deferred tax is recognized using the liability method, on all major temporary differences at the statement of financial position date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and / or carry-forward of unused tax losses can be utilized.

The carrying amount of all deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

4.15 **Income**

i) **Profit on bank deposits**

Profit on bank deposit is accrued using the effective interest rate method.

ii) **Other income**

Any other income is recorded on an accrual basis.

Profit on bank deposits and other receipts are made part of fund balance (restricted) and are adjusted against future funding from MoIT.

4.16 **Foreign currency translation**

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the statement of financial position date. Gains and losses on translation are taken to the income and expenditure statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.17 **Financial instruments**

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are de-recognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Gains or losses on de-recognition of the financial assets and financial liabilities are taken to the income and expenditure statement immediately.

a) **Financial assets**

Classification, initial recognition and subsequent measurement

The Company classifies its financial assets in the four categories: financial assets at fair value through profit

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or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset.

i) Financial assets - at fair value through profit or loss

Financial assets at fair value through profit or loss account include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are classified as held-for-trading if they are acquired for the purpose of short-term profit making. These are initially measured at fair value. Whereas on subsequent reporting dates, these are measured at fair value on the basis of observable market yields, and any changes in fair value are recognized in the income and expenditure statement.

The Company has not designated any financial asset at fair value through profit or loss.

ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has a positive intention and ability to hold these assets to maturity. These are initially recognized at fair value plus transaction costs. After initial recognition, held-to-maturity investments are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in the income and expenditure statement when the investments are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees or costs that are an integral part of the EIR. The EIR amortization is included in other operating income in the Income and Expenditure statement.

No financial asset of the Company has been classified as held-to-maturity.

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, which are either designated in this category, or not classified in any of the other categories. These are included in non-current assets, unless management intends to dispose them off within 12 months from the statement of financial position date.

These are initially recognized at fair value plus any transaction costs. After initial measurement, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income; if determined to be impaired, the cumulative loss is reclassified to the income and expenditure statement.

The Company has not classified any financial asset as available-for-sale investment.

iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, classified as loans and receivables, are initially measured at fair value. At subsequent reporting dates, these are carried at amortized cost using the EIR method less impairment losses, if any. The Company's loans and receivables comprise of deposits, accrued interest, other receivables and cash and bank balances.

De-recognition of financial assets

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset have expired;
- The Company has transferred its right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full, without material delay to a third party under a 'pass-through' arrangement; and either

a) the Company has transferred substantially all the risks and rewards of the asset, or

b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

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In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(b) Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of other financial liabilities, also include directly attributable transaction costs.

The subsequent measurement of financial liabilities depend on their classification, as follows:

(i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability, upon recognition, as being at fair value through profit or loss.

(ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the income and expenditure statement, when the liabilities are derecognized as well as through effective interest rate amortization process.

De-recognition of financial liabilities

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

4.18 Impairment

i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost, and is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the income and expenditure statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the 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.

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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.

4.19 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.

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5 PROPERTY AND EQUIPMENT

	COST				Rate	ACCUMULATED DEPRECIATION				NET BOOK VALUE
	As at July 01, 2017	Additions	Disposals	As at June 30, 2018		As at July 01, 2017	Charge for the year	On disposals	As at June 30, 2018	As at June 30, 2018
<u>2018</u>	Rupees				%	Rupees				Rupees
Vehicles	29,704,498	-	-	29,704,498	20	27,990,656	1,094,526	-	29,085,182	619,316
Furniture and equipment	34,339,243	3,107,261	-	37,446,504	20	22,767,738	5,391,438	-	28,159,176	9,287,328
Computer and accessories	29,853,407	9,808,548	-	39,661,955	33	25,240,572	5,500,652	-	30,741,224	8,920,731
Communication equipment	826,304	1,605,802	(444,067)	1,988,039	20-33	767,810	51,852	(444,067)	375,595	1,612,444
	<u>94,723,452</u>	<u>14,521,611</u>	<u>(444,067)</u>	<u>108,800,996</u>		<u>76,766,776</u>	<u>12,038,468</u>	<u>(444,067)</u>	<u>88,361,177</u>	<u>20,439,819</u>

5.1 Additions during the year represent assets purchased, by the Company, utilizing the grant received by the Company from MoIT.

5.2 Depreciation for the year is charged to administrative and general expenses (refer to note 15).

	COST				Rate	ACCUMULATED DEPRECIATION				NET BOOK VALUE
	As at July 01, 2016	Additions	Disposals	As at June 30, 2017		As at July 01, 2016	Charge for the year	On disposals	As at June 30, 2017	As at June 30, 2017
<u>2017</u>	Rupees				%	Rupees				Rupees
Vehicles	29,704,498	-	-	29,704,498	20	23,286,313	4,704,343	-	27,990,656	1,713,842
Furniture and equipment	33,259,588	1,079,655	-	34,339,243	20	16,665,813	6,101,925	-	22,767,738	11,571,505
Computer and accessories	27,343,514	2,509,893	-	29,853,407	33	22,186,555	3,054,017	-	25,240,572	4,612,835
Communication equipment	799,289	27,015	-	826,304	20-33	713,933	53,877	-	767,810	58,494
	<u>91,106,889</u>	<u>3,616,563</u>	<u>-</u>	<u>94,723,452</u>		<u>62,852,614</u>	<u>13,914,162</u>	<u>-</u>	<u>76,766,776</u>	<u>17,956,676</u>

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6 INTANGIBLE ASSETS

	COST				Rate	ACCUMULATED AMORTIZATION				NET BOOK VALUE
	As at July 01, 2017	Additions	Disposals	As at June 30, 2018		As at July 01, 2017	Charge for the year	On disposals	As at June 30, 2018	As at June 30, 2018
<u>2018</u>	----- Rupees -----				%	----- Rupees -----				Rupees
Digital Maps	7,500,000	-	-	7,500,000	20	7,499,990	-	-	7,499,990	10
Software	10,906,740	5,306,385	-	16,213,125	33	9,341,311	2,770,943	-	12,112,254	4,100,871
	<u>18,406,740</u>	<u>5,306,385</u>	<u>-</u>	<u>23,713,125</u>		<u>16,841,301</u>	<u>2,770,943</u>	<u>-</u>	<u>19,612,244</u>	<u>4,100,881</u>

6.1 Amortization for the year is charged to administrative and general expenses (refer to note 15).

	COST				Rate	ACCUMULATED AMORTIZATION				NET BOOK VALUE
	As at July 01, 2016	Additions	Disposals	As at June 30, 2017		As at July 01, 2016	Charge for the year	On disposals	As at June 30, 2017	As at June 30, 2017
<u>2017</u>	----- Rupees -----				%	----- Rupees -----				Rupees
Digital Maps	7,500,000	-	-	7,500,000	20	7,499,990	-	-	7,499,990	10
Software	10,491,993	414,747	-	10,906,740	33	7,813,203	1,528,108	-	9,341,311	1,565,429
	<u>17,991,993</u>	<u>414,747</u>	<u>-</u>	<u>18,406,740</u>		<u>15,313,193</u>	<u>1,528,108</u>	<u>-</u>	<u>16,841,301</u>	<u>1,565,439</u>

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		June 30, 2018	June 30, 2017
	Note	----- Rupees -----	
7	LONG TERM ADVANCES		
	Advance against gratuity balance to employees	1,756,049	-
		<u>1,756,049</u>	<u>-</u>
7.1	The above advances were given against employees' gratuity in accordance with Company's service rules with repayment terms of maximum twenty four (24) months and carry no markup.		
8	ADVANCES		
	considered good		
	To employees - secured:		
	- Advance against gratuity - current portion	3,100,092	-
	- Advance as against salary/TADA	511,712	947,142
	Advance against projects - secured	1,298,131,869	1,303,689,310
	To suppliers	558,000	370,452
		<u>1,302,301,673</u>	<u>1,305,006,904</u>
8.1	This represents unutilized portion of an advance paid to service providers, in respect of following projects:		
		June 30, 2018	June 30, 2017
		----- Rupees -----	
	Advances to related parties:		
	PTML-BSD Khuzdar	-	70,213,208
	PTML-BSD Kharan Washuk	-	233,000,000
	PTML-BSD Dera Bughti	310,301,600	310,301,600
	PTML-BSD Khyber	368,800,000	-
	PTML BSD Small Lot Balochistan-1	73,000,000	-
	PMCL-Telecenter	-	28,000,000
	PTCL-OFC KPK	160,000,000	-
	PTCL-OFC FATA	140,000,000	-
	Advances to other than related parties:		
	Telenor-BSD Kohistan	-	662,174,502
	Telenor-BSD DI Khan	100,547,092	-
	Telenor-BSD Mohmand	145,483,177	-
		<u>1,298,131,869</u>	<u>1,303,689,310</u>
9	SHORT-TERM PREPAYMENTS		
	Rent	19,096,000	-
	Insurance	145,808	135,786
	Others	76,595	53,277
		<u>19,318,403</u>	<u>189,063</u>
10	CASH AND BANK BALANCE		
	Cash in hand	19,460	34,899
	Cash at bank		
	- Deposit account - local currency	2,866,549,681	258,015,753
		<u>2,866,569,141</u>	<u>258,050,652</u>
10.1	This carries mark-up at rate 4.25% per annum (2017: 4.25% to 5.35% per annum). The profit on bank deposit is receivable with reference to the daily balance in the bank account.		

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11	FUND BALANCE (RESTRICTED)	Note	June 30, 2018	June 30, 2017
			----- Rupees -----	
	Balance at the beginning of the year		1,266,316,110	2,726,068,260
	Grant received during the year		9,619,000,000	8,433,000,000
	Profit on deposit account	11.1	83,882,158	100,586,658
	Miscellaneous receipts	11.2	39,680,638	204,352,927
			<u>11,008,878,906</u>	<u>11,464,007,845</u>
	Grants transferred to:			
	-Deferred capital grant	12	19,827,996	4,031,310
	-Income and expenditure statement		7,153,421,102	10,192,934,239
	-Experience adjustment	13.3.4	(4,206,951)	726,186
			<u>7,169,042,147</u>	<u>10,197,691,735</u>
			<u>3,839,836,759</u>	<u>1,266,316,110</u>

11.1 Profit on bank deposit and other receipts are adjustable against future funding from MoIT, Government of Pakistan and accordingly they are included in the fund balance.

11.2 This includes amount of Rs.9,981,476 (2017: Rs. 203,347,706) against liquidated damages and Rs. 28,000,000 (2017:Rs. Nil) against encashment of bank guarantee, recovered from operators.

12	DEFERRED CAPITAL GRANT	Note	June 30, 2018	June 30, 2017
			----- Rupees -----	
	Balance at beginning of the year		19,522,115	30,933,075
	Transferred from fund balance (restricted)	11	19,827,996	4,031,310
	Depreciation / amortization charged during the year	12.1	(14,809,411)	(15,442,270)
	Balance at end of the year		<u>24,540,700</u>	<u>19,522,115</u>

12.1 As at the report date, the Company has utilized Rs.140.56 million (2017: Rs.120.73 million) out of grant received for capital expenditure.

13	TRADE AND OTHER PAYABLES	Note	June 30, 2018	June 30, 2017
			----- Rupees -----	
	Project subsidy payable	13.1	321,152,194	278,758,033
	Technical auditor fee payable		102,741	-
	Payable to suppliers		8,684,137	20,270,719
	Accrued liabilities		3,687,359	6,408,602
	Payable to gratuity fund	13.2	7,079,152	3,290,150
	Earnest money		64,188,109	22,203,109
			<u>404,893,692</u>	<u>330,930,613</u>

13.1 This includes an amount of Rs. 99.913 million (2017: 41.744 million) payable to related parties.

13.2 Payable to gratuity fund

The movement in net liability is as follows:

Balance at beginning of the year	3,290,150	2,811,474
Charge for the year	9,179,989	10,029,859
Re-measurement gain	4,206,951	(726,186)
Contribution	(9,597,938)	(8,824,997)
Balance at end of the year - Payable	<u>7,079,152</u>	<u>3,290,150</u>

13.3 The details of actuarial valuation carried out as at 30 June, 2018 and 2017 are as follows:

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	Note	June 30, 2018 ----- Rupees -----	June 30, 2017
13.3.1			
Reconciliation of payable to gratuity fund			
Present value of the defined benefit obligation	13.3.2	63,580,017	50,238,896
Fair value of the plan assets	13.3.5	(56,500,865)	(46,948,746)
		<u>7,079,152</u>	<u>3,290,150</u>
13.3.2			
Change in the present value of defined benefit obligation			
Opening balance		50,238,896	47,779,970
Current service cost	13.3.3	9,218,801	9,776,827
Interest cost on defined benefit obligation	13.3.3	4,546,344	3,903,072
Benefits paid		(2,178,465)	(8,824,997)
Actuarial gain / (loss)		1,754,441	(2,395,976)
		<u>63,580,017</u>	<u>50,238,896</u>
13.3.3			
Charge for the year is as follows:			
Current service cost		9,218,801	9,776,827
Interest expense		4,546,344	3,903,072
Interest income on plan assets		(4,585,156)	(3,650,040)
Interest income - net		(38,812)	253,032
		<u>9,179,989</u>	<u>10,029,859</u>
13.3.4			
Re-measurement gain - net is as follows:			
Actuarial (gain) / loss recognized		1,754,441	(2,395,976)
Return on plan assets excluding the interest income		2,452,510	1,669,790
		<u>4,206,951</u>	<u>(726,186)</u>
13.3.5			
Change in fair value of plan assets			
Opening balance		46,948,746	44,968,496
Interest income		4,585,156	3,650,040
Contribution made directly to gratuity fund		7,419,473	-
Payments made on behalf of the gratuity fund		2,178,465	8,824,997
Benefits paid		(2,178,465)	(8,824,997)
Return on plan assets, except amount included in interest income		(2,452,510)	(1,669,790)
		<u>56,500,865</u>	<u>46,948,746</u>
Major categories of the plan assets as a percentage of total plan assets are as follows:			
		June 30, 2018	June 30, 2017
Cash and other deposits			
-Rupees		<u>63,580,017</u>	<u>50,238,896</u>
-Percentage		<u>100%</u>	<u>100%</u>

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13.3.6 The principal actuarial assumptions used were as follows:

Actuarial valuation of the plan was carried out as at 30 June, 2018, by an independent valuer using projected unit credit method, on following assumptions:

	June 30, 2018	June 30, 2017
Valuation discount rate	10.00%	9.25%
Salary increase used for year end obligation		
Salary Increase FY 2017	N/A	N/A
Expected return on plan assets	9.00%	8.25%
Next salary is increased on	9.00%	8.25%
Mortality rates	1-Jul-18	1-Jul-17
	SLIC 2001-2005	SLIC 2001-2005
Withdrawal rates	Setback 1 year Age-Based	Setback 1 year Age-Based
Retirement assumption	(per appendix) Age 60	(per appendix) Age 60

13.3.7 Estimated expenses to be charged to income & expenditure

	Financial Year 2019	Financial Year 2018
----- Rupees -----		
Current service cost	12,034,992	9,218,801
Net Interest	637,942	199,574
	<u>12,672,934</u>	<u>9,418,375</u>

13.4 For a change of 100 basis points in these assumptions, keeping other present value of defined benefit obligation as at 30 June, 2018 would have been as follows:

	June 30, 2018		June 30, 2017	
	1 % Increase	1 % decrease	1 % Increase	1 % decrease
-----Rupees-----				
Discount rate	57,340,211	72,740,508	44,286,422	57,093,967
Salary increase rate	72,822,397	56,970,345	57,156,620	43,994,727

The average duration of the defined benefit obligation is

June 30, 2018	June 30, 2017
12.12 Years	12.94 Years

13.5 Historical information

	2018	2017	2016	2015
----- Rupees -----				
Net staff retirement benefit liability	7,079,152	3,290,150	2,811,474	(831,664)
Experience adjustment	4,206,951	(726,186)	(559,215)	(345,671)

14 CONTINGENCIES AND COMMITMENTS

Note

June 30, 2018	June 30, 2017
----- Rupees -----	

14.1 Commitments

Subsidy grant commitments	16	16,601,767,955	18,306,621,311
Technical auditor's fee	17	44,361,416	37,719,409

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14.2 Contingencies

14.2.1 During FY 2013-14, the Additional Commissioner Inland Revenue (ACIR) raised demand in respect of tax years 2008 to 2014, amounting to Rs. 3,939,571,607 by treating the grant received from MoIT as taxable income, after giving benefit for the Company's Administrative and General expenses. The Company filed appeals against this demand, with the Commissioner Inland Revenue Appeals [CIR(A)], for re-examining of facts for, ignoring the provision of clause 59 of part of 2nd Schedule, limiting the scope of charitable purpose under section 2(11A) and ignoring the provisions of section 9, of Income Tax Ordinance, 2001 as well as limiting the admissibility of expense by disallowing expenses for projects subsidy grant and projects technical auditors fee. CIR (A) set aside all the orders and remanded back for admissibility of expenses not allowed and instructions that taxation should be made as is done on normal business/profession.

The Company filed appeals with the Appellate Tribunal Inland Revenue (ATIR) against the ACIR's and CIR (A) refusal to treat the Company funding from Government as Government grants and its operations not of welfare organizations. The decision of the ATIR is pending.

Further management believes that it is not chargeable to tax as the objective of incorporation of the Company is to pursue and implement the objective of the telecom policy announced by Federal Government (FG) to develop communication network in unserved and underserved areas, for this purpose it intends to obtain tax exemption from FG and is hopeful of successful outcome.

Also based upon the advice of its tax advisors, is confident of a favorable outcome of the above cases. Accordingly, no provision in this regard has been recognized.

14.2.2 In respect of the Tax Year 2013, the taxation officer raised a demand of Rs.139,511,568 under section 161/205 of the Income Tax Ordinance 2001, alleging short payment of withholding tax. On an appeal filed by the Company, the CIR(A) set-aside the order on September 30, 2015 and directed the CIR to re-examine the matter, which is pending.

14.2.3 There are some litigations filed against the USF, in which the Company is involved as proforma defendant/respondent and has no direct financial impact even if cases are decided against USF. Further litigations filed by Company or where Company is Petitioner/Appellant, management is of the opinion that USF has good prima facie cases and cases are likely to be decided in favor of Company and so no provision is made for these litigations in these financial statements.

15 ADMINISTRATIVE AND GENERAL EXPENSES	Note	June 30, 2018	June 30, 2017
		----- Rupees -----	
Salaries and benefits	15.1	201,568,594	165,348,017
Legal and professional charges		5,736,160	6,462,193
Rent		26,908,000	22,865,600
Utilities and office supplies		2,034,772	1,875,063
Communication charges		969,471	918,023
Entertainment		1,272,620	889,535
Traveling		20,621,630	17,041,180
Printing and stationery		1,862,812	1,499,889
Vehicle fuel expenses		6,287,071	4,929,786
Repairs and maintenance		6,986,038	2,867,708
Advertisement		25,013,506	17,613,361
Depreciation	5	12,038,468	13,914,162
Amortization of intangible asset	6	2,770,943	1,528,108
Auditors' remuneration	15.2	240,000	325,000
Insurance expense		1,531,683	1,504,351
Bank charges		20,300	20,284
		<u>315,862,068</u>	<u>259,602,260</u>

15.1 Salaries and benefits include Rs. 9,179,989 (2017: Rs.10,029,859) charged in respect of defined benefit scheme.

15.2 Auditors' remuneration	June 30, 2018	June 30, 2017
	----- Rupees -----	
Annual audit fee	100,000	100,000
Interim audit fee	50,000	50,000
Certifications	90,000	175,000
	<u>240,000</u>	<u>325,000</u>

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16 SUBSIDY GRANT FOR PROJECTS

Sic No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	Subsidy due For the year		Total	Subsidy disbursed For the year		Total	As of 30 June 2018	As of 30 June 2017	Liquidated damages for the year	Balance commitment	Bank guarantee	Milestones achieved
					Capex	Opex		Capex	Opex							

A) BROADBAND FOR SUSTAINABLE DEVELOPMENT PROGRAM

1	Makhand	Telenor*	4-Oct-07	62,029,745	62,029,745	-	-	62,029,745	-	62,029,745	-	-	-	-	-	-	
2	Sukkur	PNCL**	15-Jan-08	112,300,000	112,300,000	-	-	112,300,000	-	112,300,000	-	-	-	-	-	-	
3	DG Khan	Wend***	7-Feb-08	78,847,036	78,847,036	-	-	78,847,036	-	78,847,036	-	-	-	-	-	-	
4	Pishin	PTCL****	29-May-08	175,000,000	175,000,000	-	-	175,000,000	-	175,000,000	-	-	-	-	-	-	
5	Manehra	PTCL****	24-Jun-08	40,548,153	40,548,153	-	-	40,548,153	-	40,548,153	-	-	-	-	-	-	
6	Dadu	PTCL****	25-Jul-08	250,000,000	250,000,000	-	-	250,000,000	-	250,000,000	-	-	-	-	-	-	
7	Bahawalpur	Telenor*	22-Sep-08	248,381,865	248,381,865	-	-	248,381,865	-	248,381,865	-	-	-	-	-	-	
8	Mirpur Khas	Telenor*	13-Mar-09	930,000,000	930,000,000	-	-	930,000,000	-	930,000,000	-	-	-	-	-	-	
9	Larkana	PTCL****	17-May-09	228,000,000	136,800,000	-	-	136,800,000	-	136,800,000	-	-	-	-	-	-	
10	Nasirabad	PTCL****	28-Jul-09	1,277,855,892	1,277,855,892	-	-	1,277,855,892	-	1,277,855,892	-	-	-	-	-	-	
11	Mastung	PTCL****	31-Mar-12	3,155,516,534	2,465,238,557	-	-	2,465,238,557	-	2,465,238,557	-	-	-	-	-	-	
12	Turtar	PTCL****	21-Feb-13	3,537,027,257	2,468,044,513	-	-	2,468,044,513	-	2,468,044,513	-	-	-	-	-	-	
13	Chitral	PTCL****	19-Feb-15	1,897,358,997	1,300,522,698	-	-	1,300,522,698	-	1,300,522,698	-	-	-	-	-	-	
14	Shangha	Telenor*	15-Jun-15	1,949,118,578	1,362,369,876	-	-	1,362,369,876	-	1,362,369,876	-	-	-	-	-	-	
15	Zhoib	Telenor*	7-Aug-15	3,325,209,930	2,752,624,332	-	-	2,752,624,332	-	2,752,624,332	-	-	-	-	-	-	
16	Sibi	PTML*****	14-Sep-15	3,176,339,197	2,321,065,624	-	-	2,321,065,624	-	2,321,065,624	-	-	-	-	-	-	
17	Kalat	PTML*****	16-Dec-15	2,037,836,383	1,708,718,906	-	-	1,708,718,906	-	1,708,718,906	-	-	-	-	-	-	
18	Khuzdar	PTML*****	9-Sep-16	2,418,494,352	805,386,792	-	-	805,386,792	-	805,386,792	-	-	-	-	-	-	
19	Chagai	PTML*****	9-Sep-16	1,219,738,851	487,789,838	-	-	487,789,838	-	487,789,838	-	-	-	-	-	-	
20	Awaran-Lasbela	PTML*****	2-Jan-17	2,330,499,920	466,099,800	-	-	466,099,800	-	466,099,800	-	-	-	-	-	-	
21	Kohistan	Telenor*	14-Mar-17	3,507,049,616	662,174,502	-	-	662,174,502	-	662,174,502	-	-	-	-	-	-	
22	Khanra-Washuk	PTML*****	31-May-17	1,184,999,000	466,000,000	-	-	466,000,000	-	466,000,000	-	-	-	-	-	-	
23	Dera Bugti	PTML*****	31-Mar-17	1,584,000,000	-	-	-	-	-	-	-	-	-	-	-	-	
24	Khyber	PTML*****	23-Oct-17	1,985,000,000	-	-	-	-	-	-	-	-	-	-	-	-	
25	Small Lot Punjab-1	PTML*****	25-Oct-17	117,046,260	-	-	-	-	-	-	-	-	-	-	-	-	
26	Small Lot Punjab-2	Telenor*	3-Nov-17	30,480,571	-	-	-	-	-	-	-	-	-	-	-	-	
23	Small Lot Sindh-1	PTML*****	4-Jan-18	23,000,000	-	-	-	-	-	-	-	-	-	-	-	-	
24	Small Lot Balochistan-1	PTML*****	4-Jan-18	365,000,000	-	-	-	-	-	-	-	-	-	-	-	-	
25	Mohmand	Telenor*	12-Jan-18	849,647,146	-	-	-	-	-	-	-	-	-	-	-	-	
26	D.I.Khan	Telenor*	26-Jan-18	596,619,338	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-total (A)				38,692,943,501	19,449,623,627	5,386,848,001	1,100,599,828	6,487,447,829	25,937,071,456	20,446,554,904	6,171,661,144	26,618,216,048	9,730,956	12,755,872,045	15,131,151,808	-	-

B) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Watson Telecom	11-Feb-09	449,000,000	449,000,000	-	-	449,000,000	-	449,000,000	-	-	-	-	-	-	
2	Balochistan Package-1	Watson Telecom	17-May-09	374,000,000	374,000,000	-	-	374,000,000	-	374,000,000	-	-	-	-	-	-	
3	Balochistan Package-2	PTCL****	25-Jun-09	1,200,000,000	960,000,000	-	-	960,000,000	-	960,000,000	-	-	-	-	-	-	
4	Balochistan Punjab Package-3	Watson Telecom	24-Nov-09	986,000,000	591,600,000	-	-	591,600,000	-	591,600,000	-	-	-	-	-	-	
5	Balochistan Punjab Package-5	PTCL****	17-May-10	1,498,000,000	898,800,000	-	-	898,800,000	-	898,800,000	-	-	-	-	-	-	
6	Balochistan Package-4	Watson Telecom	13-Jul-11	1,965,000,000	1,965,000,000	-	-	1,965,000,000	-	1,965,000,000	-	-	-	-	-	-	
7	KPK	PTCL****	8-Mar-18	800,000,000	-	-	-	-	-	-	-	-	-	-	-	-	
8	FATA-Package-1	PTCL****	27-Jun-18	700,000,000	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-total (B)				7,972,000,000	5,238,400,000	-	-	5,238,400,000	300,000,000	5,538,400,000	2,733,600,000	3,192,800,000	-	-	-	-	-

C) BROADBAND

1	FTR	PTCL****	27-Apr-09	1,183,720,000	1,183,720,000	-	-	1,183,720,000	-	1,183,720,000	-	-	-	-	-	-
2	FTR-1	Watson Telecom	27-Apr-09	238,832,000	238,832,000	-	-	238,832,000	-	238,832,000	-	-	-	-	-	-
3	MTR	PTCL****	25-Jun-09	1,152,452,500	1,152,452,500	-	-	1,152,452,500	-	1,152,452,500	-	-	-	-	-	-
4	STR-1	PTCL****	25-Jun-09	480,651,511	480,651,511	-	-	480,651,511	-	480,651,511	-	-	-	-	-	-

UNIVERSAL SERVICE FUND
(A Company incorporated under Section 42 of the Companies Ordinance, 1984)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

16 SUBSIDY GRANT FOR PROJECTS

Sr. No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	As of 30 June		Subsidy due For the year		Total	As of 30 June		Subsidy disbursed For the year		As of 30 June	Liquidated damages for the year	Balance commitment	Bank guarantee	Milestones achieved
					2017	2018	Capex	Opex		2017	2018	2017	2018					
5	MTR	Worldcall Telecom	28-Jul-09	745,323,255	745,323,255	-	-	-	-	745,323,255	745,323,255	-	-	745,323,255	-	-	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	426,245,870	426,245,870	-	-	-	-	426,245,870	426,245,870	-	-	426,245,870	-	-	192,566,100	Completed
10	GTR	Wateen Telecom	13-Apr-10	244,869,250	244,869,250	-	-	-	-	244,869,250	244,869,250	-	-	244,869,250	-	-	97,947,700	Completed
11	GTR	Wateen Telecom	28-Apr-10	503,272,000	503,272,000	-	-	-	-	503,272,000	503,272,000	-	-	503,272,000	-	-	205,108,800	SSA terminated
12	GTR	PTCL****	28-Apr-10	1,206,175,000	723,705,000	-	-	-	-	723,705,000	723,705,000	-	-	723,705,000	-	482,470,000	482,470,000	Up to 2nd
13	STR-V	PTCL****	11-Dec-13	1,391,972,500	1,391,972,500	-	-	-	-	1,391,972,500	1,391,972,500	-	-	1,391,972,500	-	-	556,789,000	Completed
14	RTR	PTCL****	11-Dec-13	1,162,000,000	1,162,000,000	-	-	-	-	1,162,000,000	1,162,000,000	-	-	1,162,000,000	-	-	464,800,000	Completed
15	NTR-1	PTCL****	11-Dec-13	1,162,000,000	1,162,000,000	-	-	-	-	1,162,000,000	1,162,000,000	-	-	1,162,000,000	-	-	464,800,000	Completed
Sub-total (C)				9,396,187,833	8,871,399,492	-	-	-	-	8,871,399,492	8,871,399,492	-	-	8,871,399,492	-	524,788,341	3,834,784,279	

D) SPECIAL PROJECTS- TELECENTERS

1	Broadband Mera	NAVATEL- 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 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 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	
4	Telecenters (Ten Sites)	PMCT**	14-Apr-17	-	-	-	-	-	-	-	28,000,000	(28,000,000)	-	-	-	-	-	-	Terminated
Sub-total (D)				50,029,009	43,054,222	-	-	-	-	43,054,222	71,054,222	(28,000,000)	-	-	43,054,222	-	6,974,787	-	

E) SPECIAL PROJECTS-OTHER ICT SERVICES

1	Rawalpindi / Sukkur / Kohat	Abhira 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-PPFB - ICT for Disabled- Up gradation of Audio World & Access Internet Café(IT 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	Orator 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
5	Educational Institutions, Bari ul Mall, Sweet Homes	Establishment of 13 Computer labs in Selected Institutions- Analytical Solutions Pvt Ltd	5-Nov-15	26,793,250	25,900,141	-	-	-	-	25,900,141	25,900,141	-	-	25,900,141	-	893,109	-	893,109	Up to 3rd
6	Women Empowerment Centres- WEC1	Establishment of 50 Computer labs- Computer Marketing Co Pvt Ltd	17-May-16	108,448,712	97,603,840	-	-	-	-	97,603,840	97,603,840	-	-	97,603,840	-	7,229,915	-	5,999,713	Up to 2nd
7	Women Empowerment Centres- WECII	Establishment of 50 Computer labs Analytical Solutions Pvt Ltd	9-Jan-17	98,930,950	69,265,665	-	-	-	-	69,265,665	69,265,665	-	-	69,265,665	-	9,893,095	-	9,893,095	Up to 2nd
8	Computer labs- Government Girls School ICT Rural Areas FIDE-1	Establishment of 107 Computer labs in Government Girls School in Rural Areas of ICT-Computer Marketing Co Pvt Ltd	5-Jun-17	168,538,758	-	-	-	-	-	-	-	-	-	117,977,130	238,968	59,561,628	-	16,833,876	Up to 1st

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UNIVERSAL SERVICE FUND

(A Company incorporated under Section 42 of the Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

16 SUBSIDY GRANT FOR PROJECTS

Sr. No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	Subsidy due			Subsidy disbursed			Liquidated damages for the year	Balance commitment	Bank guarantee	Milestones achieved		
					As of 30 June 2017	For the year		As of 30 June 2018	As of 30 June 2017	For the year					As of 30 June 2018	
						Capex	Opex									Total
Rupees																
9	ICTGS-HR-FDE-1	Recruitment, Management, Deployment & Monitoring Operations of 202 Computer Teachers in Govt Girls Schools of Rural Area of ICT-Pak Multi Services Pvt Ltd	24-Oct-17	413,081,568	-	3,903,788	44,736,612	48,640,400	48,640,400	-	44,475,483	44,475,483	-	364,441,168	2,524,156	Task-2-May/Salary Jun-18
10	Women Empowerment Centers-WECIII	Establishment of 44 Computer Labes in Women Empowerment Centers -Analytical Solutions Pvt Ltd	24-Oct-17	52,475,700	-	-	-	-	-	-	-	-	-	52,475,700	5,247,570	Contract Signed
11	Computer labs-Government Girls School-ICT Rural Areas FDE-II	Establishment of 119 Computer labs in Government Girls School in Rural Areas of ICT-Analytical Solutions Pvt Ltd	24-Oct-17	228,089,222	-	156,966,055	-	156,966,055	156,966,055	-	156,966,055	156,966,055	-	71,123,167	22,808,922	Upto 1st
12	Computer labs-ICT For CAD Special Educational Institutions	Establishment of 6 Computer labs -Analytical Solutions Pvt Ltd	8-May-18	23,913,000	-	-	-	-	-	-	-	-	-	23,913,000	2,391,300	Contract Signed
Sub-total (E)				1,234,850,034	307,328,520	302,252,120	44,736,612	346,988,732	654,317,252	307,328,520	342,823,815	650,152,335	250,520	580,532,782	66,613,741	
Total (A+B+C+D+E)				57,346,010,377	33,909,805,861	5,689,100,121	1,145,336,440	6,834,436,561	40,744,242,422	34,934,737,138	6,786,484,959	41,721,222,097	9,981,476	16,601,767,955	22,225,349,828	

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

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UNIVERSAL SERVICE FUND
(A Company incorporated under Section 42 of the Companies Ordinance, 1984)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

16.1 SUBSIDY GRANT FOR PROJECTS

Sr. No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	Subsidy due			Subsidy disbursed			Liquidated damages for the year	Balance for commitment	Bank guarantee	Milestones achieved
					As of 30 June 2016	Capex	Opex	Total	As of 30 June 2016	For the year				
Rupees														

A) BROADBAND FOR SUSTAINABLE DEVELOPMENT PROGRAM

1	Malahand	Telenor*	4-Oct-07	62,029,745	62,029,745	-	-	-	62,029,745	62,029,745	-	-	-	-	-	Closed
2	Sukkur	PANCI**	15-Jan-08	112,300,000	112,300,000	-	-	-	112,300,000	112,300,000	-	-	-	-	-	Completed
3	DG Khan	Wand***	7-Feb-08	78,847,036	78,847,036	-	-	-	78,847,036	78,847,036	-	-	-	-	-	Completed
4	Peshawar	PTCL****	29-May-08	175,000,000	175,000,000	-	-	-	175,000,000	175,000,000	-	-	-	-	-	Completed
5	Manachera	PTCL****	24-Jun-08	40,548,153	40,548,153	-	-	-	40,548,153	40,548,153	-	-	-	-	-	Decoded (Closed)
6	Dadu	PTCL****	25-Jul-08	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	-	-	-	-	-	Completed
8	Mirpur Khan	Telenor*	13-Mar-09	930,000,000	930,000,000	-	-	-	930,000,000	930,000,000	-	-	-	-	-	Completed
9	Larkana	Telenor*	17-May-09	228,000,000	136,800,000	-	-	-	136,800,000	136,800,000	-	-	-	-	-	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	-	-	-	-	-	Up to 2nd
11	Mastung	PTCL****	31-May-10	3,155,516,534	2,446,027,446	-	-	19,211,111	19,211,111	2,465,238,557	2,443,391,334	2,443,391,334	690,277,777	1,262,400,000	-	Up to 3rd & Opex
12	Turban	CM Pak*****	21-Feb-13	3,824,228,856	1,339,183,976	-	-	551,047,490	1,128,860,537	2,468,044,513	910,915,236	2,302,747,806	1,581,024,697	1,581,024,697	-	Completed
13	Chitral	Telenor*	19-Feb-15	1,897,586,997	902,775,008	-	-	296,190,422	397,747,690	1,300,522,698	592,380,844	1,269,190,913	596,836,299	762,157,340	-	Up to 3rd
14	Shaniga	Telenor*	15-Jun-15	1,949,919,970	327,718,197	-	-	983,154,591	51,497,288	1,034,651,679	327,718,197	994,265,822	861,951,094	780,000,000	-	Up to 3rd
15	Zhob	Telenor*	7-Aug-15	3,614,575,335	543,281,118	-	-	2,209,343,214	-	2,752,624,332	688,156,083	2,305,108,161	874,042,121	1,445,953,618	-	Up to 3rd
16	Sibi	PTML*****	14-Sep-15	3,195,107,745	571,437,001	-	-	1,714,311,003	35,317,620	1,749,628,623	2,321,065,624	571,437,001	1,733,671,160	2,305,108,161	-	Up to 3rd
17	Kalat	PTML*****	16-Dec-15	2,184,483,292	425,000,000	-	-	1,275,000,000	8,718,906	1,283,718,906	1,708,718,906	1,704,729,208	1,704,729,208	967,400,000	-	Up to 1st
18	Khadzar	PTML*****	9-Sep-16	2,418,494,332	-	-	-	803,386,792	-	803,386,792	803,386,792	487,789,838	1,613,107,560	520,700,000	-	Up to 1st
19	Chagai	PTML*****	9-Sep-16	1,301,724,598	-	-	-	487,789,838	-	487,789,838	487,789,838	1,864,399,200	932,199,600	932,199,600	-	Mobilization Adv.
20	Awaran-I-arbcha	PTML*****	2-Jan-17	2,330,499,000	-	-	-	466,099,800	-	466,099,800	466,099,800	3,507,049,616	1,402,819,846	1,402,819,846	-	Mobilization Adv.
21	Kohistan	Telenor*	14-Mar-17	1,584,999,000	-	-	-	466,099,800	-	466,099,800	466,099,800	1,184,999,000	473,999,600	473,999,600	-	Mobilization Adv.
22	Khanua-Washuk	PTML*****	31-May-17	1,184,999,000	-	-	-	-	-	-	-	310,301,600	633,600,000	-	Mobilization Adv.	
23	Den Bugn	PTML*****	31-May-17	1,584,999,000	-	-	-	-	-	-	-	310,301,600	633,600,000	-	Mobilization Adv.	
Sub-total (A)				35,550,919,786	9,867,185,437	8,788,323,150	794,115,040	9,582,438,190	19,449,623,627	9,270,761,386	11,175,793,518	20,446,554,904	188,579,135	16,101,296,159	13,543,252,987	-

B) OPTICAL FIBER CABLE- OFC

1	Sandh-Package	Wateen Telecom	11-Feb-09	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	-	-	-	-	-	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	-	-	-	-	-	480,000,000	Up to 3rd
4	Balochistan Package-3	Wateen Telecom	24-Nov-09	986,000,000	591,600,000	-	-	-	591,600,000	591,600,000	-	-	-	-	-	394,400,000	Up to 2nd
5	Balochistan-Punjab	PTCL****	17-May-10	1,498,000,000	898,800,000	-	-	-	898,800,000	898,800,000	-	-	-	-	-	599,200,000	Up to 2nd
6	Balochistan-Package-4	Wateen Telecom	13-Jul-11	1,965,000,000	1,965,000,000	-	-	-	1,965,000,000	1,965,000,000	-	-	-	-	-	790,000,000	Completed
Sub-total (B)				6,472,000,000	5,238,400,000	-	-	-	5,238,400,000	5,238,400,000	-	-	-	1,233,600,000	2,992,800,000	-	

C) BROADBAND

1	FTR	PTCL****	27-Apr-09	1,183,720,000	1,183,720,000	-	-	-	1,183,720,000	1,183,720,000	-	-	-	-	-	476,648,000	Completed
2	FTR-1	Wateen Telecom	27-Apr-09	238,832,000	238,832,000	-	-	-	238,832,000	238,832,000	-	-	-	-	-	95,656,000	Completed
3	MTR	PTCL****	25-Jun-09	1,152,452,500	1,152,452,500	-	-	-	1,152,452,500	1,152,452,500	-	-	-	-	-	464,417,600	Completed
4	STR-1	PTCL****	25-Jun-09	480,651,511	480,651,511	-	-	-	480,651,511	480,651,511	-	-	-	-	-	219,822,300	Completed
5	MTR	Worldcell Telecom	28-Jul-09	745,323,255	785,721,250	-	-	-	745,323,255	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	-	-	-	-	-	84,656,679	Up to 3rd
7	HTR	Wateen Telecom	24-Nov-09	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	-	-	-	-	-	157,714,000	Completed
9	GTR	Worldcell Telecom	30-Mar-10	426,245,870	479,212,250	-	-	-	426,245,870	479,212,250	-	-	-	-	-	192,566,100	Completed
10	GTR	Wateen Telecom	28-Apr-10	244,869,250	244,869,250	-	-	-	244,869,250	244,869,250	-	-	-	-	-	97,947,700	Completed
11	CTR	Wateen Telecom	28-Apr-10	-	-	-	-	-	-	-	-	-	-	-	-	205,108,800	Completed
12	CTR	PTCL****	28-Apr-10	503,272,000	503,272,000	-	-	-	503,272,000	503,272,000	-	-	-	-	-	482,470,000	Completed
13	STR-V	PTCL****	8-May-12	1,206,175,000	723,705,000	-	-	-	723,705,000	723,705,000	-	-	-	-	-	482,470,000	Up to 2nd
14	RTR	PTCL****	11-Dec-13	1,391,972,500	1,113,578,000	-	-	-	278,394,500	1,391,972,500	-	-	-	-	-	556,789,500	Completed

UNIVERSAL SERVICE FUND

(A Company incorporated under Section 42 of the Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

16.1 SUBSIDY GRANT FOR PROJECTS

Sr. No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	Subsidy due				Subsidy disbursed			Liquidated damages for the year	Balance commitment	Bank guarantee	Milestones achieved	
					As of 30 June 2016	For the year			As of 30 June 2017	As of 30 June 2016	For the year					As of 30 June 2017
						Capex	Opex	Total								
Rupees																
15	NTR-1	PTCL****	11-Dec-13	1,162,000,000	1,162,000,000	-	-	-	1,162,000,000	1,162,000,000	-	1,162,000,000	-	-	464,800,000	Completed
Sub-total (C)				9,396,187,833	8,686,369,367	185,030,125	-	185,030,125	8,871,399,492	8,686,369,367	185,030,125	8,871,399,492	14,768,571	524,788,341	3,834,784,279	

D) SPECIAL PROJECTS- TELECENTERS

1	Broadband Baghwal Mera	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 Sites Pilot MCT	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 Sites Pilot MCT	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
4	Telecenters (Ten Sites)	PMCL**	14-Apr-17	230,000,000	-	-	-	-	-	-	28,000,000	28,000,000	-	230,000,000	56,000,000	Mobilization Adv.
Sub-total (D)				280,029,009	43,054,222	-	-	-	43,054,222	43,054,222	28,000,000	71,054,222	-	236,974,787	56,000,000	

E) SPECIAL PROJECTS-OTHER ICT SERVICES

1	Rawalpindi / Sukkur / Kohat	Alshifa Trust-ICT for Disabled Upgradation/Establishment of Computerized Low Vision rehabilitation center	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	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
5	Educational Institutions, Bait ul Mall, Sweet Homes	Establishment of 13 Computer labs in Selected Institutions- Analytical Solutions Pvt Ltd	5-Nov-15	26,793,250	25,453,587	446,554	-	446,554	25,900,141	25,453,587	446,554	25,900,141	-	893,109	893,109	Up to 3rd
6	Women Empowerment Centers-WECEI	Establishment of 50 Computer labs-Computer Marketing Co Pvt Ltd	17-May-16	108,448,712	-	97,603,840	-	97,603,840	97,603,840	-	97,603,840	97,603,840	-	10,844,872	5,999,713	Up to 2nd
7	Women Empowerment Centers-WECEII	Establishment of 50 Computer labs Analytical Solutions Pvt Ltd	9-Jan-17	98,950,950	-	69,265,665	-	69,265,665	69,265,665	-	69,265,665	69,265,665	-	29,685,285	9,895,095	Up to 1st
8	Computer labs- Government Girls School- ICT Rural Areas FDE-1	Establishment of Computer labs in Government Girls School in Rural Areas of ICT-Computer Marketing Co Pvt Ltd	5-Jun-17	168,538,758	-	-	-	-	-	-	-	-	-	168,538,758	16,853,876	Contract Signed
Sub-total (E)				517,290,544	140,012,461	167,316,059	-	167,316,059	307,328,520	140,012,461	167,316,059	307,328,520	-	209,962,024	33,641,793	

Total (A+B+C+D+E)

52,216,427,172 23,975,021,487 9,140,669,334 794,115,040 9,934,784,374 33,909,805,861 23,378,597,436 11,556,139,702 34,934,737,138 203,347,706 18,306,621,311 20,060,479,059

* Telenor Pakistan (Private) Limited (Telenor)

** Pakistan Mobile Communications Limited (PMCL) (a related party)

*** W'arid Telecom (Private) Limited (W'arid)

**** Pakistan Telecommunication Company Limited (PTCL) (a related party)

***** CM Pak Limited

***** Pakistan Telecomm Mobile Limited (PTML Ufone) (a related party)

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UNIVERSAL SERVICE FUND

(A Company incorporated under Section 42 of the Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

17 FEE TO TECHNICAL AUDITORS FOR PROJECTS

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 2017	For the year	As of 30 June 2018	As of 30 June 2017	For the year	As of 30 June 2018		

Rupees

A) BROADBAND FOR SUSTAINABLE DEVELOPMENT PROGRAM

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 Systems	15-Apr-09	6,400,000	6,400,000	-	6,400,000	6,400,000	-	6,400,000	-	Completed
6	Pishin	Myson Engineering Systems	15-Apr-09	6,700,000	6,700,000	-	6,700,000	6,700,000	-	6,700,000	-	Completed
7	Manshra	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 Pvt. Ltd.	08-Feb-10	7,809,678	7,809,678	-	7,809,678	7,809,678	-	7,809,678	-	Completed/Idle days
10	Turbat	Technology at Work Pvt. Ltd.	21-May-14	5,636,303	4,150,170	102,741	4,252,911	4,150,170	-	4,150,170	1,383,392	Up to 4th
11	Mastung	Komkonsult ****	23-May-14	2,974,211	1,784,526	-	1,784,526	1,784,526	-	1,784,526	1,189,685	Up to 3rd
12	Chitral	Myson Engineering Systems	03-Nov-15	10,258,912	6,155,346	-	6,155,346	6,155,346	-	6,155,346	4,103,566	Up to 3rd
13	Sibi	Komkonsult ****	11-May-16	5,549,115	3,329,469	-	3,329,469	3,329,469	-	3,329,469	2,219,646	Up to 3rd
14	Shangla	GloTech Services *****	30-Jun-16	3,457,792	2,074,674	1,383,118	3,457,792	2,074,674	1,383,118	3,457,792	-	Completed
15	Zhob	Myson Engineering Systems	05-Dec-16	5,163,991	3,607,872	1,556,119	5,163,991	3,607,872	1,556,119	5,163,991	-	Completed
16	Khuzdar	GloTech Services *****	28-Mar-17	5,653,063	1,300,204	2,600,408	3,900,612	1,300,204	2,600,408	3,900,612	1,752,451	Up to 3rd
17	Chagai	Futursit Pvt Ltd	24-Mar-17	2,530,079	575,000	1,955,079	2,530,079	575,000	1,955,079	2,530,079	-	Completed
18	Awaran-Lasbela	Komkonsult ****	31-Jul-17	4,398,697	-	1,759,478	1,759,478	-	1,759,478	1,759,478	2,639,219	Up to 2nd
18	Kharan-Washuk	Komkonsult ****	20-Dec-17	6,942,943	-	1,388,588	1,388,588	-	1,388,588	1,388,588	5,554,355	up to 1st
19	Kohistan	Futursit Pvt Ltd	20-Dec-17	11,500,000	-	-	-	-	-	-	11,500,000	Contract Signed

Sub-total (A)

131,510,924 90,423,079 10,745,531 101,168,610 90,423,079 10,642,790 101,065,869 30,342,314

B) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Technology at Work Pvt. Ltd.	29-Sep-09	12,002,488	12,002,488	-	12,002,488	12,002,488	-	12,002,488	-	Completed & Idle days
2	Balochistan Package-1	Technology at Work Pvt. Ltd.	17-Mar-10	7,226,443	7,226,443	-	7,226,443	7,226,443	-	7,226,443	-	Completed, 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	1,425,000	-	1,425,000	1,425,000	-	1,425,000	1,425,000	Up to 2nd, 3rd 50%
6	Balochistan-Punjab Package-4	TEACH ***	28-Oct-13	3,952,193	3,952,193	-	3,952,193	3,952,193	-	3,952,193	-	Completed
7	Balochistan-Punjab Package-3	TEACH ***	16-Apr-14	8,974,928	2,243,732	2,243,732	4,487,464	2,243,732	2,243,732	4,487,464	4,487,464	Up to 3rd

Sub-total (B)

44,443,898 33,931,302 2,243,732 36,175,034 33,931,302 2,243,732 36,175,034 8,268,864

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UNIVERSAL SERVICE FUND

(A Company incorporated under Section 42 of the Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

17 FEE TO TECHNICAL AUDITORS FOR PROJECTS

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 2017	For the year	As of 30 June 2018	As of 30 June 2017	For the year	As of 30 June 2018		

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 Pakistan Pvt. Ltd.	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% & Idle days
3	HTR-Wateen	People Logic Pakistan Pvt. Ltd.	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	10,567,406	10,567,406	-	10,567,406	10,567,406	-	10,567,406	-	Completed
6	CTR	Optiwave **	05-Aug-11	-	-	-	-	-	-	-	-	Advance refunded, Contract Closed
7	GTR-World call	Technology at Work Pvt. Ltd.	05-Aug-11	3,508,042	3,508,042	-	3,508,042	3,508,042	-	3,508,042	-	Completed
8	GTR-Wateen	Technology at Work Pvt. Ltd.	05-Aug-11	1,590,300	1,590,300	-	1,590,300	1,590,300	-	1,590,300	-	Completed
9	GTR-PTCL	Technology at Work Pvt. Ltd.	05-Aug-11	2,783,025	2,783,025	-	2,783,025	2,783,025	-	2,783,025	-	Completed
10	FTR-PTCL	Technology at Work Pvt. Ltd.	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 Pvt. Ltd.	18-Apr-14	1,386,228	1,386,228	-	1,386,228	1,386,228	-	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	4,840,500	-	4,840,500	4,840,500	-	4,840,500	-	Completed
14	RTR-1 PTCL	Makkays	23-Oct-14	3,678,350	2,942,680	735,670	3,678,350	2,942,680	735,670	3,678,350	-	Completed
Sub-total (C)				68,799,434	62,313,526	735,670	63,049,196	62,313,526	735,670	63,049,196	5,750,238	
Total (A+B+C)				244,754,256	186,667,907	13,724,933	200,392,840	186,667,907	13,622,192	200,290,099	44,361,416	

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* Telecom Services & Consultants (Private) Limited- Tele-Com

** Optiwave Technologies (Pvt.) Ltd.

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

**** Komkonsult Private Limited

***** GloTech Services Pakistan Pvt Ltd

UNIVERSAL SERVICE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

17.1 FEE TO TECHNICAL AUDITORS FOR PROJECTS

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 2016	For the year	As of 30 June 2017	As of 30 June 2016	For the year	As of 30 June 2017		

Rupees

A) BROADBAND FOR SUSTAINABLE DEVELOPMENT PROGRAM

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 Systems	15-Apr-09	6,400,000	6,400,000	-	6,400,000	6,400,000	-	6,400,000	-	Completed
6	Pishin	Myson Engineering Systems	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 Pvt. Ltd.	08-Feb-10	7,809,678	7,809,678	-	7,809,678	7,809,678	-	7,809,678	-	Up to 4th 5th 50%, & Idle days
10	Turbat	Technology at Work Pvt. Ltd.	21-May-14	6,916,952	2,766,780	1,383,390	4,150,170	2,766,780	1,383,390	4,150,170	2,766,782	Up to 3rd
11	Mastung	Komkonsult ****	23-May-14	2,974,211	1,784,526	-	1,784,526	1,784,526	-	1,784,526	1,189,685	Up to 3rd
12	Chitral	Myson Engineering Systems	03-Nov-15	10,258,912	4,103,564	2,051,782	6,155,346	2,051,782	4,103,564	6,155,346	4,103,566	Up to 3rd
13	Sibi	Komkonsult ****	11-May-16	5,549,115	-	3,329,469	3,329,469	-	3,329,469	3,329,469	2,219,646	Up to 3rd
14	Shangla	GloTech Services	30-Jun-16	3,457,792	-	2,074,674	2,074,674	-	2,074,674	2,074,674	1,383,118	Up to 3rd
15	Zhob	Myson Engineering Systems	05-Dec-16	6,013,121	-	3,607,872	3,607,872	-	3,607,872	3,607,872	2,405,249	Up to 3rd
16	Khuzdar	GloTech Services	28-Mar-17	5,653,063	-	1,300,204	1,300,204	-	1,300,204	1,300,204	4,352,859	Up to 1st
17	Chagai	Futursit Pvt Ltd	24-Mar-17	2,875,000	-	575,000	575,000	-	575,000	575,000	2,300,000	Up to 1st
Sub-total (A)				111,143,984	76,100,688	14,322,391	90,423,079	74,048,906	16,374,173	90,423,079	20,720,905	

B) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Technology at Work Pvt. Ltd.	29-Sep-09	12,002,488	12,002,488	-	12,002,488	12,002,488	-	12,002,488	-	Completed & Idle days
2	Balochistan Package-1	Technology at Work Pvt. Ltd.	17-Mar-10	7,226,443	7,226,443	-	7,226,443	7,226,443	-	7,226,443	-	Completed, 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	(342,000)	1,425,000	1,767,000	(342,000)	1,425,000	1,425,000	Up to 2nd, 3rd 50%
6	Balochistan-Punjab Package-4	TEACH ***	28-Oct-13	3,952,193	3,952,193	-	3,952,193	3,952,193	-	3,952,193	-	Completed
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
Sub-total (B)				44,443,898	34,273,302	(342,000)	33,931,302	34,273,302	(342,000)	33,931,302	10,512,596	

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UNIVERSAL SERVICE FUND

(A Company incorporated under Section 42 of the Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

17.1 FEE TO TECHNICAL AUDITORS FOR PROJECTS

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 2016	For the year	As of 30 June 2016	For the year	As of 30 June 2017		

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 Pakistan Pvt. Ltd.	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% & Idle days
3	HTR-Wateen	People Logic Pakistan Pvt. Ltd.	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	10,567,406	10,567,406	-	10,567,406	10,567,406	-	10,567,406	-	Completed
6	CTR	Optiwave **	05-Aug-11	-	-	-	-	-	-	-	-	Advance refunded, Contract Closed
7	GTR-World call	Technology at Work Pvt. Ltd.	05-Aug-11	3,508,042	3,508,042	-	3,508,042	3,508,042	-	3,508,042	-	Completed
8	GTR-Wateen	Technology at Work Pvt. Ltd.	05-Aug-11	1,590,300	1,590,300	-	1,590,300	1,590,300	-	1,590,300	-	Completed
9	GTR-PTCL	Technology at Work Pvt. Ltd.	05-Aug-11	2,783,025	2,783,025	-	2,783,025	2,783,025	-	2,783,025	-	Completed
10	FTR-PTCL	Technology at Work Pvt. Ltd.	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 Pvt. Ltd.	18-Apr-14	1,386,228	1,386,228	-	1,386,228	1,386,228	-	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	4,840,500	-	4,840,500	3,872,400	968,100	4,840,500	-	Completed
14	RTR-1 PTCL	Makkays	23-Oct-14	3,678,350	2,207,010	735,670	2,942,680	2,207,010	735,670	2,942,680	735,670	Up to 4th
Sub-total (C)				68,799,434	61,577,856	735,670	62,313,526	60,609,756	1,703,770	62,313,526	6,485,908	
Total (A+B+C)				224,387,316	171,951,846	14,716,061	186,667,907	168,931,964	17,735,943	186,667,907	37,719,409	

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

** Optiwave Technologies (Pvt.) Ltd.

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

**** Komkonsult Private Limited

***** GloTech Services Pakistan Pvt Ltd

UNIVERSAL SERVICE FUND

(A Company incorporated under Section 42 of the Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

18 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.

18.1 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, interest accrued, other receivables and balance at bank.

The Company limits its exposure to credit risk by maintaining bank account only with counterparties that have a credit rating of at least A 1 and A. Considering the high credit rating, the credit risk in respect of bank balance is considered to be low. The Company's other financial assets are not significant to its operations. The carrying values of financial assets represents the maximum credit exposure at the reporting date are as follows:

	June 30, 2018	June 30, 2017
	----- Rupees -----	
Long term deposits	127,500	127,500
Long term advances	1,756,049	-
Advances	1,302,301,673	1,305,006,904
Interest accrued	54,653,185	33,850,779
Other receivables	4,500	21,825
Bank balance	2,866,549,681	258,015,753
	<u>4,225,392,588</u>	<u>1,597,022,761</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.

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 name	Rating	Rating Agency	June 30, 2018	June 30, 2017
			----- Rupees -----	
National Bank of Pakistan	AAA/A-1+	JCR-VIS/PACRA		
Bank balance			2,866,549,681	258,015,753
Interest accrued			54,653,185	33,850,779
			<u>2,921,202,866</u>	<u>291,866,532</u>

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

UNIVERSAL SERVICE FUND**(A Company incorporated under Section 42 of the Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018****18.2 Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed condition, without incurring any unacceptable loss or damage to the Company's reputation.

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

	Carrying amount	Contractual cash flows	Maturity up to 1 year	Maturity over 1 year and up to 5 years
	-----Rupees-----			
June 30, 2018				
Project subsidy payable	321,152,194	321,152,194	321,152,194	-
Technical auditor fee payable	102,741	102,741	102,741	-
Payable to suppliers	8,684,137	8,684,137	8,684,137	-
Accrued liabilities	3,687,359	3,687,359	3,687,359	-
Earnest money	64,188,109	64,188,109	64,188,109	-
	397,814,540	397,814,540	397,814,540	-
June 30, 2017				
Project subsidy payable	278,758,033	278,758,033	278,758,033	-
Payable to suppliers	20,270,719	20,270,719	20,270,719	-
Accrued liabilities	6,408,602	6,408,602	6,408,602	-
Earnest money	22,203,109	22,203,109	22,203,109	-
	327,640,463	327,640,463	327,640,463	-

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

18.3 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 is not significantly exposed to market risk.

18.3.1 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.

18.3.2 Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rate.

The Company has no significant long-term interest bearing financial asset and liability whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial assets include Rs. 2,866,549,681 (2017: Rs. 258,015,753) which earn interest. Applicable interest rates for financial assets have been indicated in note 10.1.

As the interest rates on the Company's financial assets are fixed, there is no exposure to any fluctuation in future cash flows.

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.

UNIVERSAL SERVICE FUND**(A Company incorporated under Section 42 of the Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2018****18.3.3 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.

18.4 Off-setting of financial assets and liabilities

The Company does not off-set any of its financial assets and financial liabilities.

18.5 Determination of fair values

Fair values of financial and non-financial assets and liabilities are determined for measurement and/or disclosure on the basis of accounting policies disclosed in the financial statements. As at the reporting date, carrying value of the Company's financial assets and liabilities are reasonable approximation of their fair value. Accordingly, no fair value information has been disclosed in these financial statements.

18.6 Capital risk management

The Board of Directors monitors the Company's performance against target set on an annual basis. All of the financing required by the Company, for its activities, is provided through Grant from MoIT. The outstanding balance of the Grant is normally adequate for a year's operation. MoIT remains committed to met the requirements of the Company.

19 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, directors and executives is disclosed in note 20 to these financial statements. Balances with related parties are disclosed in note 8, 13 and 16 to the financial statements and significant transactions with related parties are as follows:

	Note	June 30, 2018 ----- Rupees -----	June 30, 2017 -----
State-controlled entities			
- MoIT- grant received during the year		<u>9,619,000,000</u>	<u>8,433,000,000</u>
Associate due to common directorship			
Subsidy grant disbursement	16		
- Pakistan Telecommunication Company Limited		300,000,000	278,394,500
- Pak Telecom Mobile Limited (Ufone)		4,277,294,810	5,386,242,306
- Pakistan Mobile Communication Limited-Jazz		-	28,000,000
Forfeiting of bank guarantee			
- Pakistan Mobile Communication Limited-Jazz		<u>28,000,000</u>	-
		<u>4,549,294,810</u>	<u>5,692,636,806</u>
USF Employees' Gratuity Fund			
Contributions paid by the Company	13	<u>9,597,938</u>	<u>8,824,997</u>

UNIVERSAL SERVICE FUND

(A Company incorporated under Section 42 of the Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

20 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	-----Rupees-----					
Meeting fee	-	-	760,000	624,000	-	-
Managerial remuneration	5,985,938	3,831,787	-	-	46,370,052	39,146,124
Allowances	4,293,562	2,860,675	-	-	40,976,340	35,111,418
Bonus	-	1,182,650	-	-	11,600,456	4,774,816
	10,279,500	7,875,112	760,000	624,000	98,946,848	79,032,358
Number of persons	1	1	9	9	19	16

20.1 This includes monetization allowance, amounting to Rs. 9,390,000 (2017: Rs. 8,376,000) provided in lieu of the Company maintained car to the entitled employees. Further, the Chief Executive Officer is also entitled to gratuity, and an amount of Rs. 3,831,787 is paid to Ex-CEO on leaving the Company.

20.2 The Directors of the Company were not paid any remuneration during the year except for the meeting fee.

20.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of entity. The Company considers all members of their management team, including Chief Executive Officer and Directors to be its key management personnel. There are no transactions with key management personnel other than under their terms of employments or entitlements.

21 NUMBER OF EMPLOYEES	June 30	June 30
	2018	2017
Employees at the year end (Number)	87	89
Average employees during the year (Number)	88	86

22 DATE OF AUTHORIZATION FOR ISSUE

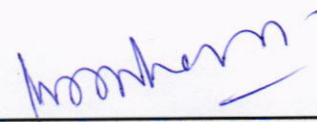
These financial statements were authorized for issue by the Board of Directors of the Company on November 09, 2018.

23 GENERAL

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



CHIEF EXECUTIVE



DIRECTOR