

UNIVERSAL SERVICE FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the annexed balance sheet of Universal Service Fund ("the Company") as at June 30, 2014 and the related income and expenditure account and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in Note 3.11.1 to the financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014, and of its financial performance and its cash flows for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to note 10.2.1 and 10.2.2 to the financial statements which describes the uncertainty related to the ultimate outcome of tax contingency, and hence no provision has been made in these financial statements. Our opinion is not qualified in respect of this matter.

Deloitte Yousuf Adil
Chartered Accountants

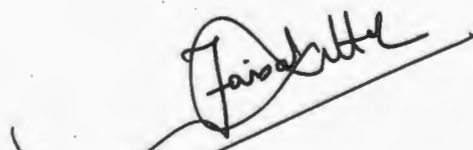
Engagement Partner:
Shahzad Ali

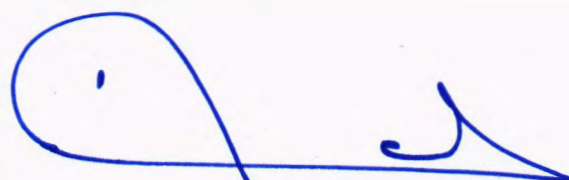
Date: October 19, 2015
Islamabad

**UNIVERSAL SERVICE FUND
BALANCE SHEET
AS AT JUNE 30, 2014**

	Note	June 30, 2014 <u>(Rupees)</u>	June 30, 2013
NON CURRENT ASSETS			
Property and equipment	4	37,659,260	31,214,615
Intangible assets	5	200	200
		37,659,460	31,214,815
CURRENT ASSETS			
Advances, deposits and prepayments	6	13,907,206	6,650,530
Other receivables		397,662	447,560
Accrued profit on bank deposit		74,491,658	104,185,731
Cash and bank balances	7	2,236,295,903	1,336,289,942
		2,325,092,429	1,447,573,763
TOTAL ASSETS		<u>2,362,751,889</u>	<u>1,478,788,578</u>
NON-CURRENT LIABILITIES			
Deferred grants/Restricted fund	8	2,339,301,390	1,460,158,879
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	9	23,450,499	18,629,699
TOTAL LIABILITIES		<u>2,362,751,889</u>	<u>1,478,788,578</u>
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes 1 to 20 form an integral part of these financial statements.

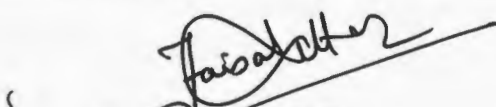

CHIEF EXECUTIVE



DIRECTOR

**UNIVERSAL SERVICE FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	June 30, 2014	June 30, 2013 Restated
(Rupees)			
INCOME			
Amortization of deferred grant	8.2	9,131,668	8,686,554
EXPENDITURE			
Administrative and general expenses	12	198,822,495	185,553,171
Subsidy grant disbursements for projects	13	4,151,551,131	2,312,572,625
Fee payment to technical auditors for projects	14	25,699,073	24,479,181
		4,376,072,699	2,522,604,977
TOTAL EXPENDITURE FOR THE YEAR		(4,366,941,031)	(2,513,918,423)
EXPENDITURE CHARGED TO DEFERRED GRANT/RESTRICTED FUND		4,367,088,375	2,514,802,688
NET SURPLUS FOR THE YEAR		147,344	884,265
OTHER COMPREHENSIVE INCOME:			
Item that will not be reclassified subsequently to income and expenditure:			
Remeasurement of post retirement benefits obligation		(147,344)	(884,265)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-

The annexed notes 1 to 20 form an integral part of these financial statements.

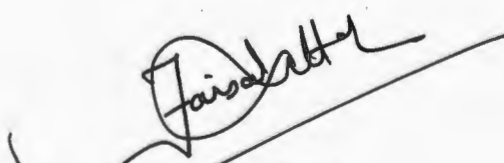

CHIEF EXECUTIVE



DIRECTOR

**UNIVERSAL SERVICE FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014**

	June 30, 2014	June 30, 2013
Note	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Subsidy grant disbursement	(4,151,551,131)	(2,312,572,625)
Technical audit fee	(25,699,073)	(24,479,181)
Profit on bank deposit and other receipts	492,237,802	135,023,500
Cash payment to suppliers and employees	(200,222,692)	(173,786,401)
	(3,885,235,094)	(2,375,814,707)
Net cash used in operating activities	(3,885,235,094)	(2,375,814,707)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(7,623,761)	(5,526,553)
Proceeds from disposal of property and equipment	364,816	2,018,333
	(7,258,945)	(3,508,220)
Net cash used in investing activities	(7,258,945)	(3,508,220)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant received	4,792,500,000	3,615,000,000
Net cash from financing activities	4,792,500,000	3,615,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	900,005,961	1,235,677,073
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,336,289,942	100,612,869
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,236,295,903	1,336,289,942

The annexed notes 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

**UNIVERSAL SERVICE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1 STATUS AND ACTIVITIES

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

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

- 1.1 The Company has filed application with Securities and Exchange Commission of Pakistan (SECP) for renewal of its registration under section 42 of Companies Ordinance, 1984 which is under process of approval.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates and Judgements

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

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

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

Significant area requiring the use of management estimates in the financial statements relate to property and equipment, intangibles and employee benefits.

2.5 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2014

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from periods beginning on or after
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 01, 2013
Amendments to IAS 19 - Employee Benefits	January 01, 2013
Amendments to IAS 32 - Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 01, 2013
Amendments to IFRS 7 - Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

2.6 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard or Interpretation	Effective from periods beginning on or after
Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 and IAS 41 - Agriculture: Bearer plants	January 01, 2016
Amendments to IAS 19 - Employee Benefits: Employee contributions	July 01, 2014
Amendments to IAS 32 - Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
Amendments to IAS 36 - Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
Amendments to IAS 39 - Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting	January 01, 2014

IFRS 10 - Consolidated Financial Statements	January 01, 2015
IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015
IFRIC 21 - Levies	January 01, 2014

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of 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

The following interpretations issued by the IASB have been waived off by SECP effective January 16, 2012:

- IFRIC 4 – Determining Whether an Arrangement Contains a Lease. Also refer note 39 to the financial statements.
- IFRIC 12 – Service Concession Arrangements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

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

Depreciation is provided on a straight-line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 4. Depreciation on addition in property and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. The Company reviews the useful life and residual value of property and equipment on a regular basis. Any change in estimates in future events might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on depreciation charge.

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

3.2 Impairment

3.2.1 Financial Assets

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

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

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

3.2.2 Non Financial Assets

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

3.3 Intangible assets

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

3.4 Receivables

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

3.5 Cash and cash equivalents

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

3.6 Deferred grant/Restricted fund

Amounts received for operational and capital expenditure, ongoing administrative expenses, subsidy to selected contributors to the Fund for execution of the projects in un-served and under-served areas of Pakistan and fee for technical auditors are initially recognized on receipt basis. Subsequently amounts equivalent to operational and administrative expenses, annual charge for depreciation and amortization on assets acquired, actual disbursement to contributors and payment to technical auditors are recognized as income in the income and expenditure account. The un-spend amount remains in deferred grant/restricted fund balance and is adjusted against next years deferred grant/restricted fund.

Profit on bank deposit is accrued on a time basis, with reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount. Any other income is recorded on accrual basis. Profit on bank deposits and other receipts are made part of deferred grant/restricted fund balance and are adjusted against future funding from Ministry of Information Technology, Government of Pakistan.

3.7 Provisions

Provision is recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.8 Creditors and other payables

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

3.9 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

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

3.10 Offsetting of financial assets and financial liabilities

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

3.11 Employee Benefit

The Company operates a funded gratuity scheme for employees who have completed the minimum qualifying period of service to the Company. Provision for gratuity is made to cover obligations under the scheme in accordance with the actuarial recommendations. The latest actuarial valuation was carried out as at June 30, 2014, details are given in the related note.

3.11.1 CHANGE IN ACCOUNTING POLICY DUE TO APPLICATION OF IAS 19

In the current year, the Company applied IAS 19 Employee benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permit under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension and gratuity assets or liability recognised in the balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or assets. These changes have had an impact on the amounts recognised in the profit and loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduce certain changes in the presentation of the defined benefit cost including more extensive disclosures.

The Company has applied the relevant transitional provisions and restated the comparatives on the retrospective basis in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The Company has not presented third year balance sheet due to above changes as there is no financial impact on third year. Effect of retrospective application of change in accounting policy are as follows:

	June 30		
	As previously reported	Effect of Restatement	As Restated
	Rupees		
Effect on balance sheet 2013			
Employee benefits	-	-	-
Deferred grant/restricted fund	-	-	-
Effect on balance sheet 2012			
Employee benefits	-	-	-
Deferred grant/restricted fund	-	-	-
Effect on profit and loss account 2013			
Decrease in administrative and general expenses	884,265	(884,265)	-
Effect on profit and loss account 2012			
Decrease in administrative and general expenses	-	-	-
Effect on other comprehensive income 2013			
Remeasurement of post retirement benefits obligation	-	884,265	884,265
Effect on other comprehensive income 2012			
Remeasurement of post retirement benefits obligation	-	-	-

4 PROPERTY AND EQUIPMENT
AS AT JUNE 30, 2014

Particulars	COST				DEPRECIATION				Net book value as at June 30, 2014	Annual rate of depreciation (%)
	As at July 01, 2013	Additions/ adjustments	Disposals / adjustments	As at June 30, 2014	As at July 01, 2013	For the year	On disposals / adjustments	As at June 30, 2014		
(Rupees)										
Vehicles	30,792,946	-	(890,314)	29,902,632	10,686,874	4,813,190	(598,801)	14,901,263	15,001,369	20
Furniture and equipment	8,741,957	15,335,110	-	24,077,067	3,019,418	1,807,239	-	4,826,657	19,250,410	20
Computers and accessories	18,977,510	434,799	-	19,412,309	13,859,166	2,395,548	-	16,254,714	3,157,595	33.33
Communication equipment	868,872	97,917	(12,000)	954,789	601,212	115,691	(12,000)	704,903	249,886	20-33
TOTAL	59,381,285	15,867,826	(902,314)	74,346,797	28,166,670	9,131,668	(610,801)	36,687,537	37,659,260	

AS AT JUNE 30, 2013

Particulars	COST				DEPRECIATION				Net book value as at June 30, 2013	Annual rate of depreciation (%)
	As at July 01, 2012	Additions/ adjustments	Disposals / adjustments	As at June 30, 2013	As at July 01, 2012	For the year	On disposals / adjustments	As at June 30, 2013		
(Rupees)										
Vehicles	29,423,970	4,206,370	(2,837,394)	30,792,946	8,628,310	4,423,056	(2,364,492)	10,686,874	20,106,072	20
Furniture and equipment	7,813,497	928,460	-	8,741,957	1,496,039	1,523,379	-	3,019,418	5,722,539	20
Computer and accessories	15,048,427	3,929,083	-	18,977,510	12,229,877	1,629,289	-	13,859,166	5,118,344	33.33
Communication equipment	805,372	147,500	(84,000)	868,872	569,884	96,995	(65,667)	601,212	267,660	20-33
TOTAL	53,091,266	9,211,413	(2,921,394)	59,381,285	22,924,110	7,672,719	(2,430,159)	28,166,670	31,214,615	

5 INTANGIBLE ASSETS
AS AT JUNE 30, 2014

Particulars	COST				AMORTIZATION				Net book value as at June 30, 2014	Annual rate of amortization (%)
	As at July 01, 2013	Additions/ adjustments	Disposals / adjustments	As at June 30, 2014	As at July 01, 2013	For the year	On disposals / adjustments	As at June 30, 2014		
(Rupees)										
Digital Maps	7,500,000	-	-	7,500,000	7,499,990	-	-	7,499,990	10	20
Software's	6,114,589	-	-	6,114,589	6,114,399	-	-	6,114,399	190	33.33
TOTAL	13,614,589	-	-	13,614,589	13,614,389	-	-	13,614,389	200	

AS AT JUNE 30, 2013

Particulars	COST				AMORTIZATION				Net book value as at June 30, 2013	Annual rate of amortization (%)
	As at July 01, 2012	Additions/ adjustments	Disposals / adjustments	As at June 30, 2013	As at July 01, 2012	For the year	On disposals / adjustments	As at June 30, 2013		
(Rupees)										
Digital Maps	7,500,000	-	-	7,500,000	7,499,990	-	-	7,499,990	10	20
Software's	6,114,589	-	-	6,114,589	5,100,564	1,013,835	-	6,114,399	190	33.33
TOTAL	13,614,589	-	-	13,614,589	12,600,554	1,013,835	-	13,614,389	200	

	Note	June 30, 2014	June 30, 2013
		(Rupees)	
6			
ADVANCES, DEPOSITS AND PREPAYMENTS			
Advances to employees and contractors-Considered good		691,324	512,578
Prepayments		13,088,382	6,064,452
Security deposits		127,500	73,500
		<u>13,907,206</u>	<u>6,650,530</u>

	Note	June 30, 2014	June 30, 2013
		(Rupees)	
7			
CASH AND BANK BALANCES			
Cash in hand		34,603	47,246
Cash at bank - local currency deposit account	7.1	2,236,261,300	1,336,242,696
		<u>2,236,295,903</u>	<u>1,336,289,942</u>

7.1 Local currency deposit account carry interest ranging 7.75% to 8.80% (2013: 8.5 % to 10%) per annum.

	Note	June 30, 2014	June 30, 2013
		(Rupees)	
8			
DEFERRED GRANTS/RESTRICTED FUND			
Government grant for operational expenditure and subsidy disbursements	8.1	2,301,641,930	1,428,944,064
Government grant for capital expenditure	8.2	37,659,460	31,214,815
		<u>2,339,301,390</u>	<u>1,460,158,879</u>

8.1 Government grant for operational expenditure and subsidy disbursements

Balance at the beginning of the year		1,428,944,064	126,235,084
Grant received during the year		4,792,500,000	3,615,000,000
Profit on bank deposit and other receipts	11	462,862,554	211,231,846
		<u>6,684,306,618</u>	<u>3,952,466,930</u>

Less: Grants transferred to:

Government grant for capital expenditure	8.2	15,576,313	8,720,178
Income and expenditure account		4,367,088,375	2,514,802,688
		<u>4,382,664,688</u>	<u>2,523,522,866</u>

Balance at the end of the year		<u>2,301,641,930</u>	<u>1,428,944,064</u>
--------------------------------	--	----------------------	----------------------

8.2 Government grant for capital expenditure

Balance at beginning of the year		31,214,815	31,181,191
Transferred from Government grant for operational expenditure and subsidy disbursements	8.1	15,576,313	8,720,178
Less: Depreciation/amortization charged during the year		(9,131,668)	(8,686,554)
Balance at end of the year		<u>37,659,460</u>	<u>31,214,815</u>

Up to June 30, 2014, the Company has utilized Rs 94.146 million (June 30, 2013: Rs.78.57 million) out of grant received for capital expenditure.

	Note	June 30, 2014	June 30, 2013
		(Rupees)	
9			
CREDITORS, ACCRUED AND OTHER LIABILITIES			
Payable to suppliers		11,766,537	14,407,390
Accrued liabilities		3,935,978	2,604,948
Payable to gratuity fund	9.1	5,793,627	306,098
Other liabilities		1,954,357	1,311,263
		<u>23,450,499</u>	<u>18,629,699</u>

9.1 The movement in liability is as follows:

Balance at beginning of the year		306,098	(3,551,106)
Charge for the year	9.1.1	8,540,940	7,147,550
Benefits paid		(3,053,411)	(3,290,346)
Balance at end of the year		<u>5,793,627</u>	<u>306,098</u>

9.1.1 Charge for the year is as follows:

Current service cost		8,512,424	6,724,929
Interest cost		(118,828)	(461,644)
Actuarial loss		147,344	884,265
		<u>8,540,940</u>	<u>7,147,550</u>

9.1.2 The movement in the defined benefit obligation:

Present value of obligation at beginning of the year		306,098	(3,551,106)
Current service cost		8,512,424	6,724,929
Interest cost		(118,828)	(461,644)
Benefits paid		(3,053,411)	(3,290,346)
Actuarial loss		147,344	884,265
Present value of obligation at end of the year		<u>5,793,627</u>	<u>306,098</u>

9.1.3 The principal actuarial assumptions used were as follows:

Actuarial Valuation of the plan was carried out as at June 30, 2014 by an independent Valuer, M/s Sidat Hyder Morshed Associates (Pvt.) Ltd, using Projected Unit Credit Method on following assumptions:

	June 30, 2014	June 30, 2013
Discount rate	13.25% per annum	10.5% per annum
Expected rate of eligible salary increase in future years	12.25 % per annum	9.5 % per annum
Average expected remaining working lifetime of employees	9 Years	6 Years

Assumed salary cost and discount rates have a significant effect on the amounts recognized in the other comprehensive income. A one percent change in assumed salary cost and discount rates would have the following effects on the present value of obligation;

	June 30, 2014 (Rupees)	
	1% increase	1% decrease
Impact of salary variation	2,969,932	(2,602,223)
Impact of discount rate variation	(2,429,145)	2,814,504

10 CONTINGENCIES AND COMMITMENTS

June 30, 2014 June 30, 2013

(Rupees)

10.1 Commitments

Subsidy grant disbursements	13	<u>12,151,258,268</u>	<u>14,112,630,829</u>
Technical auditors	14	<u>43,067,015</u>	<u>27,081,357</u>

10.2 Contingencies

10.2.1 The Company had been granted conditional approval as non profit organization under the Income Tax Ordinance, 2001. The exemption has been withdrawn on June 25, 2011. The company has filed an appeal against such withdrawal. Management and Tax Consultants of the Company are confident that the case shall be decided in favor of the Company.

10.2.2 Federal Board of Revenue has raised a demand of Rs. 3,939,571,607 (2013: 3,121,603,475) during current and last year through separate orders, treating the income of USF as taxable and by applying tax rate of 35% on grants received after allowing operational expenses during tax years 2008, 2009, 2010, 2011, 2012 and 2013. Subsequently the Commissioner Inland Revenue (appeal), through appellate orders remanded back to Additional Commissioner Inland Revenue for reconsideration for business expenses not allowed, however, Commissioner Inland Revenue (appeal) has not accepted USF's submission for use of Government grant for charitable purpose. USF has preferred appeal against the order of Commissioner Inland Revenue (appeal) to Appellate Tribunal for not acceptance of use of Government grant charitable purpose of USF operations which is exempt income. Management and Tax Consultants of the Company are confident that the case shall be decided in favor of the Company.

10.2.3 Litigations have been lodged against the Company by few ex-employees and suppliers involving an amount of Rs. 123.7 million. The management is contesting the claims which are pending in courts and believes that the contention of the claimants will not be successful and no material liability is likely to arise.

	Note	June 30, 2014	June 30, 2013
		(Rupees)	
11	PROFIT ON BANK DEPOSIT AND OTHER RECEIPTS		
Profit on deposit account	11.1	139,847,248	108,060,794
Gain on disposal of property and equipment		73,303	1,527,098
Liquidated damages	11.2	322,470,981	101,222,954
Miscellaneous receipts		471,022	421,000
		<u>462,862,554</u>	<u>211,231,846</u>

11.1 As per policy, profit on bank deposit and other receipts are adjusted against future funding from Ministry of Information Technology, Government of Pakistan and accordingly they are included in the deferred grant/restricted fund.

11.2 This represents liquidated damages recovered on part of Operators/vendors.

	Note	June 30, 2014	June 30, 2013
		(Rupees)	
12	ADMINISTRATIVE AND GENERAL EXPENSES		
Salaries and benefits	12.1	138,550,060	120,097,998
Legal and professional charges		1,731,103	9,969,930
Rent		18,538,000	12,880,500
Office supplies		2,704,923	1,555,337
Communication charges		1,730,931	1,258,443
Entertainment		488,206	956,382
Traveling		10,948,962	7,137,451
Printing and stationery		924,936	1,206,410
Vehicle fuel expenses		9,402,671	6,712,492
Repairs and maintenance		1,711,516	1,603,625
Advertisement		1,600,627	12,212,632
Depreciation	4	9,131,668	7,672,719
Amortization of intangible asset	5	-	1,013,835
Auditors' remuneration		140,000	140,000
Insurance expense		1,198,633	1,111,873
Bank charges		20,259	23,544
		<u>198,822,495</u>	<u>185,553,171</u>

12.1 Salaries and benefits include Rs. 8.39 million (June 30, 2013: Rs.6.26 million) charged in respect of staff gratuity.

13 SUBSIDY GRANT DISBURSEMENTS FOR PROJECTS
FOR THE YEAR ENDED JUNE 30, 2014

Amounts in Pak Rupees

SR	PROJECT /LOT	ALLOTTED TO	CONTRACT DATE	TOTAL SUBSIDY AS PER CONTRACT	SUBSIDY PAYMENTS			BALANCE COMMITMENT	BANK GUARANTEE	MILESTONES ACHIEVED
					PAYMENT TILL JUNE 30, 2013	PAID DURING THE YEAR	TOTAL			
A) RURAL TELECOM & E-SERVICES-RTes										
1	Malakand	Telenor Pakistan (Private) Limited (Telenor)	October 4, 2007	62,029,745	62,029,745	-	62,029,745	-	-	Contract Closed
2	Sukkur	Pakistan Mobile Communications Limited (PMCL)	January 15, 2008	112,300,000	112,300,000	-	112,300,000	-	-	Completed
3	DG Khan	Warid Telecom (Private) Limited (Warid)	February 7, 2008	91,000,000	72,800,000	-	72,800,000	18,200,000	-	up to 3rd
4	Pishin	Pakistan Telecommunication Company Limited (PTCL)	May 29, 2008	175,000,000	175,000,000	-	175,000,000	-	-	Completed
5	Manshra	Pakistan Telecommunication Company Limited (PTCL)	June 24, 2008	300,000,000	120,000,000	-	120,000,000	180,000,000	120,000,000	up to 1st
6	Dadu	Pakistan Telecommunication Company Limited (PTCL)	July 25, 2008	250,000,000	250,000,000	-	250,000,000	-	-	Completed
7	Bahawalpur	Telenor Pakistan (Private) Limited (Telenor)	September 22, 2008	248,381,865	248,381,865	-	248,381,865	-	-	Completed
8	Mirpur Khas	Telenor Pakistan (Private) Limited (Telenor)	March 13, 2009	930,000,000	930,000,000	-	930,000,000	-	-	Completed
9	Larkana	Pakistan Telecommunication Company Limited (PTCL)	May 17, 2009	228,000,000	136,800,000	-	136,800,000	91,200,000	91,200,000	up to 2nd
10	Nasirabad	CM Pak Limited	July 28, 2009	1,277,855,892	943,647,427	334,208,465	1,277,855,892	-	629,098,286	Completed
11	Mastung	Pakistan Telecommunication Company Limited (PTCL)	May 31, 2012	3,156,000,000	600,000,000	1,200,000,000	1,800,000,000	1,356,000,000	1,262,400,000	up to 2nd
12	Turbat	CM Pak Limited	February 21, 2013	3,952,561,742	303,638,412	303,638,412	607,276,824	3,345,284,918	1,581,024,697	up to 1st
TOTAL				10,783,129,244	3,954,597,449	1,837,846,877	5,792,444,326	4,990,684,918	3,683,722,983	
B) OPTICAL FIBER CABLE- OFC										
1	Sindh-Package	Wateen Telecom	February 11, 2009	449,000,000	441,048,210	7,951,790	449,000,000	-	179,600,000	Completed
2	Balochistan Package-1	Wateen Telecom	May 17, 2009	374,000,000	374,000,000	-	374,000,000	-	149,600,000	Completed
3	Balochistan Package-2	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	1,200,000,000	960,000,000	-	960,000,000	240,000,000	480,000,000	up to 3rd
4	Balochistan- Punjab Package-3	Wateen Telecom	November 24, 2009	986,000,000	394,400,000	197,200,000	591,600,000	394,400,000	394,400,000	up to 2nd
5	Balochistan- Punjab Package-5	Pakistan Telecommunication Company Limited (PTCL)	May 17, 2010	1,498,000,000	898,800,000	-	898,800,000	599,200,000	599,200,000	up to 2nd
6	Balochistan-Package-4	Wateen Telecom	July 13, 2011	1,975,000,000	395,000,000	790,000,000	1,185,000,000	790,000,000	790,000,000	up to 2nd
TOTAL				6,482,000,000	3,463,248,210	995,151,790	4,458,400,000	2,023,600,000	2,592,800,000	
C) BROADBAND										
1	FTR	Pakistan Telecommunication Company Limited (PTCL)	April 27, 2009	1,191,620,000	476,648,000	-	476,648,000	714,972,000	476,648,000	up to 1st
2	FTR-1	Wateen Telecom	April 27, 2009	239,140,000	95,656,000	95,656,000	191,312,000	47,828,000	95,656,000	up to 3rd
3	MTR	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	1,161,044,000	435,099,600	261,526,800	696,626,400	464,417,600	464,417,600	up to 2nd
4	STR-1	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	480,651,511	387,291,979	93,359,532	480,651,511	-	219,822,300	Completed
5	MTR	World Call Telecom	July 28, 2009	785,721,250	785,721,250	-	785,721,250	-	314,288,500	Completed
6	HTR	Pakistan Telecommunication Company Limited (PTCL)	November 24, 2009	211,591,697	104,329,412	64,943,944	169,273,356	42,318,341	84,636,679	up to 3rd
7	HTR	Wateen Telecom	November 24, 2009	54,799,000	54,799,000	-	54,799,000	-	21,919,600	Completed
8	GTR	Pakistan Telecommunication Company Limited (PTCL)	March 22, 2010	394,283,250	229,562,950	164,720,300	394,283,250	-	157,714,000	Completed
9	GTR	World Call Telecom (value Revised)	March 30, 2010	479,212,250	479,212,250	-	479,212,250	-	192,566,100	Completed
10	GTR	Wateen Telecom	April 13, 2010	244,869,250	97,947,700	124,568,528	222,516,228	22,353,022	97,947,700	Completed, LD payable
11	CTR	Wateen Telecom	April 28, 2010	524,717,500	104,943,500	-	104,943,500	419,774,000	209,887,000	Mobilization Adv.
12	CTR	Pakistan Telecommunication Company Limited (PTCL)	April 28, 2010	512,772,000	102,554,400	-	102,554,400	410,217,600	205,108,800	Mobilization Adv.
13	STR-V	Pakistan Telecommunication Company Limited (PTCL)	May 8, 2012	1,206,175,000	241,235,000	-	241,235,000	964,940,000	482,470,000	Mobilization Adv.
14	RTR	Pakistan Telecommunication Company Limited (PTCL)	December 11, 2013	1,391,972,500	-	278,394,500	278,394,500	1,113,578,000	556,789,000	Mobilization Adv.
15	NTR-1	Pakistan Telecommunication Company Limited (PTCL)	December 11, 2013	1,162,000,000	-	232,400,000	232,400,000	929,600,000	464,800,000	Mobilization Adv.
TOTAL				10,040,569,208	3,595,091,041	1,315,569,604	4,910,570,645	5,129,998,563	4,044,671,279	
D) SPECIAL PROJECTS- TELECENTERS										
1	Broadband Mera Baghwal	NAYATEL- Broadband for MCT Mera Bhagwal	March 15, 2010	9,210,918	9,210,918	-	9,210,918	-	-	Completed
2	Broadband Pilot MCT Sites	PTCL- Broadband for Pilot MCT Sites	March 16, 2010	34,873,934	27,899,147	-	27,899,147	6,974,787	13,949,574	up to 3rd
3	Broadband Pilot MCT Sites	World Call- Broadband for Pilot MCT Sites	March 31, 2010	5,944,157	5,944,157	-	5,944,157	-	-	Completed
TOTAL				50,029,009	43,054,222	-	43,054,222	6,974,787	13,949,574	
E) SPECIAL PROJECTS-OTHER ICT SERVICES										
1	Rawalpindi / Sukkar / Kohat	Alshifa Trust- ICT for Disabled- Up gradation / Establishment of Computerized Low Vision rehabilitation centre	July 8, 2008	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)	September 15, 2008	6,494,118	6,494,118	-	6,494,118	-	-	Completed
3	Rawalpindi / Karachi / Multan	Oratier Technologies Pvt Ltd- Telemedicine Project	October 14, 2011	59,657,213	56,674,353	2,982,860	59,657,213	-	-	Completed
4	Petaro	Cadet College Petaro- Model ICT Labs	April 2, 2011	23,690,883	23,690,883	-	23,690,883	-	-	Completed
TOTAL				114,558,874	111,576,014	2,982,860	114,558,874	-	-	
GRAND TOTAL				27,470,286,338	11,167,476,936	4,151,551,131	15,319,028,067	12,151,258,268	10,335,143,836	

13.1 SUBSIDY GRANT DISBURSEMENTS FOR PROJECTS-continued
COMPARATIVE NOTE FOR THE YEAR ENDED JUNE 30, 2013

Amounts in Pak Rupees

SR	PROJECT /LOT	ALLOTTED TO	CONTRACT DATE	TOTAL SUBSIDY AS PER CONTRACT	SUBSIDY PAYMENTS			BALANCE COMMITMENT	BANK GUARANTEE	MILESTONES ACHIEVED
					PAYMENT TILL JUNE 30, 2012	PAID DURING THE YEAR	TOTAL			
A) RURAL TELECOM & E-SERVICES-RT&S										
1	Malakand	Telenor Pakistan (Private) Limited (Telenor)	October 4, 2007	62,029,745	62,029,745	-	62,029,745	-	-	Contract Closed
2	Sukkur	Pakistan Mobile Communications Limited (PMCL)	January 15, 2008	112,300,000	112,300,000	-	112,300,000	-	44,920,000	Completed
3	DG Khan	Warid Telecom (Private) Limited (Warid)	February 7, 2008	91,000,000	72,800,000	-	72,800,000	18,200,000	36,400,000	up to 3rd
4	Pishin	Pakistan Telecommunication Company Limited (PTCL)	May 29, 2008	175,000,000	175,000,000	-	175,000,000	-	70,000,000	Completed
5	Mansehra	Pakistan Telecommunication Company Limited (PTCL)	June 24, 2008	300,000,000	120,000,000	-	120,000,000	180,000,000	120,000,000	up to 1st
6	Dadu	Pakistan Telecommunication Company Limited (PTCL)	July 25, 2008	250,000,000	250,000,000	-	250,000,000	-	100,000,000	Completed
7	Bahawalpur	Telenor Pakistan (Private) Limited (Telenor)	September 22, 2008	248,381,865	248,381,865	-	248,381,865	-	99,352,746	Completed
8	Mirpur Khas	Telenor Pakistan (Private) Limited (Telenor)	March 13, 2009	930,000,000	930,000,000	-	930,000,000	-	372,000,000	Completed
9	Larkana	Pakistan Telecommunication Company Limited (PTCL)	May 17, 2009	228,000,000	136,800,000	-	136,800,000	91,200,000	91,200,000	up to 2nd
10	Nasirabad	CM Pak Limited	July 28, 2009	1,572,745,714	629,098,285	314,549,142	943,647,427	629,098,287	629,098,286	up to 2nd
11	Masung	Pakistan Telecommunication Company Limited (PTCL)	June 5, 2012	3,156,000,000	-	600,000,000	600,000,000	2,556,000,000	1,262,400,000	Mobilization Adv.
12	Turbat	CM Pak Limited	February 21, 2013	3,952,561,742	-	303,638,412	303,638,412	3,648,923,330	1,581,024,697	Mobilization Adv.
TOTAL				11,078,019,066	2,736,409,895	1,218,187,554	3,954,597,449	7,123,421,617	4,406,395,729	

B) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Wateen Telecom	February 11, 2009	449,000,000	351,248,210	89,800,000	441,048,210	7,951,790	179,600,000	up to 4th
2	Balochistan Package-1	Wateen Telecom	May 17, 2009	374,000,000	149,600,000	224,400,000	374,000,000	-	149,600,000	up to 4th
3	Balochistan Package-2	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	1,200,000,000	720,000,000	240,000,000	960,000,000	240,000,000	480,000,000	up to 3rd
4	Balochistan- Punjab Package-3	Wateen Telecom	November 24, 2009	986,000,000	394,400,000	-	394,400,000	591,600,000	394,400,000	up to 1st
5	Balochistan- Punjab Package-5	Pakistan Telecommunication Company Limited (PTCL)	May 17, 2010	1,498,000,000	898,800,000	-	898,800,000	599,200,000	599,200,000	up to 2nd
6	Balochistan-Package-4	Wateen Telecom	July 13, 2011	1,975,000,000	395,000,000	-	395,000,000	1,580,000,000	790,000,000	Mobilization Adv.
TOTAL				6,482,000,000	2,909,048,210	554,200,000	3,463,248,210	3,018,751,790	2,592,800,000	

C) BROADBAND

1	FTR	Pakistan Telecommunication Company Limited (PTCL)	April 27, 2009	1,191,620,000	476,648,000	-	476,648,000	714,972,000	476,648,000	up to 1st
2	FTR-1	Wateen Telecom	April 27, 2009	239,140,000	95,656,000	-	95,656,000	143,484,000	95,656,000	up to 1st
3	MTR	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	1,161,044,000	435,099,600	-	435,099,600	725,944,400	464,417,600	up to 1st
4	STR-1	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	549,555,618	387,291,979	-	387,291,979	162,263,639	219,822,300	up to 3rd
5	MTR	World Call Telecom	July 28, 2009	785,721,250	628,577,000	157,144,250	785,721,250	-	314,288,500	Completed
6	HTR	Pakistan Telecommunication Company Limited (PTCL)	November 24, 2009	211,591,697	104,329,412	-	104,329,412	107,262,285	84,636,679	up to 3rd
7	HTR	Wateen Telecom	November 24, 2009	54,799,000	54,799,000	-	54,799,000	-	21,919,600	Completed
8	GTR	Pakistan Telecommunication Company Limited (PTCL)	March 22, 2010	394,283,250	229,562,950	-	229,562,950	164,720,300	157,714,000	up to 2nd
9	GTR	World Call Telecom	March 30, 2010	479,212,250	385,132,200	94,080,050	479,212,250	-	192,566,100	Completed
10	GTR	Wateen Telecom	April 13, 2010	244,869,250	97,947,700	-	97,947,700	146,921,550	97,947,700	up to 1st
11	CTR	Wateen Telecom	April 28, 2010	524,717,500	104,943,500	-	104,943,500	419,774,000	209,887,000	Mobilization Adv.
12	CTR	Pakistan Telecommunication Company Limited (PTCL)	April 28, 2010	512,772,000	102,554,400	-	102,554,400	410,217,600	205,108,800	Mobilization Adv.
13	STR-V	Pakistan Telecommunication Company Limited (PTCL)	May 8, 2012	1,206,175,000	-	241,235,000	241,235,000	964,940,000	482,470,000	Mobilization Adv.
TOTAL				7,555,500,815	3,102,541,741	492,459,300	3,595,001,041	3,960,499,774	3,023,082,279	

D) SPECIAL PROJECTS- TELECENTERS

1	Broadband Mera Baghwal	NAYATEL- Broadband for MCT Mera Bhagwal	March 15, 2010	9,210,918	9,210,918	-	9,210,918	-	-	Completed
2	Broadband Sites	PTCL- Broadband for Pilot MCT Sites	March 16, 2010	34,873,934	27,899,147	-	27,899,147	6,974,787	13,949,574	up to 3rd
3	Broadband Sites	World Call- Broadband for Pilot MCT Sites	March 31, 2010	5,944,157	5,944,157	-	5,944,157	-	-	Completed
TOTAL				50,029,009	43,054,222	-	43,054,222	6,974,787	13,949,574	

E) SPECIAL PROJECTS-OTHER ICT SERVICES

1	Rawalpindi / Sukkur / Kohat	Alshifa Trust- ICT for Disabled- Up gradation / Establishment of Computerized Low Vision rehabilitation centre	July 8, 2008	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 Call(I.T Help & Audio World Programmes)	September 13, 2008	6,494,118	6,494,118	-	6,494,118	-	-	Completed
3	Rawalpindi / Karachi/Multan	Oranier Technologies Pvt Ltd- Telemedicine Project	October 14, 2011	59,657,214	8,948,582	47,725,771	56,674,353	2,982,861	11,931,433	up to 4th
4	Petaro	Cadet College Petaro- Model ICT Labs	April 2, 2011	23,690,883	23,690,883	-	23,690,883	-	-	Completed
TOTAL				114,558,875	63,850,243	47,725,771	111,576,014	2,982,861	11,931,433	

GRAND TOTAL				25,280,107,765	8,854,904,311	2,312,572,625	11,167,476,936	14,112,630,829	10,048,159,015	
--------------------	--	--	--	-----------------------	----------------------	----------------------	-----------------------	-----------------------	-----------------------	--

14 FEE PAYMENT TO TECHNICAL AUDITORS FOR PROJECTS
FOR THE YEAR ENDED JUNE 30, 2014

Amounts in Pak Rupees

SR	PROJECT /LOT	ALLOTTED TO	CONTRACT DATE	TOTAL COST AS PER CONTRACT	PAYMENTS			BALANCE COMMITMENT	MILESTONES ACHIEVED
					PAYMENT TILL JUNE 30, 2013	PAID DURING THE YEAR	TOTAL		
A) RURAL TELECOM & E-SERVICES-RTeS									
1	Malakand	Telecom Services & Consultants (Private) Limited-Tel-e-Com	August 2, 2008	5,000,000	5,000,000	-	5,000,000	-	Contract Closed
2	DG Khan	Telecom Services & Consultants (Private) Limited-Tel-e-Com	January 1, 2009	12,594,400	12,594,400	-	12,594,400	-	Completed
3	Sukkur	Optiwave Technologies (Pvt.) Ltd.	January 1, 2009	11,327,700	11,327,700	-	11,327,700	-	Completed
4	Bahawalpur	Telecom Services & Consultants (Private) Limited-Tel-e-Com	March 26, 2009	8,975,000	8,975,000	-	8,975,000	-	Completed
5	Dadu	Myson Engineering	April 15, 2009	6,400,000	6,400,000	-	6,400,000	-	Completed
6	Pishin	Myson Engineering	April 15, 2009	6,700,000	6,700,000	-	6,700,000	-	Completed
7	Mansehra	Optiwave Technologies (Pvt.) Ltd.	December 9, 2009	5,264,040	5,264,040	-	5,264,040	-	up to 2nd, Contract Closed
8	MirpurKhas	Telecom Services & Consultants (Private) Limited-Tel-e-Com	December 30, 2009	3,375,000	3,375,000	-	3,375,000	-	Completed
9	Nasirabad	Technology at Work	February 8, 2010	7,809,678	5,605,123	2,204,555	7,809,678	-	upto 4th 5th 50%&Idle days
10	Turbat	Technology at Work	May 21, 2014	6,916,952	-	1,383,390	1,383,390	5,533,562	up to 1st
11	Mastung	Komkonsult Private Limited	May 23, 2014	2,974,211	-	1,189,684	1,189,684	1,784,527	up to 2nd
TOTAL				77,336,981	65,241,263	4,777,629	70,018,892	7,318,089	

B) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Technology at Work	September 29, 2009	12,002,488	9,636,677	2,365,811	12,002,488	-	up to 5th & Idle days
2	Balochistan Package-1	Technology at Work	March 17, 2010	7,484,443	5,742,243	1,742,200	7,484,443	-	up to 5th& 2Idle days
3	Balochistan Package-2	Shaukat Hayat Javed	May 21, 2010	8,601,988	5,572,956	672,632	6,245,588	2,356,400	up to 3rd,two Idle days/All node
4	Balochistan- Punjab Package-3	Teralight Limited	September 27, 2010	835,858	835,858	-	835,858	-	up to 1st, Contract Closed
5	Balochistan- Punjab Package-5	Telecom Engineering & Consultancy House (Pvt) Limited- TEACH	May 19, 2011	2,850,000	1,482,000	285,000	1,767,000	1,083,000	up to 2nd, 3rd 50%
6	Balochistan- Punjab Package-4	Telecom Engineering & Consultancy House (Pvt) Limited- TEACH	October 28, 2013	3,952,193	-	2,055,138	2,055,138	1,897,055	up to 2nd
7	Balochistan- Punjab Package-3	Telecom Engineering & Consultancy House (Pvt) Limited- TEACH	April 16, 2014	8,974,928	-	2,243,732	2,243,732	6,731,196	2nd
TOTAL				44,701,898	23,269,734	9,364,513	32,634,247	12,067,651	

C) BROADBAND

1	STR-1	BIDCON	July 27, 2010	13,689,376	9,869,720	3,819,656	13,689,376	-	Completed
2	HTR-PTCL	People Logic	July 27, 2010	4,668,084	2,490,816	931,860	3,422,676	1,245,408	up to 3rd/4th 50% & Idle days
3	HTR-Wateen	People Logic	July 27, 2010	2,343,463	1,423,324	564,309	1,987,633	355,830	up to 4th & Idle days
4	MTR-World call	Emerging Systems	July 27, 2010	7,336,740	4,402,044	2,934,696	7,336,740	-	Completed
5	MTR-PTCL	Emerging Systems	July 27, 2010	11,005,110	3,301,533	1,100,511	4,402,044	6,603,066	up to 2nd
6	CTR	Optiwave Technologies (Pvt.) Ltd.	August 5, 2011	-	-	-	-	-	Advance refunded, Contract Closed
7	GTR-WorldCall	Technology at Work	August 5, 2011	3,578,175	2,146,905	-	2,146,905	1,431,270	up to 3rd
8	GTR-Wateen	Technology at Work	August 5, 2011	1,590,300	318,060	954,180	1,272,240	318,060	up to 4th
9	GTR-PTCL	Technology at Work	August 5, 2011	2,783,025	1,669,815	556,605	2,226,420	556,605	up to 4th
10	FTR-PTCL	Technology at Work	April 18, 2014	5,560,920	-	-	-	5,560,920	-
11	FTR-Wateen	Technology at Work	April 18, 2014	1,390,230	-	695,114	695,114	695,116	2nd & 3rd
12	STR-V PTCL	Seronic Pvt Limited	May 22, 2014	6,915,000	-	-	-	6,915,000	-
TOTAL				60,860,423	25,622,217	11,556,931	37,179,148	23,681,275	

GRAND TOTAL				182,899,302	114,133,214	25,699,073	139,832,287	43,067,015	
--------------------	--	--	--	--------------------	--------------------	-------------------	--------------------	-------------------	--

14.1 FEE PAYMENT TO TECHNICAL AUDITORS FOR PROJECTS-Continued
COMPARATIVE NOTE FOR THE YEAR ENDED JUNE 30, 2013

Amounts in Pak Rupees

SR	PROJECT /LOT	ALLOTTED TO	CONTRACT DATE	TOTAL COST AS PER CONTRACT	PAYMENTS			BALANCE COMMITMENT	MILESTONES ACHIEVED
					PAYMENT TILL JUNE 30, 2012	PAID DURING THE YEAR	TOTAL		

A) RURAL TELECOM & E-SERVICES-RTeS

1	Malakand	Telecom Services & Consultants (Private) Limited- Tel-e-Com	August 2, 2008	5,000,000	5,000,000	-	5,000,000	-	Contract Closed
2	DG Khan	Telecom Services & Consultants (Private) Limited- Tel-e-Com	January 1, 2009	12,594,400	12,594,400	-	12,594,400	-	Completed
3	Sukkur	Optiwave Technologies (Pvt.) Ltd.	January 1, 2009	11,327,700	11,327,700	-	11,327,700	-	Completed
4	Bahawalpur	Telecom Services & Consultants (Private) Limited- Tel-e-Com	March 26, 2009	8,975,000	8,975,000	-	8,975,000	-	Completed
5	Dadu	Myson Engineering	April 15, 2009	6,400,000	6,400,000	-	6,400,000	-	Completed
6	Pishin	Myson Engineering	April 15, 2009	6,700,000	6,700,000	-	6,700,000	-	Completed
7	Mansehra	Optiwave Technologies (Pvt.) Ltd.	December 9, 2009	5,264,040	5,264,040	-	5,264,040	-	up to 2nd, Contract Closed
8	MirpurKhas	Telecom Services & Consultants (Private) Limited- Tel-e-Com	December 30, 2009	3,375,000	3,375,000	-	3,375,000	-	Completed
9	Nasirabad	Technology at Work	February 8, 2010	8,390,713	928,530	4,676,593	5,605,123	2,785,590	up to 2nd & Idle days
TOTAL				68,026,853	60,564,670	4,676,593	65,241,263	2,785,590	

B) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Technology at Work	September 29, 2009	9,636,677	4,368,045	5,268,632	9,636,677	-	up to 5th & Idle days
2	Balochistan Package-1	Technology at Work	March 17, 2010	5,742,243	982,395	4,759,848	5,742,243	-	up to 5th & Idle days
3	Balochistan Package-2	Shaukat Hayat Javed	May 21, 2010	7,929,356	2,356,400	3,216,556	5,572,956	2,356,400	up to 3rd & Idle days
4	Balochistan- Punjab Package-3	Teralight Limited	September 27, 2010	835,858	835,858	-	835,858	-	up to 1st, Contract Closed
5	Balochistan- Punjab Package-5	Telecom Engineering & Consultancy House (Pvt) Limited- TEACH	May 19, 2011	2,850,000	1,482,000	-	1,482,000	1,368,000	up to 2nd
TOTAL				26,994,134	10,024,698	13,245,036	23,269,734	3,724,400	

C) BROADBAND

1	STR-1	BIDCON	July 27, 2010	13,969,720	4,100,000	5,769,720	9,869,720	4,100,000	up to 3rd & Idle days
2	HTR-PTCL	People Logic	July 27, 2010	4,151,360	2,490,816	-	2,490,816	1,660,544	up to 3rd
3	HTR-Wateen	People Logic	July 27, 2010	1,779,154	1,423,324	-	1,423,324	355,830	up to 4th
4	MTR-World call	Emerging Systems	July 27, 2010	7,336,740	2,934,696	1,467,348	4,402,044	2,934,696	up to 3rd
5	MTR-PTCL	Emerging Systems	July 27, 2010	11,005,110	2,201,022	1,100,511	3,301,533	7,703,577	up to 2nd (Partial)
6	CTR	Optiwave Technologies (Pvt.) Ltd.	August 5, 2011	-	1,780,027	(1,780,027)	-	-	Advance paid, refunded, Contract Closed
7	GTR-WorldCall	Technology at Work	August 5, 2011	3,578,175	2,146,905	-	2,146,905	1,431,270	up to 3rd
8	GTR-Wateen	Technology at Work	August 5, 2011	1,590,300	318,060	-	318,060	1,272,240	up to 1st
9	GTR-PTCL	Technology at Work	August 5, 2011	2,783,025	1,669,815	-	1,669,815	1,113,210	up to 3rd
TOTAL				46,193,584	19,064,665	6,557,552	25,622,217	20,571,367	

GRAND TOTAL				141,214,571	89,654,033	24,479,181	114,133,214	27,081,357	
--------------------	--	--	--	--------------------	-------------------	-------------------	--------------------	-------------------	--

15 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk.

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

The 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.

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.

15.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash at bank, deposits, accrued profit on bank deposit and other receivable. The management of the Company is not exposed to significant concentration of credit risk against these financial assets. The Company has placed funds in a financial institution with high credit ratings. The Company assesses the credit quality of counter parties as satisfactory.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

15.1.1 Counterparties

The Company conducts transactions with the following major counterparty:

Banks

The Company limits its exposure to credit risk by maintaining bank accounts only with counterparties that have a credit rating of at least A 1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations. The credit quality of Company's bank balance can be assessed with reference to external credit ratings as follows:

Bank	Rating Agency	Rating			
		Short term	Long term		
National Bank of Pakistan	JCR-VIS	A-1+	AAA		
2014					
Description	Less than 1 month	1-3 Months	3 months to 1 year	1-5 Years	More than 5 Years
Deposits	-	-	-	127,500	-
Other receivables	1,000	2,000	9,677	4,500	380,485
Accrued profit on bank deposit	-	74,491,658	-	-	-
Bank balance	-	25,000,000	1,797,000,000	414,261,300	-
	1,000	99,493,658	1,797,009,677	414,393,300	380,485

	2013				
	Less than 1 month	1-3 Months	3 months to 1 year	1-5 Years	More than 5 Years
Deposits	-	-	8,500	65,000	-
Other receivables	53,200	7,000	8,000	25,875	353,485
Accrued profit on bank deposit	104,185,731	-	-	-	-
Bank balance	-	1,336,242,696	-	-	-
	<u>104,238,931</u>	<u>1,336,249,696</u>	<u>16,500</u>	<u>90,875</u>	<u>353,485</u>

June 30, 2014 June 30, 2013
----- (Rupees) -----

The maximum exposure to credit risk for financial assets at the reporting date by counterparty was:

From other parties	75,016,820	104,706,791
Bank balances	<u>2,236,261,300</u>	<u>1,336,242,696</u>
	<u>2,311,278,120</u>	<u>1,440,949,487</u>

Further, the management of the Company is not exposed to significant concentration of credit risk against these financial assets.

15.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The Company's approach to managing the liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Company's reputation. Further, the Company is fully funded by the Ministry of Information Technology, Government of Pakistan. The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

Description	2014				
	Less than 1 month	1-3 Months	3 months to 1 year	1-5 Years	More than 5 Years
Payable to suppliers	6,798,726	2,279,027	2,688,784	-	-
Accrued liabilities	2,507,534	1,090,291	338,153	-	-
Payable to gratuity fund	-	5,793,627	-	-	-
Other liabilities	895,381	100,000	450,000	508,976	-
	<u>10,201,641</u>	<u>9,262,945</u>	<u>3,476,937</u>	<u>508,976</u>	<u>-</u>

Description	2013				
	Less than 1 month	1-3 Months	3 months to 1 year	1-5 Years	More than 5 Years
Payable to suppliers	6,474,173	5,429,767	862,230	1,641,220	-
Accrued liabilities	1,984,115	32,071	324,022	264,740	-
Payable to gratuity fund	-	-	306,098	-	-
Other liabilities	108,911	424,000	625,000	153,352	-
	<u>8,567,199</u>	<u>5,885,838</u>	<u>2,117,350</u>	<u>2,059,312</u>	<u>-</u>

15.3 Market Risk

Market risk is the risk that arises due to changes in market prices, such as foreign exchange rates and interest rate. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The effective interest rates are mentioned in respective notes in these financial statements.

a) Interest rate risk

The Company has no interest-bearing liabilities so it is not exposed to interest rate risk.

b) Foreign currency risk

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

15.4 Capital risk management

The Board's objective when managing funds is to safeguard the Company's ability to continue as a going concern so that it can achieve its primary objective.

15.5 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

16 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 18 to these financial statements.

Significant transactions with State-controlled entities are as follows:

	June 30, 2014	June 30, 2013
	(Rupees)	
<u>State-controlled entities</u>		
Grant received during the year	<u>4,792,500,000</u>	<u>3,615,000,000</u>
<u>Associate due to common directorship</u>		
Subsidy grant disbursement-PTCL& CM Pak	<u>2,933,191,953</u>	<u>1,699,422,554</u>
<u>USF Employees' Gratuity Fund</u>		
Contributions paid by the company	<u>3,053,411</u>	<u>3,290,346</u>

17 REMUNERATION OF CHIEF EXECUTIVE

Gross salary:

Managerial	4,883,064	7,354,167
Allowances	3,785,722	4,653,833
Total	<u>8,668,786</u>	<u>12,008,000</u>

The policy of company maintained vehicle is discontinued. Monetization allowance is provided in lieu of Company vehicle to the entitled employees across the board. Expense for fuel and driver for the current period is amounting to Rs. 521,539 (2013: 711,019) Further chief executive officer is also entitled to gratuity.

18 **CORRESPONDING FIGURES**

Certain corresponding figures have been changed as a result of restatement of prior year figures as referred in note 3.11.1

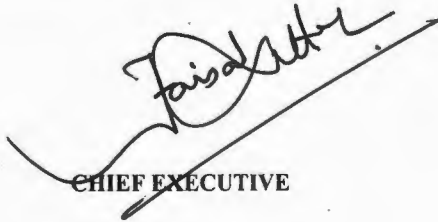
19 **GENERAL**

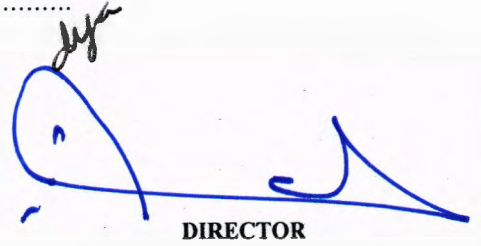
Figures have been rounded off to the nearest Pak Rupee.

20 **DATE OF AUTHORIZATION FOR ISSUE**

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

11 9 OCT 2015


CHIEF EXECUTIVE


DIRECTOR