

**UNIVERSAL SERVICE FUND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013**

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the accompanying financial statements of UNIVERSAL SERVICE FUND ("the Company") which comprises the statement of financial position as at June 30, 2013 and the related income and expenditure account, statement of cash flows and statement of changes in fund balance (restricted) 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud and error: selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement.

An audit involves performing procedures to obtain evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement whether due to fraud or error. In making those risk assessment, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion these financial statements present fairly, in all material respects the financial position of Universal Service Fund as at June 30, 2013 and of its financial performance and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.



Chartered Accountants
Audit Engagement Partner: Mohammad Saleem


Date:
Islamabad

**UNIVERSAL SERVICE FUND
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2013**

		June 30, 2013		June 30, 2012
	Note	------(Rupees)-----		
NON CURRENT ASSETS				
Property and equipment	4	31,214,615		30,167,156
Intangible assets	5	200		1,014,035
		31,214,815		31,181,191
CURRENT ASSETS				
Advances, deposits and prepayments	6	6,650,530		6,414,047
Other receivables	7	94,075		1,243,992
Accrued profit on bank deposit		104,185,731		29,504,483
Tax refund due from Government		353,485		341,735
Cash and bank balances	8	1,336,289,942		100,612,869
		1,447,573,763		138,117,126
TOTAL ASSETS		1,478,788,578		169,298,317
NON-CURRENT LIABILITIES				
Fund balance (restricted)		1,428,944,064		126,235,084
Deferred grant	9	31,214,815		31,181,191
		1,460,158,879		157,416,275
CURRENT LIABILITIES				
Creditors, accrued and other liabilities	10	18,629,699		11,882,042
TOTAL LIABILITIES		1,478,788,578		169,298,317
CONTINGENCIES AND COMMITMENTS	11			

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


 CHIEF EXECUTIVE

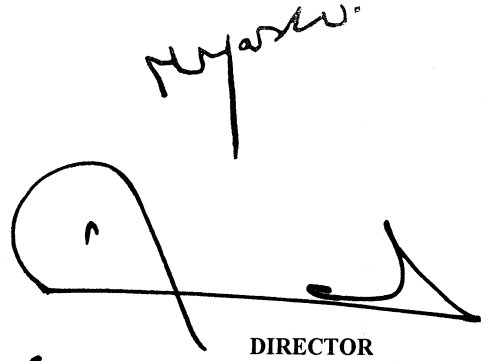

 DIRECTOR

**UNIVERSAL SERVICE FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	June 30, 2013	June 30, 2012
		-----(Rupees)-----	-----
INCOME			
Grants transferred from fund balance		2,514,802,688	1,617,746,556
Amortization of deferred grant	9	8,686,554	7,348,821
		2,523,489,242	1,625,095,377
EXPENDITURE			
Administrative and general expenses	13	186,437,436	167,966,343
Subsidy grant disbursements for projects	14	2,312,572,625	1,444,605,074
Fee payment to technical auditors for projects	15	24,479,181	12,523,960
		2,523,489,242	1,625,095,377
Surplus / (Deficit) for the year		-	-

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


CHIEF EXECUTIVE


DIRECTOR

**UNIVERSAL SERVICE FUND
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2013**

	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Subsidy grant disbursement	(2,312,572,625)	(1,444,605,074)
Technical audit fee	(24,479,181)	(12,523,960)
Profit on bank deposit and other receipts	135,023,500	72,726,596
Cash payment to suppliers and employees	(173,774,651)	(161,156,461)
Advance taxes paid	(11,750)	(56,125)
	(2,375,814,707)	(1,545,615,024)
Net cash used in operating activities	(2,375,814,707)	(1,545,615,024)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(5,526,553)	(23,479,823)
Proceeds from disposal of property and equipment	2,018,333	875,789
	(3,508,220)	(22,604,034)
Net cash from investing activities	(3,508,220)	(22,604,034)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant received	3,615,000,000	1,159,751,000
Net cash from financing activities	3,615,000,000	1,159,751,000
Net increase / (decrease) in cash and cash equivalents	1,235,677,073	(408,468,058)
Cash and cash equivalents at beginning of the year	100,612,869	509,080,927
Cash and cash equivalents at end of the year	1,336,289,942	100,612,869

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



CHIEF EXECUTIVE



DIRECTOR

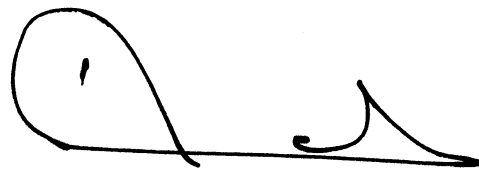
**UNIVERSAL SERVICE FUND
STATEMENT OF CHANGES IN FUND (RESTRICTED)
AS AT JUNE 30, 2013**

	June 30, 2013	June 30, 2012
Note	------(Rupees)-----	
Balance at the beginning of the year	126,235,084	539,836,436
Grant received during the year for:		
Operational and capital expenditure	160,408,426	47,417,000
Subsidy grant disbursements	3,423,787,532	1,107,897,000
Fee payment to technical auditor	30,804,042	4,437,000
	3,615,000,000	1,159,751,000
Profit on bank deposit and other receipts	12 211,231,846	72,895,624
	3,952,466,930	1,772,483,060
Less: Grants transferred to:		
Deferred grant for capital expenditure	9 8,720,178	28,501,420
Income and expenditure account	2,514,802,688	1,617,746,556
	2,523,522,866	1,646,247,976
Balance at the end of the year	1,428,944,064	126,235,084

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

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CHIEF EXECUTIVE


DIRECTOR

**UNIVERSAL SERVICE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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"). The Company 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.

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 Standard Board (IASB) as are notified under the Companies Ordinance, 1984 and the 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 Functional and presentation currency

These financial statements have been prepared in Pak rupees which is the Company's functional and presentational currency.

2.3 Significant estimates

The preparation of financial statements requires use of certain critical accounting estimates. It also requires the 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. The matters involving a higher degree of judgment or areas where assumptions and estimates are significant to the financial statements are disclosed in respective notes to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for modification of defined benefit plan which is measured at present value.

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3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged by using the straight line method at the rates disclosed in note 4 to these financial statements. Depreciation on additions to property and equipment is charged from the month in which they are available for use while no depreciation is charged for the month in which the asset is disposed off.

The Company reviews the useful lives of property and equipment on regular basis. Any change in the estimates regarding future useful life might effect the carrying amounts of the respective items of property and equipment with a corresponding affect on the depreciation charge and impairment losses, if any.

Assets' residual values, if significant, and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred.

Gains and losses on disposal are recognized in fund account as and when incurred.

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 stated at original invoice value as reduced by appropriate provision for impairment, if any. Known bad receivables are written off.

3.5 Cash and cash equivalents

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

3.6 Grant/Fund

Amounts received for capital expenditure and ongoing administrative expenses together with the interest income and other receipts are recognized in fund balance. Actual grant utilized for capital expenditure is transferred to deferred grant. An amount equal to the annual charge for depreciation and amortization on assets so acquired is recognized as income in the income and expenditure account. An amount equivalent to the administrative expenses incurred during the period is transferred to income and expenditure account and the remaining unspent amount is included in the fund balance.

3.7 Funds received for subsidy and subsidy grant disbursements

Amounts received from Government of Pakistan for subsidy to selected contributors to the Fund for execution of the projects in un-served and under-served areas of Pakistan are initially recognized in the fund balance and grants equal to actual disbursement to the contributors are transferred to income and expenditure account. Any un-distributed subsidy amount remains in the closing balance of the fund.

3.8 State-controlled entities

Provisions are recognized when the Company has a present obligation (legal or constructive) 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 can be made of the amount. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of outflow of economic benefits expected to be required to settle the obligation.

3.9 Creditors and other payables

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

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3.10 Impairment

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

The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount of an asset or a cash generating unit exceeds its estimated recoverable amount. Impairment losses/reversal of impairment losses are recognized in income and expenditure account.

3.11 Financial assets and Financial liabilities

Financial assets and financial liabilities are recognized when the company becomes a party to contractual provisions of the instrument. The Company de-recognizes financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments.

3.12 Offsetting

A financial asset and 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 recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.13 Staff retirement gratuity

The Company operates a funded gratuity scheme for employees who have completed the minimum qualifying period of service to the Company. Provision for gratuity is made to cover obligations under the scheme in accordance with the actuarial recommendations. The latest actuarial valuation was carried out as at June 30, 2013 on the Projected Unit Credit Method based on the following significant assumptions:

Discount rate	10.5% per annum
Expected rate of increase in salary	9.5% per annum
Average expected remaining working life time of the employee	6 Years

The fund is not yet registered. The registration of the Fund is in process.

3.14 Taxation

The Company had been granted conditional approval as non profit organization under the Income Tax Ordinance, 2001. The exemption is withdrawn on June 29, 2011. The Company has filed an appeal against such withdrawal as provisions of Clause 59 of Part 1 of 2nd Schedule read with Section 53 of the Income Tax Ordinance, 2001, have not been considered in withdrawl. The Company enjoys the exemption owing to the nature of its operations and accordingly, provision for taxation has not been made in these financial statements.

3.15 New accounting standards, amendments and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning as mentioned there against:

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 – Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in statement of earnings, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in statement of earnings is calculated based on the rate used to discount the defined benefit obligation. The Company does not plan to adopt this change early and the extent of the impact has not been determined.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations:

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’ is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Company.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

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**4 PROPERTY AND EQUIPMENT
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	12,489,470	21,140,870	(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
Computers 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
Capital work in process	16,934,500	4,062,378	(20,996,878)	-	-	-	-	-	-	20
TOTAL	53,091,266	30,208,291	(23,918,272)	59,381,285	22,924,110	7,672,719	(2,430,159)	28,166,670	31,214,615	

As at June 30, 2012

Particulars	COST				DEPRECIATION				Net book value as at June 30, 2012	Annual rate of depreciation (%)
	As at July 01, 2011	Additions	Disposals	As at June 30, 2012	As at July 01, 2011	For the year	On disposals / adjustments	As at June 30, 2012		
(Rupees)										
Vehicles	12,972,630	2,973,751	(3,456,911)	12,489,470	9,029,706	2,328,746	(2,730,142)	8,628,310	3,861,160	20
Furniture and equipment	1,704,383	6,109,114	-	7,813,497	924,285	571,754	-	1,496,039	6,317,458	20
Computer and accessories	12,042,356	3,006,071	-	15,048,427	10,749,942	1,479,935	-	12,229,877	2,818,550	33.33
Communication equipment	716,952	220,420	(132,000)	805,372	527,357	158,860	(116,333)	569,884	235,488	20-33
Work In Process-Vehicles	-	16,934,500	-	16,934,500	-	-	-	-	16,934,500	20
TOTAL	27,436,321	29,243,856	(3,588,911)	53,091,266	21,231,290	4,539,295	(2,846,475)	22,924,110	30,167,156	

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**5 INTANGIBLE ASSETS
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	

As at June 30, 2012

Particulars	COST			AMORTIZATION				Net book value as at June 30, 2012	Annual rate of amortization (%)	
	As at July 01, 2011	Additions	Disposals	As at June 30, 2012	As at July 01, 2011	For the year	On disposals / adjustments			As at June 30, 2012
(Rupees)										
Digital Maps	7,500,000	-	-	7,500,000	6,125,000	1,374,990	-	7,499,990	10	20
Software's	6,114,589	-	-	6,114,589	3,666,028	1,434,536	-	5,100,564	1,014,025	33.33
TOTAL	13,614,589	-	-	13,614,589	9,791,028	2,809,526	-	12,600,554	1,014,035	

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	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
6 ADVANCES, DEPOSITS AND PREPAYMENTS		
Advances to employees and contractors-Considered good	512,578	688,220
Prepayments	6,064,452	5,651,327
Security deposits	73,500	74,500
	<u>6,650,530</u>	<u>6,414,047</u>
7 OTHER RECEIVABLES		
	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Other receivables-unsecured considered good	7.1 <u>94,075</u>	<u>1,243,992</u>
7.1 This includes balance amounting to Rs. Nil (June 30, 2012: Rs. 1,013,955) incurred on behalf of National Information Communication Technologies Research and Development Fund Company, an associated entity. This is interest free and recoverable on demand. The maximum exposure against this receivable is Nil at the year end (2012: Rs. 1,013,955).		
8 CASH AND BANK BALANCES		
	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Cash in hand	47,246	21,907
Cash at bank - local currency deposit account	8.1 <u>1,336,242,696</u>	<u>100,590,962</u>
	<u>1,336,289,942</u>	<u>100,612,869</u>
8.1 Local currency deposit account carry interest ranging 8.5% to 10% (2012: 9% to 10%) per annum. The maximum exposure is the carrying amount. Cash at bank is placed with a bank with strong credit rating and the management believes that credit risk is not significant.		
9 DEFERRED GRANT		
	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Balance at beginning of the year	31,181,191	10,028,592
Transferred from fund balance	8,720,178	28,501,420
Less: Depreciation/amortization charged during the year	<u>(8,686,554)</u>	<u>(7,348,821)</u>
Balance at end of the year	<u>31,214,815</u>	<u>31,181,191</u>
Up to period end, the Company has utilized Rs.78.57 million (June 30, 2012: Rs.69.85 million) out of grant received for capital expenditure.		
10 CREDITORS, ACCRUED AND OTHER LIABILITIES		
	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Payable to suppliers	14,407,390	10,622,742
Accrued liabilities	2,604,948	2,957,807
Payable to gratuity fund	10.1 <u>306,098</u>	<u>(3,551,106)</u>
Other liabilities	<u>1,311,263</u>	<u>1,852,599</u>
	<u>18,629,699</u>	<u>11,882,042</u>
10.1 The movement in liability is as follows:		
Balance at beginning of the year	(3,551,106)	11,523
Charge for the year	7,147,550	4,444,633
Benefits paid	<u>(3,290,346)</u>	<u>(8,007,262)</u>
Balance at end of the year	<u>306,098</u>	<u>(3,551,106)</u>
10.1.1 Charge for the year is as follows:		
Current service cost	6,724,929	5,951,264
Interest cost	2,303,448	2,227,028
Actuarial (gain)/loss	<u>(1,880,827)</u>	<u>(3,733,659)</u>
	<u>7,147,550</u>	<u>4,444,633</u>
10.1.2 The movement in the defined benefit obligation is as follows:		
Present value of obligation at beginning of the year	(3,551,106)	11,523
Current service cost	6,724,929	5,951,264
Interest cost	2,303,448	2,227,028
Benefits paid	<u>(3,290,346)</u>	<u>(8,007,262)</u>
Actuarial gains	<u>(1,880,827)</u>	<u>(3,733,659)</u>
Present value of obligation at end of the year	<u>306,098</u>	<u>(3,551,106)</u>

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10.1.3 The principal actuarial assumptions used were as follows:

Actuarial Valuation of the plan was carried out as at June 30, 2013 from an independent Valuer using Projected Unit Credit Method on following assumptions:	
Discount rate	10.5% per annum
Expected rate of eligible salary increase in future years	9.5 % per annum
Average expected remaining working lifetime of employees	6 Years

11 CONTINGENCIES AND COMMITMENTS

	June 30, 2013	June 30, 2012
11.1 Commitments	Note	(Rupees)
Subsidy grant disbursements	14	<u>14,112,630,829</u>
Technical auditors	15	<u>27,081,357</u>
		<u>12,722,963,692</u>
		<u>38,597,556</u>

11.2 Contingencies

The Deputy Commissioner, Inland Revenue has issued order for the tax year 2011 u/s 122(5A) of the Income Tax Ordinance 2001 on June 4, 2013 and has raised a demand of Rs. 1281.852 million by treating the grant as taxable income. The Company has filed an appeal on June 18, 2013. The management firmly believes that the matter will be resolved in favor of the Company. Moreover, The Additional Commissioner, Inland Revenue has issued a notice for the tax year 2012 u/s 122(9) of the Income Tax Ordinance 2001 on June 22, 2013 in which it has stated that the claim of exemption of income to the tune of Rs. 1625.095 million for the tax year 2012 is not covered under clause (59) of Part-1 of second schedule to the Income Tax Ordinance 2001, and thus has caused a loss of revenue to the tune Rs. 568.783 million to the government exchequer. The company has made a reply to the notice on June 27, 2013. The management firmly believes that the matters will be resolved in favor of the Company.

	June 30, 2013	June 30, 2012
12 PROFIT ON BANK DEPOSIT AND OTHER RECEIPTS	Note	(Rupees)
Profit on deposit account-NBP	12.1	108,060,794
Gain on disposal of property and equipment		1,527,098
Miscellaneous receipts		59,921,853
		<u>101,643,954</u>
		<u>12,828,418</u>
		<u>211,231,846</u>
		<u>72,895,624</u>

12.1 As per understanding, profit on bank deposit and other receipts are adjusted against future funding from Ministry of Information Technology, Government of Pakistan and accordingly they are included in the fund balance.

12.2 This includes an amount of Rs. 101,222,954 (2012: 10,666,418) against liquid damages recovered on part of Operators/vendors.

	June 30, 2013	June 30, 2012
13 ADMINISTRATIVE AND GENERAL EXPENSES	Note	(Rupees)
Salaries and benefits	13.1	120,982,263
Legal and professional charges		93,626,880
Rent		9,969,930
Office supplies		10,323,971
Communication charges		12,880,500
Entertainment		9,002,400
Traveling		1,555,337
Printing and stationery		1,623,917
Vehicle fuel expenses		1,258,443
Repairs and maintenance		2,306,944
Advertisement		956,382
Depreciation		7,137,451
Amortization of intangible asset		7,226,125
Auditors' remuneration		1,206,410
Insurance expense		6,712,492
Bank charges		4,939,501
		1,603,625
		12,212,632
		28,280,736
		7,672,719
		4,539,295
		1,013,835
		2,809,526
		140,000
		140,000
		1,111,873
		602,491
		23,544
		32,414
		<u>186,437,436</u>
		<u>167,966,343</u>

13.1 Salaries and benefits include Rs.7,147,550 (June 30, 2012: Rs.4,444,663) and Rs. Nil (June 30, 2012 Rs.5,739,838) charged in respect of staff gratuity and bonuses respectively.

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14 SUBSIDY GRANT DISBURSEMENTS
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-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	-	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	Fishin	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	Mastung	Pakistan Telecommunication Company Limited (PTCL)	May 31, 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 (value Revised)	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.
11	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.
12	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 Beghwal	NAYATEL- Broadband for MCT Meera Bhagwal	March 15, 2010	9,210,918	9,210,918	-	9,210,918	-	-	Completed
2	Broadband 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 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 / 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 Café (IT 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	59,657,214	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	

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14.1 SUBSIDY GRANT DISBURSEMENTS-continued
COMPARATIVE NOTE FOR THE YEAR ENDED JUNE 30,2012

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, 2011	PAID DURING THE YEAR	TOTAL			
A) RURAL TELECOM & E-SERVICES-RTeS										
1	Malakand	Telenor Pakistan (Private) Limited (Telenor)	October 4, 2007	310,148,725	62,029,745	-	62,029,745	248,118,980	124,059,490	Mobilization Adv.
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	Fishin	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	-	629,098,285	943,647,429	629,098,286	up to 1st
11	Mastung	Pakistan Telecommunication Company Limited (PTCL)	June 5, 2012	3,156,000,000	-	-	-	3,156,000,000	1,262,400,000	
TOTAL				7,373,576,304	2,736,409,895	-	2,736,409,895	4,637,166,409	2,949,430,522	
B) OPTICAL FIBER CABLE- OFC										
1	Sindh-Package	Wateen Telecom	February 11, 2009	449,000,000	351,248,210	-	351,248,210	97,751,790	179,600,000	up to 3rd
2	Balochistan Package-1	Wateen Telecom	May 17, 2009	374,000,000	149,600,000	-	149,600,000	224,400,000	149,600,000	up to 1st
3	Balochistan Package-2	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	1,200,000,000	720,000,000	-	720,000,000	480,000,000	480,000,000	up to 2nd
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	2,514,048,210	395,000,000	2,909,048,210	3,572,951,790	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	232,208,800	202,890,800	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	314,288,500	314,288,500	628,577,000	157,144,250	314,288,500	up to 2nd
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	43,839,200	10,959,800	54,799,000	-	21,919,600	up to 4th
8	GTR	Pakistan Telecommunication Company Limited (PTCL)	March 22, 2010	394,283,250	78,856,650	150,706,300	229,562,950	164,720,300	157,714,000	up to 2nd
9	GTR	World Call Telecom	March 30, 2010	481,413,250	96,283,050	288,849,150	385,132,200	96,283,050	192,566,100	up to 3rd
10	GTR	Wateen Telecom	April 13, 2010	244,869,250	48,973,850	48,973,850	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	-	-	-	1,206,175,000	482,470,000	
TOTAL				7,557,703,815	2,085,873,341	1,016,668,400	3,102,541,741	4,455,162,074	3,023,082,279	
D) SPECIAL PROJECTS- TELECENTERS										
1	Broadband Mera Beghwal	NAYATEL- Broadband for MCT Meera Bhagwal	March 15, 2010	9,210,918	9,210,918	-	9,210,918	-	3,684,368	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	18,563,850	up to 3rd
3	Broadband Pilot MCT Sites	World Call- Broadband for Pilot MCT Sites	March 31, 2010	5,944,157	5,646,948	297,209	5,944,157	-	2,377,663	up to 3rd
TOTAL				50,029,009	42,757,013	297,209	43,054,222	6,974,787	24,625,881	
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	-	25,026,900	Completed
2	Rawalpindi / Islamabad	Pakistan Foundation Fighting Blindness-PPFB - ICT for Disabled- Up gradation of Audio World & Access Internet Café(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	59,657,214	-	8,948,582	8,948,582	50,708,632	-	Mobilization Adv.
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	31,210,778	32,639,465	63,850,243	50,708,632	25,026,900	
GRAND TOTAL				21,577,868,003	7,410,299,237	1,444,605,074	8,854,904,311	12,722,963,692	8,614,965,582	

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15
**PAYMENTS FOR TECHNICAL AUDIT
 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-Pacakege	Technology at Work	September 29, 2009	9,636,677	4,368,045	5,268,632	9,636,677	-	upto 5th & Idle days
2	Balochistan Package-1	Technology at Work	March 17, 2010	5,742,243	982,395	4,759,848	5,742,243	-	upto 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)
5	CTR	Optiwave Technologies (Pvt.) Ltd.	August 5, 2011	-	1,780,027	(1,780,027)	-	-	Advance paid, refunded, Contract Closed
4	GTR-WorldCall	Technology at Work	August 5, 2011	3,578,175	2,146,905		2,146,905	1,431,270	upto 3rd
5	GTR-Wateen	Technology at Work	August 5, 2011	1,590,300	318,060		318,060	1,272,240	up to 1st
6	GTR-PTCL	Technology at Work	August 5, 2011	2,783,025	1,669,815		1,669,815	1,113,210	upto 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	
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15.1 PAYMENTS FOR TECHNICAL AUDIT-Continued
COMPARATIVE NOTE FOR THE YEAR ENDED JUNE 30,2012

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, 2011	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	3,509,360	1,754,680	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	4,642,650	928,530	-	928,530	3,714,120	up to 1st
TOTAL				64,278,790	58,809,990	1,754,680	60,564,670	3,714,120	

B) OPTICAL FIBER CABLE- OFC

1	Sindh-Pacakage	Technology at Work	September 29, 2009	7,280,075	4,368,045	-	4,368,045	2,912,030	up to 3rd
2	Balochistan Package-1	Technology at Work	March 17, 2010	4,911,975	982,395	-	982,395	3,929,580	up to 1st
3	Balochistan Package-2	Shaukat Hayat Javed	May 21, 2010	5,891,000	2,356,400	-	2,356,400	3,534,600	up to 2nd
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				21,768,908	10,024,698	-	10,024,698	11,744,210	

C) BROADBAND

1	STR-1	BIDCON	July 27, 2010	8,200,000	4,100,000	-	4,100,000	4,100,000	up to 3rd
2	HTR-PTCL	People Logic	July 27, 2010	4,151,360	1,660,544	830,272	2,490,816	1,660,544	up to 3rd
3	HTR-Wateen	People Logic	July 27, 2010	1,779,154	1,067,493	355,831	1,423,324	355,830	up to 4th
4	MTR-World call	Emerging Systems	July 27, 2010	7,336,740	1,467,348	1,467,348	2,934,696	4,402,044	up to 2nd
5	MTR-PTCL	Emerging Systems	July 27, 2010	11,005,110	-	2,201,022	2,201,022	8,804,088	up to 1st
5	CTR	Optiwave Technologies (Pvt.) Ltd.	August 5, 2011	1,780,027	-	1,780,027	1,780,027	-	Mob. Adv., Contract Closed
4	GTR-WorldCall	Technology at Work	August 5, 2011	3,578,175	-	2,146,905	2,146,905	1,431,270	upto 3rd
5	GTR-Wateen	Technology at Work	August 5, 2011	1,590,300	-	318,060	318,060	1,272,240	up to 1st
6	GTR-PTCL	Technology at Work	August 5, 2011	2,783,025	-	1,669,815	1,669,815	1,113,210	upto 3rd
TOTAL				42,203,891	8,295,385	10,769,280	19,064,665	23,139,226	

GRAND TOTAL				128,251,589	77,130,073	12,523,960	89,654,033	38,597,556	
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16 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.

16.1 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:

Description	June 30, 2013	June 30, 2012
	------(Rupees)-----	
	Maturity up to one year	
Deposits	73,500	74,500
Other receivables	94,075	1,243,992
Accrued profit on bank deposit	104,185,731	29,504,483
Bank balance	1,336,242,696	100,590,962

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

16.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage 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. Further, the Company is fully funded by the Ministry of Information Technology, Government of Pakistan.

The following is the contractual maturities of financial liabilities:

Description	June 30, 2013	June 30, 2012
	------(Rupees)-----	
	Maturity up to one year	
Payable to suppliers	14,407,390	10,622,742
Accrued liabilities	2,604,948	2,957,807
Payable to gratuity fund	306,098	(3,551,106)
Other liabilities	1,311,263	1,852,599

16.3 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 interim financial statements.

a) Interest rate risk

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

b) Currency risk

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

16.4 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.

16.5 Fair values of financial assets and liabilities

The carrying values of Company's financial assets and liabilities reflected in these interim financial statements are approximate their respective fair values. The fair value hierarchy has not been presented in these interim financial statements as the Company does not hold any such financial instrument.

17 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. Balance with related party is disclosed in note 7.1 to these financial statements.

Significant transactions with State-controlled entities are as follows:

	June 30, 2013	June 30, 2012
Note	------(Rupees)-----	
<u>State-controlled entities</u>		
Grant received during the year	<u>3,615,000,000</u>	<u>1,159,751,000</u>
<u>Associate due to common directorship</u>		
Subsidy grant disbursement-PTCL & CM Pak	<u>1,699,422,554</u>	<u>353,597,100</u>
Expenses incurred on behalf of associates	<u>-</u>	<u>1,013,955</u>
<u>USF Employees' Gratuity Fund</u>		
Contributions paid by the company	<u>3,290,346</u>	<u>8,007,262</u>
18 REMUNERATION OF CHIEF EXECUTIVE	June 30, 2013	June 30, 2012
	------(Rupees)-----	
Gross salary:		
Managerial remuneration	<u>7,354,167</u>	<u>7,842,742</u>
Allowances	<u>4,653,833</u>	<u>4,765,645</u>
Total	<u>12,008,000</u>	<u>12,608,387</u>

Chief executive officer is also provided company maintained vehicle. Expense on account of fuel and driver salary for the current period is amounting to Rs.711,019. Further chief executive officer is also entitled to gratuity.

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

13 MAY 2014


CHIEF EXECUTIVE


DIRECTOR