

UNIVERSAL SERVICE FUND

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

FINANCIAL STATEMENTS

AS AT JUNE 30, 2017



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Universal Service Fund** (the Company) as at June 30, 2017 and the related income and expenditure account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the approved accounting and financial reporting standards as applicable in Pakistan and the requirements of the repealed Companies Ordinance, 1984 as directed by Securities and Exchange Commission of Pakistan (SECP) vide circular no. 17 dated July, 20, 2017. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the repealed Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of changes in equity and cash flow statement together with the notes forming part thereof, conform with approved accounting and financial reporting standards as applicable in Pakistan and the requirements of the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017; and, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to notes 13.2 to the financial statements, which describes the uncertainty related to the outcome of certain cases. Based upon the advice of the Company's tax advisor, management of the Company is confident of favorable outcome in the cases. Accordingly, no provision has been recognized, by the Company, in the financial statements. Our opinion is not qualified in respect of this matter.



Grant Thornton

An instinct for growth™

Grant Thornton Anjum Rahman

The financial statements of the Company for the year ended June 30 2016, were audited by another firm of chartered accountants, who expressed an unqualified opinion, with an emphasis on the same matter reported above, on those financial statements on 16 February, 2017.

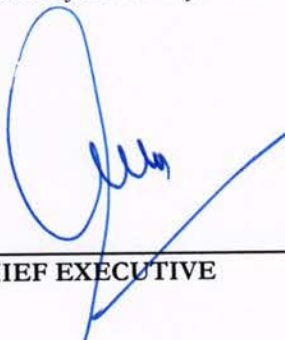
Grant Thornton Anjum Rahman
GRANT THORNTON ANJUM RAHMAN
Chartered Accountants
Engagement Partner: Nadeem Tirmizi
Place: Islamabad
Date: November 20, 2017

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

BALANCE SHEET
AS AT JUNE 30, 2017

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	17,956,676	28,254,275
Intangible assets	6	1,565,439	2,678,800
Long-term deposits		127,500	127,500
		<u>19,649,615</u>	<u>31,060,575</u>
CURRENT ASSETS			
Advances	7	1,305,006,904	145,707,369
Short-term prepayments	8	189,063	14,364,768
Interest accrued		33,850,779	55,223,236
Other receivables		21,825	128,548
Cash and bank balance	9	258,050,652	3,338,681,054
		<u>1,597,119,223</u>	<u>3,554,104,975</u>
TOTAL ASSETS		<u><u>1,616,768,838</u></u>	<u><u>3,585,165,550</u></u>
EQUITY AND LIABILITIES			
EQUITY			
NON-CURRENT LIABILITIES			
Fund balance (restricted)	10	1,266,316,110	2,726,068,260
Deferred capital grant	11	19,522,115	30,933,075
		<u>1,285,838,225</u>	<u>2,757,001,335</u>
CURRENT LIABILITIES			
Trade and other payables	12	330,930,613	828,164,215
TOTAL EQUITY AND LIABILITIES		<u><u>1,616,768,838</u></u>	<u><u>3,585,165,550</u></u>
CONTINGENCIES AND COMMITMENTS	13		er

The annexed notes, from 1 to 22 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 ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
INCOME			
Amortization of deferred capital grant	11	15,442,270	16,174,453
EXPENDITURE			
Administrative and general expenses	14	259,602,260	243,431,865
Subsidy grant for projects	15	9,934,784,374	4,311,898,653
Fee to technical auditors for projects	16	14,716,061	10,305,100
		10,209,102,695	4,565,635,618
		<u>(10,193,660,425)</u>	<u>(4,549,461,165)</u>
EXPENDITURE CHARGED TO FUND BALANCE	10	10,192,934,239	4,548,901,950
NET LOSS FOR THE YEAR		<u>(726,186)</u>	<u>(559,215)</u>
OTHER COMPREHENSIVE INCOME			
Item not to be reclassified to income and expenditure account in subsequent periods			
Remeasurement gain on deferred benefit plan		726,186	559,215
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>-</u>	<u>-</u>

The annexed notes, from 1 to 22 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)
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017	June 30, 2016
Note	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Subsidy grant disbursement	(11,556,139,702)	(5,127,575,224)
Technical audit fee	(17,735,943)	(12,044,639)
Liquidated damages, profit on deposit account and others	326,312,042	389,457,285
Payment to suppliers and employees	(262,035,489)	(173,797,653)
Net cash used in operating activities	(11,509,599,092)	(4,923,960,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,616,563)	(1,060,250)
Proceeds from disposal of property and equipment	-	-
Purchase of intangible assets	(414,747)	-
Net cash used in investing activities	(4,031,310)	(1,060,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant received	8,433,000,000	7,849,300,000
Net cash used in financing activities	8,433,000,000	7,849,300,000
Net (decrease)/increase in cash & cash equivalents	(3,080,630,402)	2,924,279,519
Cash & cash equivalents at beginning of year	3,338,681,054	414,401,535
Cash & cash equivalents at end of year	258,050,652	3,338,681,054

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STATEMENT OF CHANGES IN EQUITY

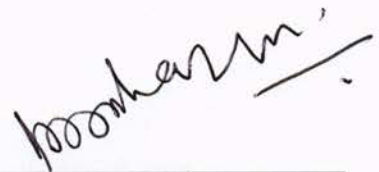
FOR THE YEAR ENDED JUNE 30, 2017

	EQUITY Rupees
Balance at 01 July, 2015	-
Net loss for the year	(559,215)
Other comprehensive income	559,215
	<u>-</u>
Balance as at 30 June, 2016	-
Net loss for the year	(726,186)
Other comprehensive income	726,186
	<u>-</u>
Balance as at 30 June, 2017	<u><u>-</u></u>

The annexed notes, from 1 to 22 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 AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1 STATUS AND ACTIVITIES

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

During the year, the Companies Act, 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated Commission's decision that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

3 BASIS OF PREPARATION

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, and plan asset, which is carried at fair value.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

4.1 Functional and presentation currency

These financial statements have been presented in Pak 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 standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments, which are significant to the financial statements:

4.2.1 Property and 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 these schemes 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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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 account. 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 New accounting standards, interpretations and amendments

During the year certain amendments to standards or new interpretations became effective, however, the amendments or interpretations did not have any material effect on these financial statements.

The following revised standards and amendments and interpretations to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below against the respective standard.

Standard	Effective date (annual periods beginning on or after)
IAS 7 Statement of Cash flows	January 1, 2017
IAS 12 Income taxes - Recognition of deferred tax assets for unrealized losses - (Amendment)	January 1, 2017
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 1, 2018
IFRS 2 Share based payments - Classification and measurement of share based payments transaction (Amendment)	January 1, 2018
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018
IFRS 7 Financial Instruments: Disclosures - Disclosure initiative (Amendments)	January 1, 2017
IFRS 10 Sale or Contribution of assets between an investor and its associate or joint & IAS 28 venture (Amendment)	Not yet Finalized
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 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.

Annual Improvements

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in method of disposal	
IFRS 7 Financial Instruments: Disclosure - Serving contracts	
IFRS 7 Financial Instruments: Disclosure - Applicability of the offsetting disclosures to condensed interim	

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

financial statements

IAS 19 Employees Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations does not have any material affect on the financial statements.

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 1 First-time adoption of International Financial Reporting standards

IFRS 9 Financial instruments

IFRS 14 Regulatory Deferral Accounts

IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases

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 applicable accounting standards, amendments and interpretations of IFRSs which became effective for the current year:

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of interests in Other Entities and IAS 27 Separate Financials Statements: Investment Entities: Applying the consolidation Exception (Amendment)

IFRS 11 Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 Presentation of Financial Statements - Disclosure Initiative (Amendments)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of acceptable method of depreciation and amortization (Amendments)

IAS-16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS-27 Separate Financial Statements - Equity method in separate financial statements (Amendments)

The adoption of above 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 derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 account in the year the asset is derecognized.

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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 account 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 account from the month of acquisition and up to the month preceding the disposal of such intangible assets.

Gains and losses arising from the derecognition 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 account when the asset is derecognized.

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 balance sheet 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 balance sheet in case of local currency balances and at closing exchange rate, in case of foreign currency balances.

4.9 Fund balance (restricted)

Amounts received from the MoIT are 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 account 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 fixed assets acquired, is then recognized in the income and expenditure account.

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 Contribution Plan

The Company operates a funded gratuity scheme for employees who have completed the minimum qualifying period of service to the Company. Provision for gratuity is made to cover obligations under the scheme in accordance with the actuarial recommendations using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 30 June 2017, details are given in the note 13 of the financial statements.

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UNIVERSAL SERVICE FUND

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 encash 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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet date. Gains and losses on translation are taken to the income and expenditure account. 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 derecognized 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 derecognition of the financial assets and financial liabilities are taken to the income and expenditure account 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 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 account.

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 account 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 account.

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 balance sheet 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 account.

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.

Derecognition 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.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability

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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 EIR method. Gain and losses are recognized in the income and expenditure account, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition 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 derecognition 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 account.

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 EIR.

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 account.

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 account.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less cost

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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

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. DN

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5 PROPERTY AND EQUIPMENT

	COST				Rate	ACCUMULATED DEPRECIATION			WDV	
	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>

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

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

	COST				Rate	ACCUMULATED DEPRECIATION			WDV	
	As at July 01, 2015	Additions	Disposals	As at June 30, 2016		As at July 01, 2015	Charge for the year	On disposals	As at June 30, 2016	As at June 30, 2016
<u>2016</u>	----- Rupees -----				%	----- Rupees -----			Rupees	
Vehicles	29,704,498	-	-	29,704,498	20	18,512,749	4,773,564	-	23,286,313	6,418,185
Furniture and equipment	32,447,268	812,320	-	33,259,588	20	10,480,949	6,184,864	-	16,665,813	16,593,775
Computer and accessories	27,095,584	247,930	-	27,343,514	33	18,495,840	3,690,715	-	22,186,555	5,156,959
Communication equipment	799,289	-	-	799,289	20-33	647,613	66,320	-	713,933	85,356
	<u>90,046,639</u>	<u>1,060,250</u>	<u>-</u>	<u>91,106,889</u>		<u>48,137,151</u>	<u>14,715,463</u>	<u>-</u>	<u>62,852,614</u>	<u>28,254,275</u>

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6 INTANGIBLE ASSETS

	COST				Rate	ACCUMULATED AMORTIZATION			WDV	
	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
	Rupees				%	Rupees			Rupees	
<u>2017</u>										
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>

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

	COST				Rate	ACCUMULATED AMORTIZATION			WDV	
	As at July 01, 2015	Additions	Disposals	As at June 30, 2016		As at July 01, 2015	Charge for the year	On disposals	As at June 30, 2016	As at June 30, 2016
	Rupees				%	Rupees			Rupees	
<u>2016</u>										
Digital Maps	7,500,000	-	-	7,500,000	20	7,499,990	-	-	7,499,990	10
Software	10,491,993	-	-	10,491,993	33	6,354,213	1,458,990	-	7,813,203	2,678,790
	<u>17,991,993</u>	<u>-</u>	<u>-</u>	<u>17,991,993</u>		<u>13,854,203</u>	<u>1,458,990</u>	<u>-</u>	<u>15,313,193</u>	<u>2,678,800</u>

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	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
7	ADVANCES		
	considered good, secured		
	To employees	947,142	832,404
	To contributory to a USF	1,303,689,310	144,874,965
	To Suppliers	370,452	
		<u>1,305,006,904</u>	<u>145,707,369</u>
7.1	This represents unutilized portion of an advance paid to service providers, in respect of projects:		
		June 30, 2017 Rupees	June 30, 2016 Rupees
		Note	
	PTML-BSD Khuzdar	70,213,208	-
	PTML-BSD Kharan-Washuk	233,000,000	-
	PTML-BSD Dera Bughti	310,301,600	-
	Telenor-BSD Kohistan	662,174,502	-
	Telenor-Zhob	-	144,874,965
	PMCL-Telecenter	28,000,000	-
		<u>1,303,689,310</u>	<u>144,874,965</u>
8	SHORT-TERM PREPAYMENTS		
	Rent	-	14,185,600
	Insurance	135,786	130,900
	Others	53,277	48,268
		<u>189,063</u>	<u>14,364,768</u>
9	CASH AND BANK BALANCE		
	Cash in hand	34,899	43,758
	Cash at bank		
	- Deposit account - local currency	258,015,753	3,338,637,296
		<u>258,050,652</u>	<u>3,338,681,054</u>

9.1 This carries mark-up at rates ranging between 4.25% to 5.35% per annum (2016: 5.35% to 5.60% per annum). The profit on bank deposit is receivable with reference to the daily balance in the bank account.

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	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
10 FUND BALANCE (RESTRICTED)			
Balance at the beginning of the year		2,726,068,260	-
Grant received during the year		8,433,000,000	7,849,300,000
Profit on deposit account	10.1	100,586,658	81,235,682
Miscellaneous receipts	10.2	204,352,927	332,899,446
		11,464,007,845	8,263,435,128
Grants transferred to:			
-Deferred capital grant	11	4,031,310	1,060,250
-Income and expenditure account		10,192,934,239	4,548,901,950
-Experience adjustment		726,186	559,215
		10,197,691,735	4,550,521,415
		1,266,316,110	3,712,913,713
Transferred from/(to) other receivables		-	(986,845,453)
		1,266,316,110	2,726,068,260

10.1 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.

10.2 This includes amount of Rs.203,347,706 (2016: Rs. 332,365,822) against liquidated damages recovered from operators.

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
11 DEFERRED CAPITAL GRANT			
Balance at beginning of the year		30,933,075	46,047,278
Transferred from fund balance (restricted)	10	4,031,310	1,060,250
Depreciation / amortization charged during the year	11.1	(15,442,270)	(16,174,453)
Balance at end of the year		19,522,115	30,933,075

11.1 As at the report date, the Company has utilized Rs.120.73 million (2016: Rs.116.70 million) out of grant received for capital expenditure.

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
12 TRADE AND OTHER PAYABLES			
Project subsidy payable		278,758,033	741,299,016
Technical auditor fee payable		-	3,019,882
Payable to suppliers		20,270,719	5,743,295
Accrued liabilities		6,408,602	2,335,885
Payable to gratuity fund	12.1	3,290,150	2,811,474
Earnest money		22,203,109	72,954,663
		330,930,613	828,164,215

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	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
12.1 The movement in net liability is as follows:			
Balance at beginning of the year		2,811,474	(831,664)
Charge for the year		10,029,859	9,012,114
Remeasurement gain		(726,186)	(559,215)
Contribution		(8,824,997)	(4,809,761)
Balance at end of the year- (payable) / receivable		<u>3,290,150</u>	<u>2,811,474</u>
12.2 The details of actuarial valuation carried out as at 30 June, 2017 and 2016 are as follows:			
	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
12.2.1 Reconciliation of payable to Defined Benefit Plan			
Present value of the defined benefit obligation	12.2.2	50,238,896	47,779,970
Fair value of the plan assets	12.2.5	<u>(46,948,746)</u>	<u>(44,968,496)</u>
		<u>3,290,150</u>	<u>2,811,474</u>
12.2.2 Change in the present value of defined benefit obligation			
Opening balance		47,779,970	38,771,756
Current service cost	12.2.3	9,776,827	9,327,677
Interest cost on defined benefit obligation	12.2.3	3,903,072	3,702,842
Benefits paid		(8,824,997)	(1,587,786)
Actuarial loss		<u>(2,395,976)</u>	<u>(2,434,519)</u>
		<u>50,238,896</u>	<u>47,779,970</u>
12.2.3 Charge for the year is as follows:			
Current service cost		9,776,827	9,327,677
Interest expense		3,903,072	3,702,842
Interest income on plan assets		<u>(3,650,040)</u>	<u>(4,018,405)</u>
Interest income - net		253,032	(315,563)
		<u>10,029,859</u>	<u>9,012,114</u>
12.2.4 Remeasurement gain - net is as follows:			
Actuarial (gain) / loss recognized		(2,395,976)	(2,434,519)
Return on plan assets, excluding the amount included in interest income		1,669,790	1,875,304
		<u>(726,186)</u>	<u>(559,215)</u>
12.2.5 Change in fair value of plan assets			
Opening balance		44,968,496	39,603,420
Interest income		3,650,040	4,018,405
Contribution made directly to Fund		-	3,221,975
Payments made on behalf of the Fund		8,824,997	1,587,786
Benefits paid		(8,824,997)	(1,587,786)
Return on plan assets, except amount included in interest income		<u>(1,669,790)</u>	<u>(1,875,304)</u>
		<u>46,948,746</u>	<u>44,968,496</u>
Major categories of the plan assets as a percentage of total plan assets are as follows:			
		June 30, 2017	June 30, 2016
Cash and other deposits			
-Rupees		<u>50,238,896</u>	<u>47,779,970</u>
-Percentage		<u>100%</u>	<u>100%</u>

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12.2.6 The principal actuarial assumptions used were as follows:

Actuarial valuation of the plan was carried out as at 30 June, 2017, by an independent valuer using Projected Unit Credit Method, on following assumptions:

	June 30, 2017	June 30, 2016
Valuation discount rate	9.25%	9.00%
Salary increase used for year end obligation		
Salary Increase FY 2017	N/A	N/A
Expected return on plan assets	8.25%	8.00%
Next salary is increased on	8.25%	9.00%
Mortality rates	1-Jul-17	1-Jul-16
	SLIC 2001-2005	SLIC 2001-2005
Withdrawal rates	Setback 1 year	Setback 1 year
	Age-Based	Age-Based
Retirement assumption	(per appendix)	(per appendix)
	Age 60	Age 60

12.2.7 Estimated expenses to be charged to income and expenditure

	Financial Year 2018	Financial Year 2017
	Rupees	Rupees
Current service cost	9,218,801	9,776,827
Net Interest	199,574	(41,544)
	9,418,375	9,735,283

12.3 For a change of 100 basis points in these assumptions, keeping other present value of defined benefit obligation as at 30 June, 2017 would have been as follows:

	June 30, 2017		June 30, 2016	
	Present value of obligation		Present value of obligation	
	1 % Increase	1 % decrease	1 % Increase	1 % decrease
	-----Rupees-----		-----Rupees-----	
Discount rate	44,286,422	57,093,967	43,023,855	53,182,689
Salary increase rate	57,156,620	43,994,727	53,262,764	42,738,704

The average duration of the defined benefit obligation is

June 30, 2017	June 30, 2016
12.94 Years	10.82 Years

12.4 Historical information

	2017	2016	2015	2014
	----- Rupees -----			
Net staff retirement benefit liability	3,290,150	2,811,474	(831,664)	5,793,627
Experience adjustment	(726,186)	(559,215)	(345,671)	147,343
			June 30, 2017	June 30, 2016
		Note	Rupees	Rupees

13 CONTINGENCIES AND COMMITMENTS

13.1 Commitments

Subsidy grant disbursements	15	18,306,621,311	15,538,512,341
Technical auditors	16	37,719,409	28,887,379



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13.2 Contingencies

During FY 2013-14, the Additional Commissioner Inland Revenue (ACIR) raised a 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 disallowing subsidy grant for projects and fee for technical auditors. The Company has filed appeals with the Appellate Tribunal Inland Revenue (ATIR) against the ACIR's refusal to treat the Company as a welfare organization. The decision of the ATIR is pending.

Management, 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.

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 and directed the CIR to re-examine the matter, which is pending.

	Note	June 30, 2017	June 30, 2016
		Rupees	Rupees
14 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	14.1	165,348,017	164,301,590
Legal and professional charges		6,462,193	7,388,037
Rent		22,865,600	21,278,400
Utilities and office supplies		1,875,063	2,613,398
Communication charges		918,023	949,006
Entertainment		889,535	679,734
Traveling		17,041,180	8,322,182
Printing and stationery		1,499,889	1,431,657
Vehicle fuel expenses		4,929,786	5,508,593
Repairs and maintenance		2,867,708	7,527,658
Advertisement		17,613,361	4,674,189
Depreciation	5	13,914,162	14,715,463
Amortization of intangible asset	6	1,528,108	1,458,990
Auditors' remuneration		325,000	400,000
Insurance expense		1,504,351	1,558,427
Bank charges		20,284	20,318
Income tax refund written-off		-	604,223
		259,602,260	243,431,865

14.1 Salaries and benefits include Rs. 10,029,859 (2016: Rs. 9,012,114) charged in respect of staff retirement gratuity.

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15 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								

Rupees

A) RURAL TELECOM & E-SERVICES-RTes

1	Malakand	Telenor*	4-Oct-07	62,029,745	62,029,745	-	-	-	62,029,745	62,029,745	-	62,029,745	-	-	-	Closed	
2	Sukkur	PMCL**	15-Jan-08	112,300,000	112,300,000	-	-	-	112,300,000	112,300,000	-	112,300,000	-	-	-	Completed	
3	DG Khan	Ward***	7-Feb-08	78,847,036	78,847,036	-	-	-	78,847,036	78,847,036	-	78,847,036	-	-	-	Completed	
4	Pishin	PTCL****	29-May-08	175,000,000	175,000,000	-	-	-	175,000,000	175,000,000	-	175,000,000	-	-	-	Completed	
5	Mansehra	PTCL****	24-Jun-08	40,548,153	40,548,153	-	-	-	40,548,153	40,548,153	-	40,548,153	-	-	-	Descoped (Closed)	
6	Dadu	PTCL****	25-Jul-08	250,000,000	250,000,000	-	-	-	250,000,000	250,000,000	-	250,000,000	-	-	-	Completed	
7	Bahawalpur	Telenor*	22-Sep-08	248,381,865	248,381,865	-	-	-	248,381,865	248,381,865	-	248,381,865	-	-	-	Completed	
8	Mirpur Khas	Telenor*	13-Mar-09	930,000,000	930,000,000	-	-	-	930,000,000	930,000,000	-	930,000,000	-	-	-	Completed	
9	Larkana	PTCL****	17-May-09	228,000,000	136,800,000	-	-	-	136,800,000	136,800,000	-	136,800,000	-	91,200,000	-	Up to 2nd	
10	Nasirabad	CM Pak *****	28-Jul-09	1,277,855,892	1,277,855,892	-	-	-	1,277,855,892	1,277,855,892	-	1,277,855,892	-	-	629,098,286	Completed	
11	Mastung	PTCL****	31-May-12	3,155,516,334	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	Turbat	CM Pak *****	21-Feb-13	3,824,228,856	1,339,183,976	551,047,490	577,813,047	1,128,860,537	2,468,044,513	910,915,236	1,391,832,570	2,302,747,806	188,579,135	1,356,184,343	1,581,024,697	Completed	
13	Chitral	Telenor*	19-Feb-15	1,897,358,997	902,775,008	296,190,422	101,557,268	397,747,690	1,300,522,698	592,380,844	676,810,069	1,269,190,913	-	596,836,299	762,157,340	Up to 3rd	
14	Shangla	Telenor*	15-Jun-15	1,949,919,970	327,718,197	983,154,591	51,497,088	1,034,651,679	1,362,369,876	327,718,197	994,265,822	1,321,984,019	-	587,550,094	780,000,000	Up to 3rd	
15	Zhob	Telenor*	7-Aug-15	3,614,575,335	543,281,118	2,209,343,214	-	2,209,343,214	2,752,624,332	688,156,083	2,064,468,249	2,752,624,332	-	861,951,003	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	-	874,042,121	1,278,100,000	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	425,000,000	1,279,779,908	1,704,779,908	-	475,764,386	873,800,000	Up to 3rd	
18	Khuzdar	PTML*****	9-Sep-16	2,418,494,352	-	805,386,792	-	805,386,792	-	875,600,000	875,600,000	-	1,613,107,560	967,400,000	Up to 1st		
19	Chagai	PTML*****	9-Sep-16	1,301,724,598	-	487,789,838	-	487,789,838	487,789,838	487,789,838	487,789,838	-	813,934,760	520,700,000	Up to 1st		
20	Awaran-Lasbela	PTML*****	2-Jan-17	2,330,499,000	-	466,099,800	-	466,099,800	466,099,800	466,099,800	466,099,800	-	1,864,399,200	932,199,600	Mobilization Adv.		
21	Kohistan	Telenor*	14-Mar-17	3,507,049,616	-	-	-	-	-	-	662,174,502	662,174,502	-	3,507,049,616	1,402,819,846	Mobilization Adv.	
22	Kharan-Washuk	PTML*****	31-May-17	1,184,999,000	-	-	-	-	-	-	233,000,000	233,000,000	-	1,184,999,000	473,999,600	Mobilization Adv.	
23	Dera Bugri	PTML*****	31-May-17	1,584,000,000	-	-	-	-	-	-	310,301,600	310,301,600	-	1,584,000,000	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	Sindh-Package	Wateen Telecom	11-Feb-09	449,000,000	449,000,000	-	-	-	449,000,000	449,000,000	-	449,000,000	-	-	179,600,000	Completed	
2	Balochistan Package-1	Wateen Telecom	17-May-09	374,000,000	374,000,000	-	-	-	374,000,000	374,000,000	-	374,000,000	-	-	149,600,000	Completed	
3	Balochistan Package-2	PTCL****	25-Jun-09	1,200,000,000	960,000,000	-	-	-	960,000,000	960,000,000	-	960,000,000	-	240,000,000	480,000,000	Up to 3rd	
4	Balochistan- Punjab Package-3	Wateen Telecom	24-Nov-09	986,000,000	591,600,000	-	-	-	591,600,000	591,600,000	-	591,600,000	-	394,400,000	394,400,000	Up to 2nd	
5	Balochistan- Punjab Package-5	PTCL****	17-May-10	1,498,000,000	898,800,000	-	-	-	898,800,000	898,800,000	-	898,800,000	-	599,200,000	599,200,000	Up to 2nd	
6	Balochistan-Package-4	Wateen Telecom	13-Jul-11	1,965,000,000	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	-	5,238,400,000	-	1,233,600,000	2,592,800,000		

C) BROADBAND

1	FTR	PTCL****	27-Apr-09	1,183,720,000	1,183,720,000	-	-	-	1,183,720,000	1,183,720,000	-	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	-	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	-	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	-	480,651,511	-	-	219,822,300	Completed	
5	MTR	Worldcall Telecom	28-Jul-09	745,323,255	785,721,250	(40,397,995)	-	(40,397,995)	745,323,255	785,721,250	(40,397,995)	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	479,212,250	(52,966,380)	-	(52,966,380)	426,245,870	479,212,250	(52,966,380)	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	CTR	Wateen Telecom	28-Apr-10	-	-	-	-	-	-	-	-	-	-	-	-	SSA terminated	
12	CTR	PTCL****	28-Apr-10	503,272,000	503,272,000	-	-	-	503,272,000	503,272,000	-	503,272,000	-	-	205,108,800	Completed	
13	STR-V	PTCL****	8-May-12	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	
14	RTR	PTCL****	11-Dec-13	1,391,972,500	1,113,578,000	278,394,500	-	278,394,500	1,391,972,500	1,113,578,000	278,394,500	1,391,972,500	14,768,571	-	556,789,000	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	8,686,369,367	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		

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UNIVERSAL SERVICE FUND

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

15 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								

Rupees

D) SPECIAL PROJECTS- TELECENTERS

1	Broadband Mera Baghwal	NAYATEL- Broadband for MCT Mera Bhagwal	15-Mar-10	9,210,918	9,210,918	-	-	-	9,210,918	9,210,918	-	9,210,918	-	-	-	Completed
2	Broadband MCT Sites	PTCL- Broadband for Pilot MCT Sites	16-Mar-10	34,873,934	27,899,147	-	-	-	27,899,147	27,899,147	-	27,899,147	-	6,974,787	-	Up to 3rd
3	Broadband MCT Sites	World Call- Broadband for Pilot MCT Sites	31-Mar-10	5,944,157	5,944,157	-	-	-	5,944,157	5,944,157	-	5,944,157	-	-	-	Completed
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- Up gradation / Establishment of Computerized Low Vision rehabilitation centre	8-Jul-08	24,716,660	24,716,660	-	-	-	24,716,660	24,716,660	-	24,716,660	-	-	-	Completed
2	Rawalpindi /Islamabad	Pakistan Foundation Fighting Blindness-PFFB - ICT for Disabled- Up gradation of Audio World & Access Internet Cafe(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	Upto 3rd
6	Women Empowerment Centers- 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	97,603,840	-	10,844,872	5,999,713	Upto 2nd
7	Women Empowerment Centers- WECII	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	Upto 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	Contact 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)

*** Warid Telecom (Private) Limited (Warid)

**** 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 AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

15 SUBSIDY GRANT FOR PROJECTS

Sr. No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	Subsidy due			Subsidy disbursed			Balance commitment	Bank guarantee	Milestones achieved	
					As of 30 June 2015	For the year		As of 30 June 2016	As of 30 June 2015	For the year				As of 30 June 2016
						Capex	Opex							

Rupees

A) RURAL TELECOM & E-SERVICES-RTeS

1	Malakand	Telenor*	4-Oct-07	62,029,745	62,029,745	-	-	-	62,029,745	62,029,745	-	62,029,745	-	-	Closed
2	Sukkur	PMCL**	15-Jan-08	112,300,000	112,300,000	-	-	-	112,300,000	112,300,000	-	112,300,000	-	-	Completed
3	DG Khan	Ward***	7-Feb-08	78,847,036	78,847,036	-	-	-	78,847,036	78,847,036	-	78,847,036	-	-	Completed
4	Pishin	PTCL****	29-May-08	175,000,000	175,000,000	-	-	-	175,000,000	175,000,000	-	175,000,000	-	-	Completed
5	Mansehra	PTCL****	24-Jun-08	40,548,153	120,000,000	(79,451,847)	-	(79,451,847)	40,548,153	120,000,000	(79,451,847)	40,548,153	-	-	Descoped (Closed)
6	Dadu	PTCL****	25-Jul-08	250,000,000	250,000,000	-	-	-	250,000,000	250,000,000	-	250,000,000	-	-	Completed
7	Bahawalpur	Telenor*	22-Sep-08	248,381,865	248,381,865	-	-	-	248,381,865	248,381,865	-	248,381,865	-	-	Completed
8	Mirpur Khas	Telenor*	13-Mar-09	930,000,000	930,000,000	-	-	-	930,000,000	930,000,000	-	930,000,000	-	-	Completed
9	Larkana	PTCL****	17-May-09	228,000,000	136,800,000	-	-	-	136,800,000	136,800,000	-	136,800,000	91,200,000	-	Up to 2nd
10	Nasirabad	CM Pak *****	28-Jul-09	1,277,855,892	1,277,855,892	-	-	-	1,277,855,892	1,277,855,892	-	1,277,855,892	-	629,098,286	Completed
11	Mastung	PTCL****	31-May-12	3,155,516,334	2,415,166,667	-	30,860,779	30,860,779	2,446,027,446	2,400,000,000	43,391,334	2,443,391,334	709,488,888	1,262,400,000	Up to 3rd & Opex
12	Turbat	CM Pak *****	21-Feb-13	3,952,561,742	652,357,744	303,638,412	383,187,820	686,826,232	1,339,183,976	607,276,824	303,638,412	910,915,236	2,613,377,766	1,581,024,697	Up to 2nd
13	Chitral	Telenor*	19-Feb-15	1,905,393,349	296,190,422	592,380,844	14,203,742	606,584,586	902,775,008	296,190,422	592,380,844	1,002,618,341	762,157,340	-	Up to 2nd
14	Shangla	Telenor*	15-Jun-15	1,950,000,000	-	327,718,197	-	327,718,197	327,718,197	-	327,718,197	327,718,197	1,622,281,803	780,000,000	Mobilization Adv.
15	Zhob	Telenor*	7-Aug-15	3,614,575,335	-	543,281,118	-	543,281,118	543,281,118	-	688,156,083	688,156,083	3,071,294,217	1,445,953,618	Mobilization Adv.
16	Sibi	PTML*****	14-Sep-15	3,195,107,745	-	571,437,001	-	571,437,001	571,437,001	-	571,437,001	2,623,670,744	1,278,100,000	-	Mobilization Adv.
17	Kabat	PTML*****	16-Dec-15	2,184,483,291	-	425,000,000	-	425,000,000	425,000,000	-	425,000,000	425,000,000	1,759,483,291	873,800,000	Mobilization Adv.
Sub-total (A)				23,360,600,487	6,754,929,371	2,684,003,725	428,252,341	3,112,256,066	9,867,185,437	6,694,681,784	2,576,079,602	9,270,761,386	13,493,415,050	8,612,533,941	

B) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Wateen Telecom	11-Feb-09	449,000,000	449,000,000	-	-	-	449,000,000	449,000,000	-	449,000,000	-	179,600,000	Completed
2	Balochistan Package-1	Wateen Telecom	17-May-09	374,000,000	374,000,000	-	-	-	374,000,000	374,000,000	-	374,000,000	-	149,600,000	Completed
3	Balochistan Package-2	PTCL****	25-Jun-09	1,200,000,000	960,000,000	-	-	-	960,000,000	960,000,000	-	960,000,000	240,000,000	480,000,000	Up to 3rd
4	Balochistan- Punjab Package-3	Wateen Telecom	24-Nov-09	986,000,000	591,600,000	-	-	-	591,600,000	591,600,000	-	591,600,000	394,400,000	394,400,000	Up to 2nd
5	Balochistan- Punjab Package-5	PTCL****	17-May-10	1,498,000,000	898,800,000	-	-	-	898,800,000	898,800,000	-	898,800,000	599,200,000	599,200,000	Up to 2nd
6	Balochistan-Package-4	Wateen Telecom	13-Jul-11	1,965,000,000	1,580,000,000	385,000,000	-	385,000,000	1,965,000,000	1,580,000,000	385,000,000	1,965,000,000	-	790,000,000	Completed
Sub-total (B)				6,472,000,000	4,853,400,000	385,000,000	-	385,000,000	5,238,400,000	4,853,400,000	385,000,000	5,238,400,000	1,233,600,000	2,592,800,000	

C) BROADBAND

1	FTR	PTCL****	27-Apr-09	1,183,720,000	1,183,720,000	-	-	-	1,183,720,000	892,988,537	290,731,463	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	254,547,534	(15,715,534)	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	1,051,209,894	101,242,606	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	-	480,651,511	-	219,822,300	Completed
5	MTR	Worldcall Telecom	28-Jul-09	785,721,250	785,721,250	-	-	-	785,721,250	785,721,250	-	785,721,250	-	314,288,500	Completed
6	HTR	PTCL****	24-Nov-09	211,591,697	169,273,356	-	-	-	169,273,356	169,273,356	-	169,273,356	42,318,341	84,636,679	Up to 3rd
7	HTR	Wateen Telecom	24-Nov-09	54,799,000	54,799,000	-	-	-	54,799,000	54,799,000	-	54,799,000	-	21,919,600	Completed
8	GTR	PTCL****	22-Mar-10	394,283,250	394,283,250	-	-	-	394,283,250	394,283,250	-	394,283,250	-	157,714,000	Completed
9	GTR	Worldcall Telecom	30-Mar-10	479,212,250	479,212,250	-	-	-	479,212,250	479,212,250	-	479,212,250	-	192,566,100	Completed
10	GTR	Wateen Telecom	13-Apr-10	244,869,250	244,869,250	-	-	-	244,869,250	244,869,250	-	244,869,250	-	97,947,700	Completed
11	CTR	Wateen Telecom	28-Apr-10	-	-	-	-	-	-	-	-	-	-	-	SSA terminated
12	CTR	PTCL****	28-Apr-10	503,272,000	503,272,000	-	-	-	503,272,000	503,272,000	-	503,272,000	-	205,108,800	Completed
13	SIR-V	PTCL****	8-May-12	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
14	RTR	PTCL****	11-Dec-13	1,391,972,500	556,789,000	556,789,000	-	556,789,000	1,113,578,000	278,394,500	835,183,500	1,113,578,000	278,394,500	556,789,000	Up to 3rd
15	NTR-1	PTCL****	11-Dec-13	1,162,000,000	929,600,000	232,400,000	-	232,400,000	1,162,000,000	232,400,000	929,600,000	1,162,000,000	-	464,800,000	Completed
Sub-total (C)				9,489,552,208	7,897,180,367	789,189,000	-	789,189,000	8,686,369,367	6,545,327,332	2,141,042,035	8,686,369,367	803,182,841	3,834,784,279	

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FOR THE YEAR ENDED JUNE 30, 2017

15 SUBSIDY GRANT FOR PROJECTS

Sr. No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	Subsidy due				Subsidy disbursed			Balance commitment	Bank guarantee	Milestones achieved	
					As of 30 June 2015	For the year			As of 30 June 2016	As of 30 June 2015	For the year				As of 30 June 2016
						Capex	Opex	Total							

Rupees

D) SPECIAL PROJECTS- TELECENTERS

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

E) SPECIAL PROJECTS-OTHER ICT SERVICES

1	Rawalpindi / Sukkur / Kohat	Alshifa Trust- ICT for Disabled- Up gradation / Establishment of Computerized Low Vision rehabilitation centre	8-Jul-08	24,716,660	24,716,660	-	-	-	24,716,660	24,716,660	-	24,716,660	-	-	Completed
2	Rawalpindi /Islamabad	Pakistan Foundation Fighting Blindness-PFFB - ICT for Disabled- Up gradation of Audio World & Access Internet 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	-	25,453,587	25,453,587	-	25,453,587	25,453,587	1,339,663	2,679,325	Upto 3rd
Sub-total (E)				141,352,124	114,558,874	25,453,587	-	25,453,587	140,012,461	114,558,874	25,453,587	140,012,461	1,339,663	2,679,325	
Total (A+B+C+D+E)				39,513,533,828	19,663,122,834	3,883,646,312	428,252,341	4,311,898,653	23,975,021,487	18,251,022,212	5,127,575,224	23,378,597,436	15,538,512,341	15,042,797,545	

07

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

UNIVERSAL SERVICE FUND

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

16 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) RURAL TELECOM & E-SERVICES-RTeS

1	Malakand	Telecom Services *	02-Aug-08	5,000,000	5,000,000	-	5,000,000	5,000,000	-	5,000,000	-	Contract Closed
2	DG Khan	Telecom Services *	01-Jan-09	12,594,400	12,594,400	-	12,594,400	12,594,400	-	12,594,400	-	Completed
3	Sukkur	Optiwave **	01-Jan-09	11,327,700	11,327,700	-	11,327,700	11,327,700	-	11,327,700	-	Completed
4	Bahawalpur	Telecom Services *	26-Mar-09	8,975,000	8,975,000	-	8,975,000	8,975,000	-	8,975,000	-	Completed
5	Dadu	Myson Engineering 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, 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	-	Upto 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 AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

16 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

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	Optivave **	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	

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

** Optivave Technologies (Pvt.) Ltd.

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

**** Komkonsult Private Limited

***** GloTech Services Pakistan Pvt Ltd

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

16 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 2015	For the year	As of 30 June 2016	As of 30 June 2015	For the year	As of 30 June 2016		

Rupees

A) RURAL TELECOM & E-SERVICES-RTeS

1	Malakand	Telecom Services *	02-Aug-08	5,000,000	5,000,000	-	5,000,000	5,000,000	-	5,000,000	-	Contract Closed
2	DG Khan	Telecom Services *	01-Jan-09	12,594,400	12,594,400	-	12,594,400	12,594,400	-	12,594,400	-	Completed
3	Sukkur	Optiwave **	01-Jan-09	11,327,700	11,327,700	-	11,327,700	11,327,700	-	11,327,700	-	Completed
4	Bahawalpur	Telecom Services *	26-Mar-09	8,975,000	8,975,000	-	8,975,000	8,975,000	-	8,975,000	-	Completed
5	Dadu	Myson Engineering 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	-	Upto 4th 5th 50% & Idle days
10	Turbat	Technology at Work Pvt. Ltd.	21-May-14	6,916,952	1,383,390	1,383,390	2,766,780	1,383,390	1,383,390	2,766,780	4,150,172	Up to 2nd
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	4,103,564	-	2,051,782	2,051,782	6,155,348	Up to 2nd
Sub-total (A)				87,595,893	70,613,734	5,486,954	76,100,688	70,613,734	3,435,172	74,048,906	11,495,205	

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 and 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 and 2 Idle days
3	Balochistan Package-2	Shaukat Hayat Javed	21-May-10	8,601,988	6,245,588	-	6,245,588	6,245,588	-	6,245,588	2,356,400	Up to 3rd, 2 Idle days/Adl node
4	Balochistan- Punjab Package-3	Teralight Limited	27-Sep-10	835,858	835,858	-	835,858	835,858	-	835,858	-	Up to 1st, Contract Closed
5	Balochistan- Punjab Package-5	TEACH ***	19-May-11	2,850,000	1,767,000	-	1,767,000	1,767,000	-	1,767,000	1,083,000	Up to 2nd, 3rd 50%
6	Balochistan- Punjab Package-4	TEACH ***	28-Oct-13	3,952,193	2,687,488	1,264,705	3,952,193	2,687,488	1,264,705	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	33,008,597	1,264,705	34,273,302	33,008,597	1,264,705	34,273,302	10,170,596	

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

16 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 2015	For the year	As of 30 June 2016	As of 30 June 2015	For the year	As of 30 June 2016		

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	10,421,505	145,901	10,567,406	8,220,484	2,346,922	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	2,792,407	715,635	3,508,042	-	Completed
8	GTR-Wateen	Technology at Work Pvt. Ltd.	05-Aug-11	1,590,300	1,590,300	-	1,590,300	1,272,240	318,060	1,590,300	-	Completed
9	GTR-PTCL	Technology at Work Pvt. Ltd.	05-Aug-11	2,783,025	2,783,025	-	2,783,025	2,226,420	556,605	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	2,904,300	1,936,200	4,840,500	1,936,200	1,936,200	3,872,400	-	Completed
14	RTR-1 PTCL	Makkays	23-Oct-14	3,678,350	735,670	1,471,340	2,207,010	735,670	1,471,340	2,207,010	1,471,340	Up to 3rd

Sub-total (C)

68,799,434 58,024,415 3,553,441 61,577,856 53,264,994 7,344,762 60,609,756 7,221,578

Total (A+B+C)

200,839,225 161,646,746 10,305,100 171,951,846 156,887,325 12,044,639 168,931,964 28,887,379

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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

UNIVERSAL SERVICE FUND

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- Credit risk
- Liquidity risk and
- Market risk

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors of the Company oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

17.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company's credit risk is primarily attributable to advances, deposits, 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, 2017	June 30, 2016
	Rupees	Rupees
Long-term deposits	127,500	127,500
Advances	1,305,006,904	145,707,369
Interest accrued	33,850,779	55,223,236
Other receivables	21,825	128,548
Bank balance	258,015,753	3,338,637,296
	1,597,022,761	3,539,823,949

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, 2017	June 30, 2016
			Rupees	Rupees
National Bank of Pakistan	AAA/A-1+	JCR-VIS/PACRA		
Bank balance			258,015,753	3,338,637,296
Interest accrued			33,850,779	55,223,236
			291,866,532	3,393,860,532

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

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UNIVERSAL SERVICE FUND

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED JUNE 30, 2017****17.2 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 upto 1 year	Maturity over 1 year and upto 5 years
Rupees				
June 30, 2017				
Project subsidy payable	278,758,033	278,758,033	278,758,033	-
Technical auditor fee payable	-	-	-	-
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	-
June 30, 2016				
Project subsidy payable	741,299,016	741,299,016	741,299,016	-
Technical auditor fee payable	3,019,882	3,019,882	3,019,882	-
Payable to suppliers	5,743,295	5,743,295	5,743,295	-
Accrued liabilities	2,335,885	2,335,885	2,335,885	-
Earnest money	72,954,663	577,176	577,176	-
	825,352,741	752,975,254	752,975,254	-

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

17.3 Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, due to changes in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Company is not significantly exposed to market risk.

17.3.1 Currency risk

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

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

17.3.2 Interest rate risk

Interest rate risk 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. 258,015,753 (2016: Rs. 3,338,637,296) which earn interest. Applicable interest rates for financial assets have been indicated in note 9.1.

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.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED JUNE 30, 2017****17.3.3 Other price risk**

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

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

17.4 Off-setting of financial assets and liabilities

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

17.5 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.

17.6 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.

18 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company is governed by the Ministry of Information Technology, Government of Pakistan (GoP). Therefore, all departments and agencies controlled by the GoP ("State-controlled entities") are related parties of the Company. Other related parties include directors, members, key management personnel, USF Employees' Gratuity Fund and entities under common directorship. Remuneration to the Chief Executive is disclosed in note 19 to these financial statements. Balances with related parties are disclosed in note 12 and 15 to the financial statements and significant transactions with related parties are as follows:

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
State-controlled entities			
Grant received during the year		8,433,000,000	7,849,300,000
Associate due to common directorship			
Subsidy grant disbursement	15		
- Pakistan Telecommunication Company Limited		278,394,500	2,120,697,056
- Pak Telecom Mobile Limited (Ufone)		5,386,242,306	996,437,001
- Pakistan Mobile Communication Limited		28,000,000	-
- CMPak Limited		-	303,638,412
		5,692,636,806	3,420,772,469
USF Employees' Gratuity Fund			
Contributions paid by the Company	12	8,824,997	4,809,761
19 REMUNERATION OF CHIEF EXECUTIVE			
Managerial remuneration		3,831,787	8,869,872
Allowances	19.1	2,860,675	6,725,928
Bonus		1,182,650	1,090,000
Compensated absences		-	354,795
		7,875,112	17,040,595

19.1 This includes monetization allowance, amounting to Rs. 456,000 (2016: Rs. 1,140,000) provided in lieu of the Company maintained car to the entitled employees across the Board. Further, the Chief Executive Officer is also entitled to gratuity, the provision for which is determined by the actuary. Rs. 3,831,787, is paid to Ex-CEO on

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

leaving USF Company.

19.2 The Directors of the Company were not paid any remuneration during the year except for the meeting fee of Rs. 624,000 (2016: Rs. 340,000). The total number of directors amount to 9 (2016: 9).

	June 30, 2017	June 30, 2016
20 NUMBER OF EMPLOYEES		
Employees at the year end (Number)	<u>89</u>	<u>82</u>
Average employees during the year (Number)	<u>86</u>	<u>79</u>

21 DATE OF AUTHORIZATION FOR ISSUE

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

~~20 NOV 2017~~

22 GENERAL

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



CHIEF EXECUTIVE



DIRECTOR