

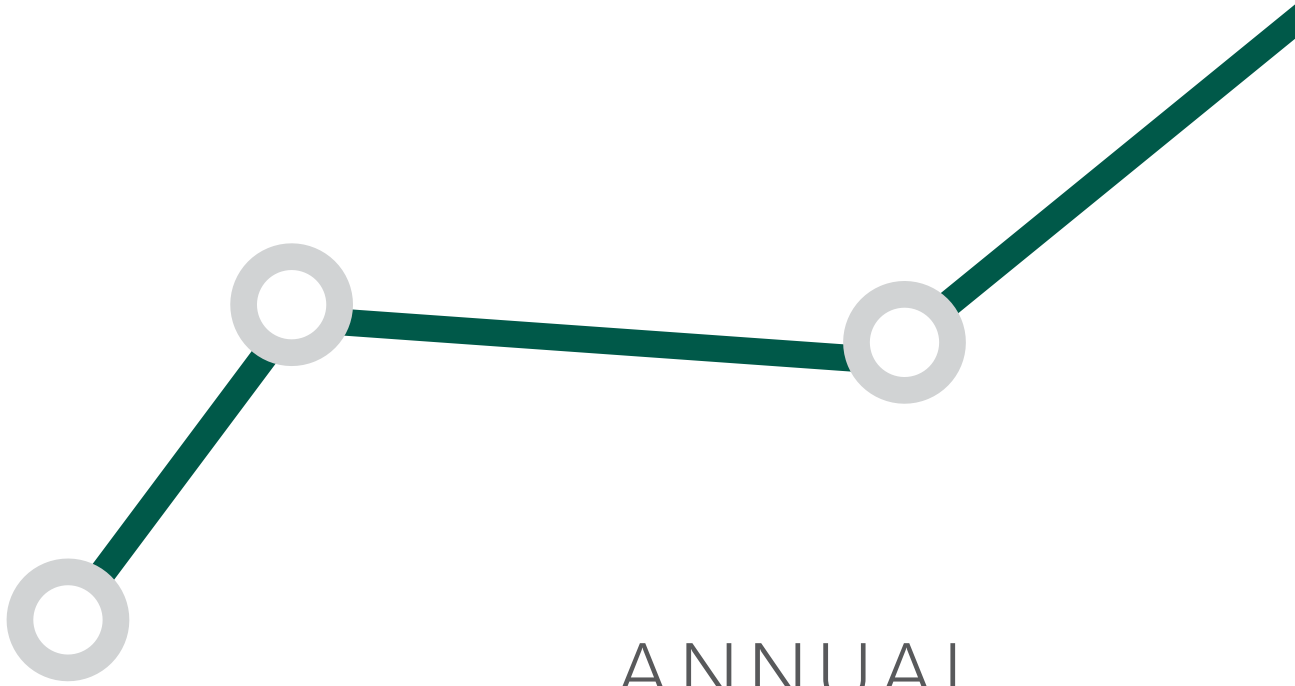


UNIVERSAL SERVICE FUND
EMPOWERING COMMUNITIES



Ministry of Information Technology
& Telecommunication

DIGITAL PAKISTAN



ANNUAL
REPORT

2019-20





UNIVERSAL SERVICE FUND
EMPOWERING COMMUNITIES



Ministry of Information Technology
& Telecommunication

DIGITAL PAKISTAN

VISION

To empower un-served & under-served communities through Information and Communication Technologies (ICTs) to achieve a digitally inclusive Pakistan.

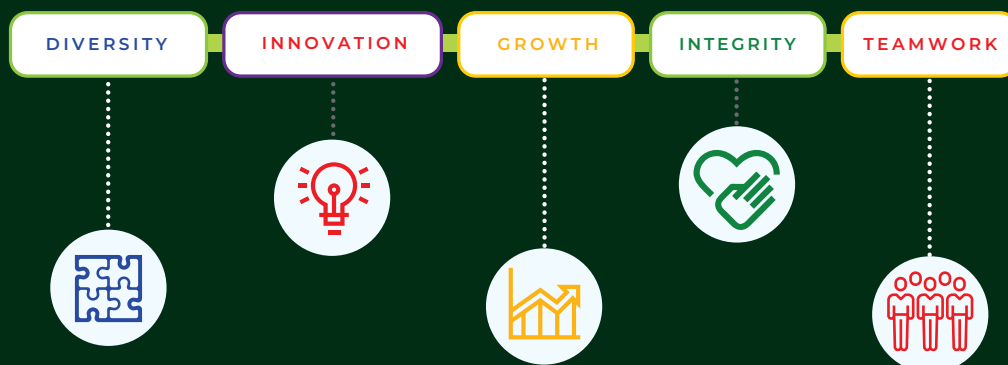


MISSION STATEMENT

Improving lives of un-served & under-served communities by making High Speed Internet available and affordable for all.

CORE VALUES

DIGIT



EMPOWERING COMMUNITIES



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BOARD OF DIRECTORS

FY 2019 - 20





Mr. Shoaib Ahmad Siddiqui
Federal Secretary for IT &
Telecommunication,
Chairperson – USF Board



Mr. Shabhat Ali Shah
CEO-NITB



Major General (R)
Amir Azeem Bajwa
Chairman – Pakistan
Telecom Authority (PTA)



Mr. Irfan Wahab Khan
CEO-Telenor
Nominee of
Mobile Cellular Operators



Mr. Imran Akhtar Shah
VP for Government Sales,
Super Net Ltd,
Nominee of Data Licensees



Mr. Rashid Khan
CEO – PTCL,
Nominee of Fixed
Line Operators



Mr. Kaukab Iqbal
Chairman–Consumer
Association of Pakistan
Nominee of Consumer Groups



Mr. Haaris M Chaudhary
Acting CEO / CFO

FEDERAL MINISTER'S MESSAGE



The dawn of the digital era has ushered in an epoch of transformation for our wider communities in Pakistan. The Ministry of IT and Telecom is fortunate to be a key enabler in the ambitious vision of Digital Pakistan set out by Prime Minister Imran Khan, mandating digital transformation as a tool to develop and sustain a knowledge-based economy. In light of the coronavirus pandemic, we have been tirelessly working to coordinate, complement and initiate measures to deal with every aspect to keep people active and safe online.

"Telecom for all" has been the guiding principle of the Universal Service Fund since its establishment. Ubiquitous connectivity is a decisive factor in closing economic, social and territorial divides. The Ministry of IT and Telecommunication supports USF in its mission to spread the benefits of digitalization to unserved and underserved areas by increasing accessibility and affordability of Information Communications Technologies (ICTs) and their applications with beneficial influences for citizens, firms and rural communities as a whole.

The Ministry of IT and Telecommunication continues to play a significant role in combating rural poverty and fostering sustainable development through creating information-rich societies and supporting livelihoods. Moreover, I would like to appreciate the efforts of the USF and the infrastructure provided through USF Programs. I hope that USF will keep on achieving milestones in the future as well as progress and prosperity of Digital Pakistan.

Today, as we continue to bridge the digital divide and move forward to make Digital Pakistan Vision a reality, reaching our goal of creating a vibrant, self-sustaining ICT sector and reaping all of the economic and social benefits that come with it seems not only a more imminent reality, but almost an inevitable one, with continued efforts and investments on all fronts. With the right policies in place and with the private and public sectors working in partnership for a common purpose, we will continue to make progress towards the shared goal of bringing ICTs to every rural household of Pakistan resulting in a prosperous future for all.

Syed Amin ul Haque

Federal Minister for IT & Telecommunication



CHAIRMAN – USF BOARD MESSAGE



On behalf of the Board of Directors of the Universal Service Fund Company (USF), it is my honour and privilege to present our Annual Report which covers financial results for the year ended June 30, 2020.

FY 2019–20 marks a significant milestone for the USF Company. We have achieved remarkable progress in various programs and embarked upon a new journey to facilitate Next Generation Optical Fiber Network and Services program.

The COVID-19 pandemic has brought new visibility and profile to the essential role of access and connectivity that USF plays in our society. During difficult times, USF has empowered tens of millions of rural people to stay connected to their friends and family, enabled students to continue their education, helped businesses operate and proactively supported the Government to deliver information to far-flung areas.

A core focus of our accessibility priority this year has been the Next Generation – Broadband for Sustainable Development (NG-BSD)

Program. The Company successfully launched 12 new projects to provide High Speed Mobile Broadband to approximately 3.9 Million people in 1,227 muazas of Punjab, Sindh and Khyber Pakhtunkhwa provinces. Moreover, USF extended 3G/4G services in Balochistan and Khyber Pakhtunkhwa provinces under Broadband for Sustainable Development Program.

Under Optic Fiber Cable Program, USF has effectively laid 1,442 km of Optic Fiber Cable and connected 36 Tehsil Headquarters and Major Towns in Balochistan and Khyber Pakhtunkhwa provinces, providing backhaul connectivity support for 5G into the Pakistan market. USF is also paving the way for tourism through the use of digital apps in these areas. On a broader scale, these projects will ensure economic prosperity, social inclusiveness, and general networking between communities.

In addition, approximately 980 km of unserved and underserved road segments have been provided with Seamless Broadband coverage under Next Generation Broadband for Sustainable Development National Highways and Motorways Program; boosting the economy and laying the foundation for an intelligent transportation system. The Optical Fiber Network and Services Program will help connect Union Councils of Pakistan which will increase the scope of e-commerce and online services in remote areas of the country.

We acknowledge the guidance and support provided by the Minister for IT & Telecommunication in effectively fast tracking our mandated work. We extend our appreciation to the Ministry of IT and Telecommunication for supporting USF in its endeavors and the members of the Board for their relentless efforts to bridge the digital divide. We also want to thank the entire USF team, for their dedication, expertise and professionalism. The role of telecoms in achieving desired goals is remarkable.

USF believes that the opportunities and promise of a better digital future should be accessible to all and is committed to empower people digitally.

A handwritten signature in black ink, appearing to read 'Shoab Ahmad Siddiqui'. The signature is fluid and cursive, written over a light blue horizontal line.

SHOAB AHMAD SIDDIQUI
Chairman of USF Board,
Federal Secretary for Ministry of IT and Telecommunication

CEO'S MESSAGE



The financial year 2019–20 marked our 14th year of operation as we continued to bridge the digital divide in the unprecedented times of the coronavirus outbreak. I believe this year's annual report demonstrates the contribution that USF makes to improving information and communication technologies (ICTs) infrastructure in Pakistan.

In line with the Digital Pakistan vision initiated in 2018, USF has witnessed significant progress and changes to further meeting the aspirations of the Ministry of IT and Telecommunication, through the expansion and promotion of ICT infrastructure for introducing new and sophisticated services to meet the needs of rural beneficiaries.

Broadband internet access is rapidly becoming one of the top essential services for the world's population just like other basic utilities for survival. USF's work in ensuring that no one gets left behind during this huge transformation, which offers great value across Pakistan. Our achievements would not be meaningful if we did not achieve them responsibly. We continue to focus on improving the way we do

business responsibly, in our operations, in our supply chain, and with our stakeholders. This report is a stepping stone in further integrating our responsible business practices into our strategies and the value we bring to society.

USF's achievements are many, but best demonstrated by the outcomes for rural communities outlined in the pages ahead. Through USF's work, the rural and remote population are benefitting from education and healthcare, increased opportunities for women's empowerment and environmental sustainability, and contributing to enhanced government transparency and accountability.

This year, USF has launched a digital highway known as Next Generation Optical Fiber Network & Services Program. In the first round of survey activity, USF has identified 507 unserved Union Councils. This includes connecting educational and health institutes, government offices and financial institutions in far flung areas. The program will open avenues for access to digital apps and will ensure their maximum utilization. Moreover, optic fiber will help Pakistan in preparing for 5G.

I take this opportunity to express my sincere gratitude to the Federal Minister of IT and Telecommunication and the members of the Board for their unrelenting dedication, support and encouragement to Universal Service Fund. I would also like to thank our employees and our partners for their continued commitment and hard work.

In FY2020–21, we will continue to work towards realizing our Digital Pakistan vision by empowering the unserved and underserved communities of Pakistan. We stand committed alongside our teams and network of partners to redress the power dynamics, and build a more equitable world where no one is left behind in the digital age.

A handwritten signature in black ink, appearing to read 'Haaris', written over a light blue circular graphic element.

Haaris Mahmood Chaudhary
Chief Executive Officer



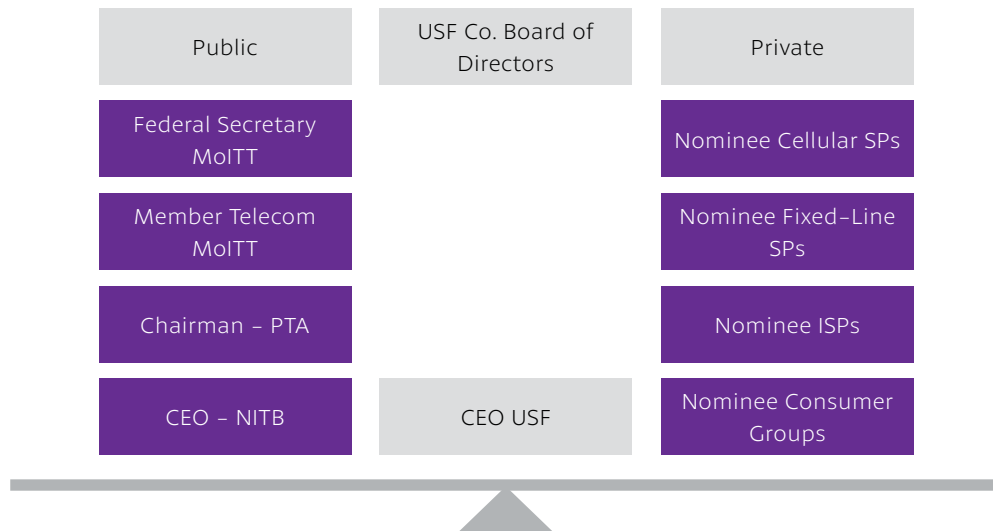
EMPOWERING COMMUNITIES

OVERVIEW

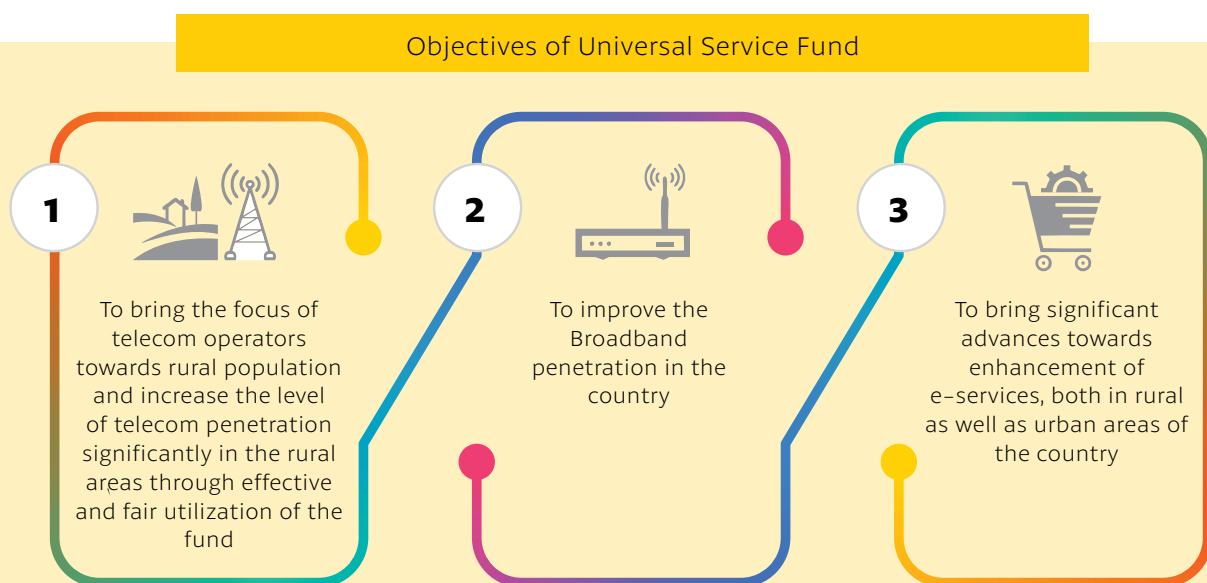
UNIVERSAL SERVICE FUND



Universal Service Fund, an establishment of the Ministry of Information Technology (IT) & Telecommunication (MoITT) is spreading the benefits of Information and Communication Technologies (ICTs) to all corners of Pakistan. USF strives to provide IT and Telecommunication services in un-served or under-served areas of Pakistan to bridge the digital divide in line with the vision of Digital Pakistan. The Company has been established under section 42 of Companies Ordinance 1984 with Board of Directors comprised of representatives of both, the private and public sector.



Since its establishment, USF has designed different programs to fill the communication gaps in the existing telecommunication infrastructure and coverage locations. The USF provides subsidies to licensed telecom operators – typically through competitive bidding processes – to make the needed investments and to operate services for the un-served or under-served areas in Pakistan. Under these programs, each project specifies clear and measurable objectives, including coverage and service delivery targets. These projects are helping to accelerate the virtuous cycle of telecommunication infrastructure expansion.



USF PROGRAMS

Next Generation Broadband for Sustainable Development (NG- BSD)

Broadband for Sustainable Development (BSD)

Next Generation Broadband for Sustainable Development (NG-BSD)
Program for National Highways & Motorways

Optic Fiber Cable (OFC)

Next Generation Optical Fiber Network and Services



Next Generation Broadband for Sustainable Development (NG- BSD) Program

Through the Next Generation Broadband for Sustainable Development Program, USF Co is providing voice telephony and High Speed Mobile Broadband (at the minimum rate of 512 kbps) to the unserved and underserved Mauzas across Pakistan. These projects have a notable role in the socio-economic progress of the people at a grassroots level and have opened the doors of opportunities for people.

In FY 2019-20, USF awarded 12 new projects to different telecom operators. The projects target provision of High Speed Mobile Broadband and voice telephony services to 13.2 Million population in 5,723 un-served and under-served mauzas in the following districts: Matiari, Tando Allahyar, Hyderabad, Tando Muhammad Khan, Badin, Sujawal, Bahawalpur, Rahim Yar Khan, Bahawalnagar, Tharparkar, Mirpurkhas, DG Khan, Layyah, Umerkot, Sangarh, Kurram, Muzaffargarh and Rajanpur. USF also achieved various milestones in Dadu, Thatta and Jamshoro. Moreover, significant progress was made in the already running project of Dadu Lot that encompasses Dadu, Jamshoro and Thatta districts.

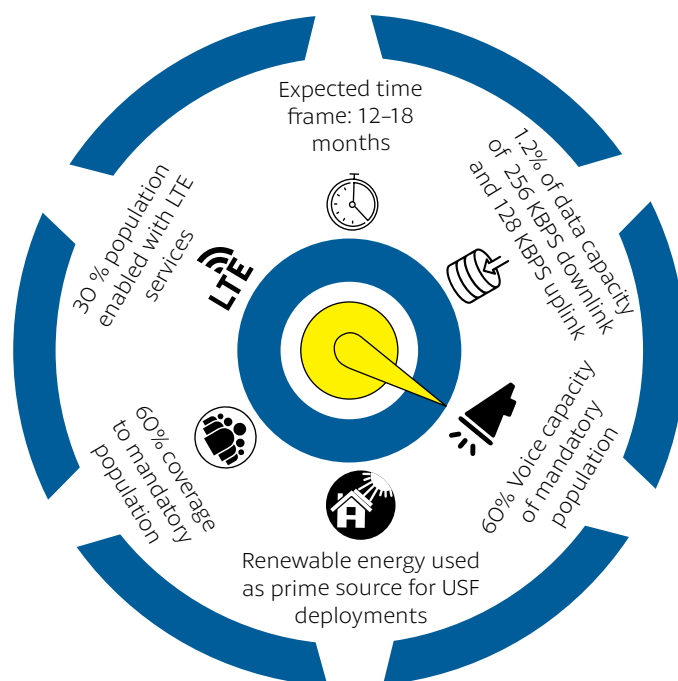


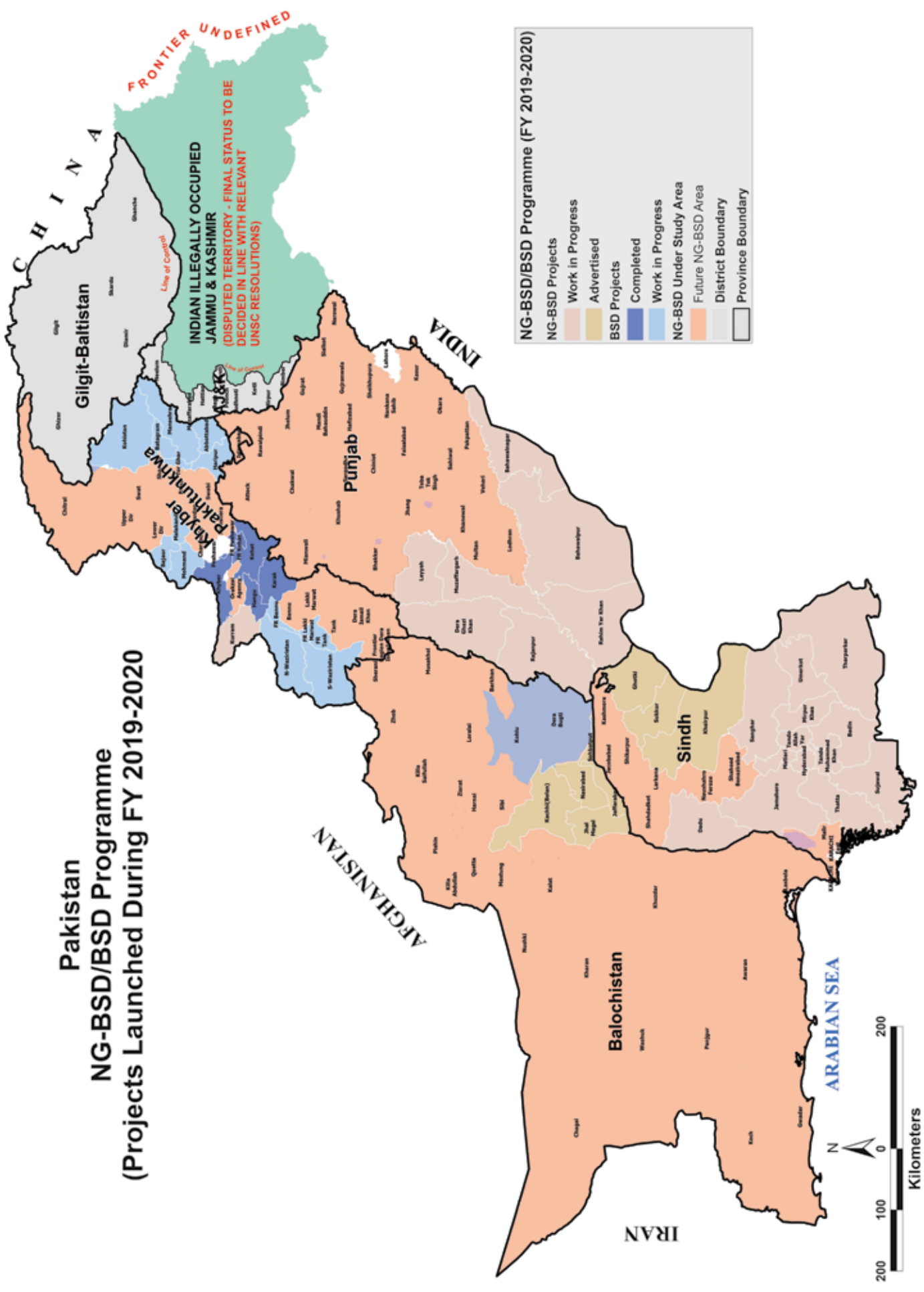
Figure 1 : Features of Next Generation Broadband for Sustainable Development (NG- BSD) Program

Project (Lot)	Target Districts	Target Unserved Mauzas	Unserved Mauzas Covered	Current Status
Already Running Projects				
Dadu	Dadu, Jamshoro & Thatta	481	227	50% completed
Projects Launched in FY 2019-20				
Hyderabad	Matiari, Tando Allahyar, Hyderabad, Tando Muhammad Khan, Badin & Sujawal	964	497	50% completed
Bahawalpur	Bahawalpur	842	383	75% completed
Tharparkar	Tharparkar & Mirpurkhas	462	120	25% completed

Project (Lot)	Target Districts	Target Unserved Mauzas
Projects Launched in End of FY2019-20		
Rahim Yar Khan	Rahim Yar Khan	741
Bahawalnagar	Bahawalnagar	505
DG Khan	DG Khan & Layyah	819
Sanghar	Umerkot & Sangarh	500
Kurram	Kurram	224
Muzaffargarh	Muzaffargarh & Rajanpur	666
Small Lot S-3	Malir	26
Small Lot I-1	Islamabad (rural)	12
Small Lot P4	Bhakkar, Mianwali, Jhang & Khushab	11

ACHIEVEMENT: A total of 1,227 mauzas with a population of about 3.9 million provided coverage. All projects launched in FY 19-20 are expected to be completed within 12-18 months.

Pakistan NG-BSD/BSD Programme (Projects Launched During FY 2019-2020)



Broadband for Sustainable Development (BSD) Program

The Program focuses on providing basic voice and data services in unserved or under-served areas. However, in post 3G/4G environment, this program has been redesigned to include Broadband equivalent services as a mandatory component of each new project.

During the FY 2019-20, a total of 688 mauzas with an unserved population of approximately 0.6 Million are reaping benefits from Broadband access. The USF successfully completed the Khyber Lot project. People residing in Peshawar, Khyber Agency, Karak, Hangu & Kohat are now reaping benefits of Hi-Speed Broadband in 194 unserved mauzas. This has enabled students to change their lives through better access to educational facilities.

In addition, USF is also providing Broadband coverage in Kohistan Lot that encompasses Kohistan, Battagram, Mansehra, Torghar, Haripur and Abbottabad districts. The community can now share the breathtaking scenery with the rest of the world. This will boost tourism and further create employment in the region.

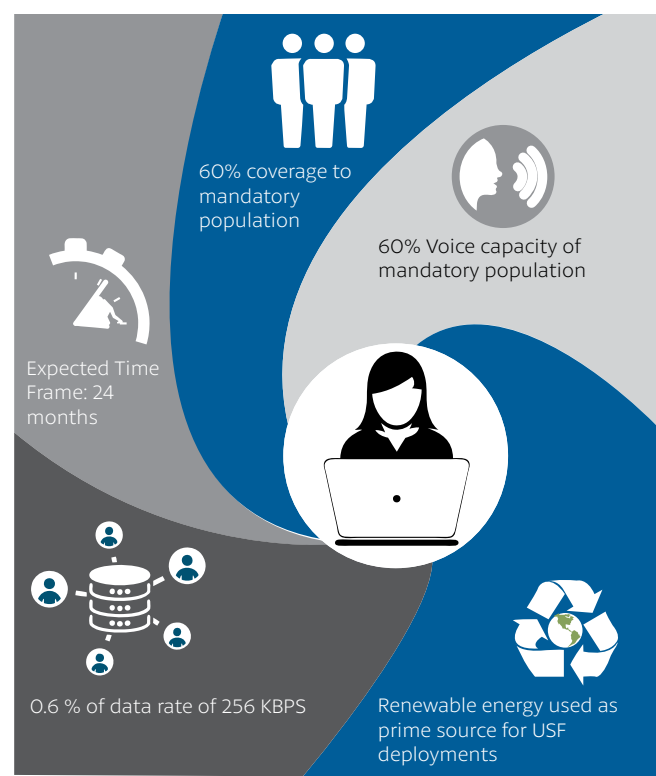


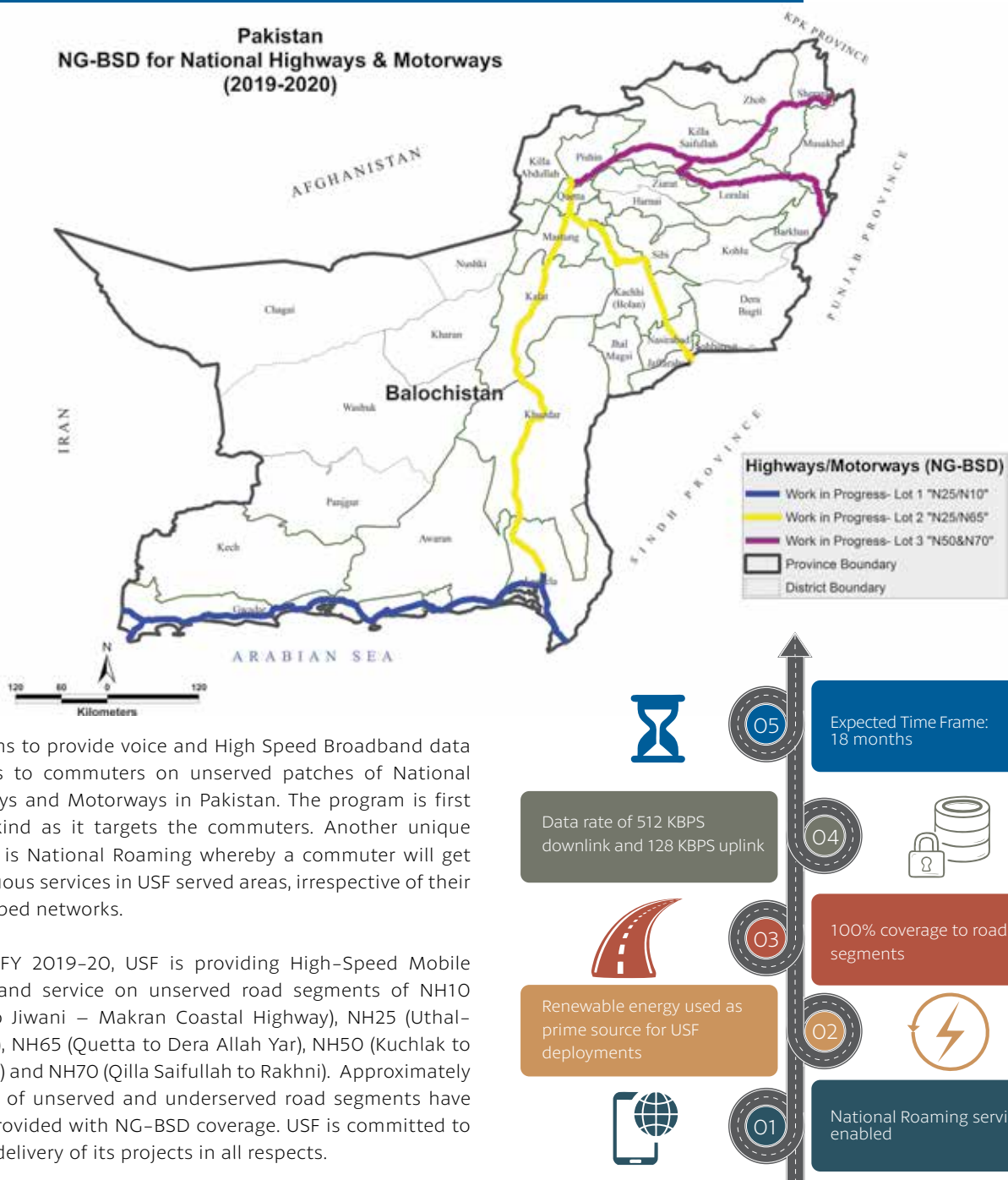
Figure 2. : Features of Broadband for Sustainable Development (BSD) Program

Project (Lot)	Target Districts	Target Unserved Mauzas	Unserved Mauzas Covered	Current Status
Already Running Projects				
Kohistan	Kohistan, Battagram, Mansehra, Torghar, Haripur and Abbottabad	1283	235	75% completed
Khyber	Khyber Agency, Kohat, Karak, Hangu, FR Peshawar and FR Kohat	503	194	Completed

Project (Lot)	Target Districts	Target Unserved Mauzas
Work in Progress		
Dera Bughti / Kohlu	Dera Bugti Kohlu	396
Mohmand	Bajaur, Mohmand and Malakand	684
North Waziristan	North Waziristan, FR Lakki Marwat, FR Bannu	401
South Waziristan	S. Waziristan Agency & FR Tank	411

ACHIEVEMENT: A total of 429 mauzas with a population of about 0.6 million provided coverage.

Next Generation – Broadband for Sustainable Development Program for National Highways & Motorways



USF aims to provide voice and High Speed Broadband data services to commuters on unserved patches of National Highways and Motorways in Pakistan. The program is first of its kind as it targets the commuters. Another unique feature is National Roaming whereby a commuter will get continuous services in USF served areas, irrespective of their subscribed networks.

In the FY 2019-20, USF is providing High-Speed Mobile Broadband service on unserved road segments of NH10 (Hub to Jiwani – Makran Coastal Highway), NH25 (Uthal-Quetta), NH65 (Quetta to Dera Allah Yar), NH50 (Kuchlak to Sherani) and NH70 (Qilla Saifullah to Rakhni). Approximately 981 km of unserved and underserved road segments have been provided with NG-BSD coverage. USF is committed to timely delivery of its projects in all respects.

Figure 3.: Features of Next Generation – Broadband for Sustainable Development Program for National Highways & Motorways

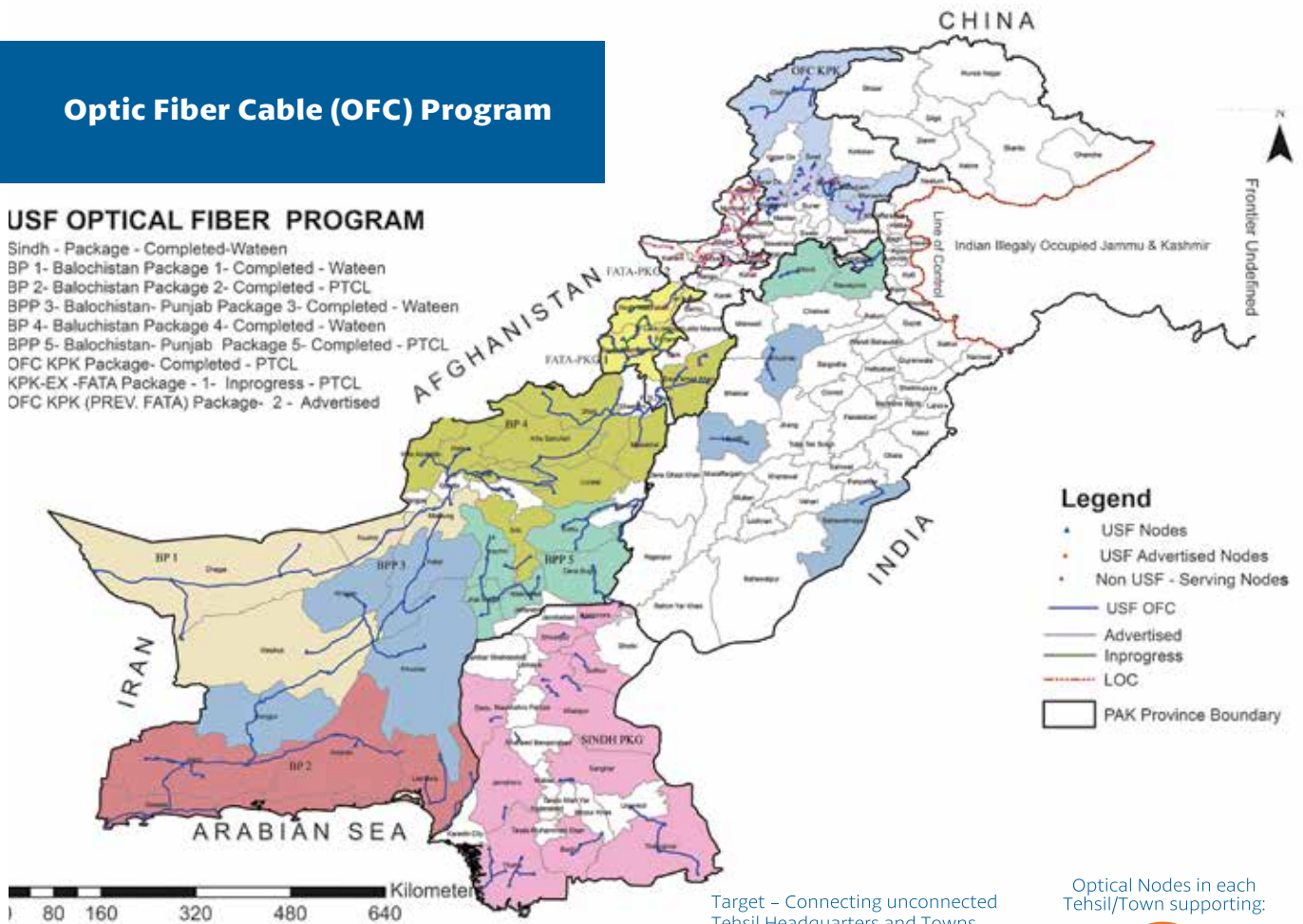
Project	Target Routes	Target Unserved Road segment (Km)	Route Length covered (Km)	Current Status
Already Running Projects				
Lot-1	NH10 – NH25	694	640.2	75% completed
Lot-2	NH25 – NH65	650	189.8	25% completed
Lot-3	NH50 – NH70	451	150	25% completed

ACHIEVEMENT: A total of approximately 980 km of un/underserved road segments provided seamless coverage.

Optic Fiber Cable (OFC) Program

USF OPTICAL FIBER PROGRAM

- Sindh - Package - Completed - Wateen
- BP 1- Balochistan Package 1- Completed - Wateen
- BP 2- Balochistan Package 2- Completed - PTCL
- BPP 3- Balochistan- Punjab Package 3- Completed - Wateen
- BP 4- Balochistan Package 4- Completed - Wateen
- BPP 5- Balochistan- Punjab Package 5- Completed - PTCL
- OFC KPK Package- Completed - PTCL
- KPK-EX -FATA Package - 1- Inprogress - PTCL
- OFC KPK (PREV. FATA) Package- 2 - Advertised



USF is providing Optical Fiber Connectivity to unserved Tehsil Headquarters and Major Towns. Optical Fiber Connectivity provides cost-effective, reliable and scalable backhaul medium over which Voice and Data (Internet) traffic are carried from one location to another.

During this year, USF has laid a total of 1,442 km of Optic Fiber Cable and connected 36 Tehsil Headquarters and Major Towns in Balochistan, Ex-FATA and Khyber Pakhtunkwa provinces.

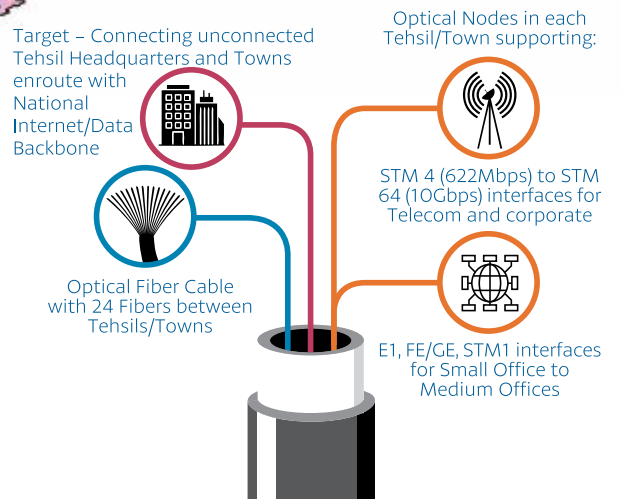


Figure 4. : Characteristics of Optic Fiber Cable (OFC) Program

Project	Target Districts	Target Unserved THQs/ Towns & Estimated OFC length	Targets Achieved	Current Status
Already Running Projects				
Balochistan Package-2	Awaran, Lasbela, Kech, Gawadar	17 THQs /Towns & 1,396 Km	7 THQs & Towns & 277.6 Km	Completed
Balochistan Punjab Package-3	Kalat, Kharan, Washuk, Panjgur, Khuzdar, Kech, Bahawalnagar, Layyah, Khushab	17 THQs/ Towns & 1,361 Km	3 THQs & Towns & 399.8 Km	Completed
Khyber Pakhtunkhwa Package	Lower Dir, Chitral, Shangla, DI Khan, Battagram, Malakand, Mansehra, Swat	35 THQs /Towns & 619 Km	20 THQs & Towns & 459.9 Km	Completed
FATA Package-1	FR Bannu, FR Lakki Marwat, FR Tank, North Waziristan, South Waziristan	24 THQs /Towns & 653 Km	6 THQs & Towns & 285 Km	Completed

ACHIEVEMENT: A total of 1,442 km of OFC Laid and 36 Tehsil Headquarters and Major Towns connected.

Next Generation Optical Fiber Network and Services Program

USF has been a driving force towards a perfect Pakistan that is connected to the world and the future projects are further pushing the boundaries. USF has launched a digital highway known as Next Generation Optical Fiber Network & Services Program. Optic Fiber connectivity is essential for bridging the digital divide in Pakistan and is considered integral across the globe for paving the way to provide ICT services. This project will open the avenues for access to digital apps and will guarantee their maximum utilization. Moreover, optic fiber will also help Pakistan in preparing for 5G.

Educational institutes, health institutes, government offices and banks in far-flung areas of Pakistan will substantially benefit from the NG-OFC Network and Services Program. In line with Prime Minister Imran Khan's vision of Digital Pakistan and USF's goal of deep fiberization, USF has successfully launched and completed the first round of survey activity in 629 Union Councils resulting in the identification of 507 unserved Union Councils.

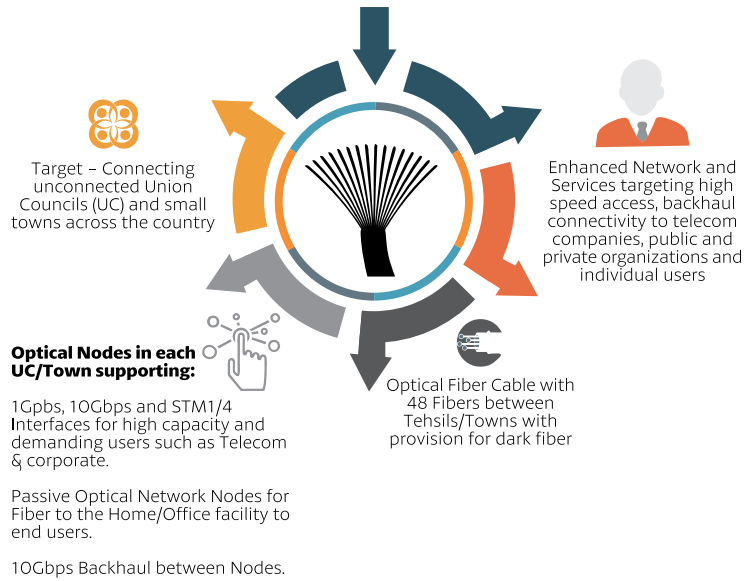
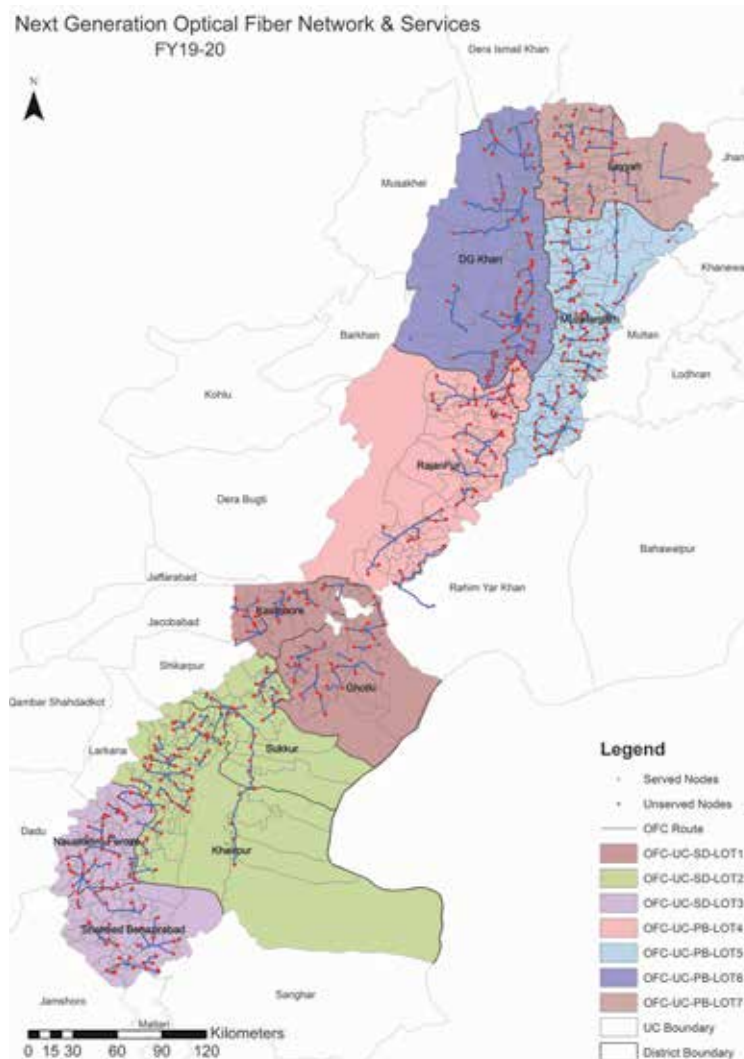


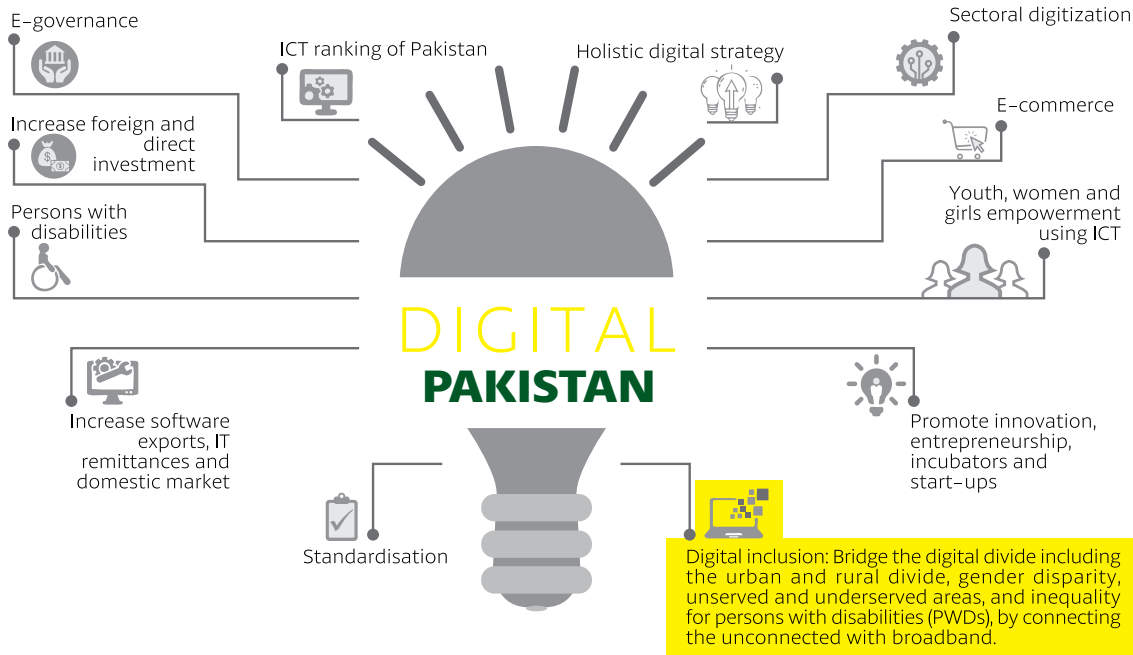
Figure 5.: Features of Next Generation Optical Fiber Network and Services Program





DIGITAL PAKISTAN

OBJECTIVES OF DIGITAL PAKISTAN POLICY

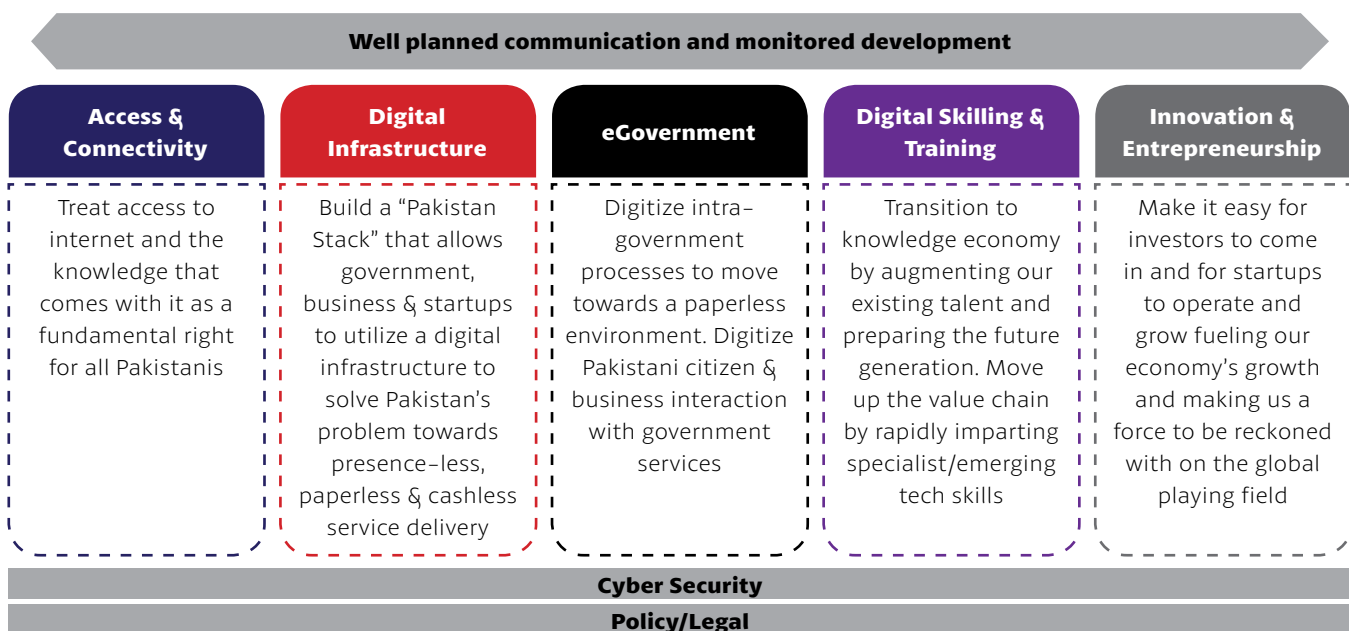


The Digital Pakistan policy aims to use ICT as a strategic enabler for sectoral transformation, economic growth and a better quality of life for citizens.

Access and Connectivity - a fundamental right of every Pakistani

Digital transformation can only be fully realized if high-quality access to communication networks and services is made available at affordable prices for all people and firms no matter who they are or where they live. Bringing the unconnected online and closing the digital divide are of crucial importance to any effort to build a more equitable Pakistan. Therefore, USF is taking concrete steps to improve access to high speed mobile connectivity in unserved and underserved areas of Pakistan, thereby moderating structural vulnerabilities in the economy and stimulating growth. Digital connectivity is opening unprecedented new possibilities for the marginalized communities; enhancing their ability to work and transact online and engage in the digital economy.

FIVE PRIORITY AREAS FOR DIGITAL PAKISTAN



USF Employee Story

Hassan works as an Assistant Manager with USF and his job requires traveling to remote rural areas, which are faced with precarious security conditions. Some of the rural areas in Balochistan are riven with conflict, a situation which is aggravated with overlapping layers of ethnic fissures, sectarian clefs, and institutional fractures. Further, with the escalating militancy, it poses newer challenges and intensified risks for humanitarian and aid workers.

On his recent visit to Turbat and Mirani in mid-July, Hassan was faced with a life-threatening situation during a network service verification visit. Turbat is an economically marginalized area in Balochistan, with poor civic amenities and living conditions. The inclement weather conditions further add to the problems especially for those who are traveling. He left for Turbat from Quetta alongside the Frontier Corps (FC) staff for the site visit. Hassan, along with the team members spent the night at the FC Headquarter, which is situated in Panjgur. On the following day, when Hassan and the team arrived at Turbat, it was concluded that the visit to Mirani will take place in the early hours of the day. Later, he was instructed by a Law Enforcement Agency personnel to change his timings for the visit of Mirani. Hassan did not understand the reasoning at that time but obeyed the orders. He found out a few hours later about the explosion.

As indicated by the Law Enforcement Agencies, it was an improvised explosive device (IED) fitted on a motorcycle. In light of the blast, a specialist mechanic shop that was close to the spot was severely wrecked by the fire and killed one individual while six others were brutally injured. Hassan feels how closely he brushed off death and was it not for changing the route, he too could have met the same fate. He said, "I am so grateful to be alive. I keep thinking of how it could have been me. I am truly lucky to have escaped this situation."

Recognizing his bravery and resolve to continue his work despite unfavorable environs, Hassan Domer was presented with a Spot Recognition Award 2019. While accepting the award, Hassan shared, "The work of every individual is important towards achieving the broader goal, and we must continue in our resolve to deliver in the harshest of circumstances. I am grateful for this recognition and will strive to work even harder in the future."

Employee Name:
Hassan Domer

Designation:
Assistant Manager
Department:
QAM





↑
**USF AWARDS CONTRACTS TO TELENOR PAKISTAN FOR PROVIDING
BROADBAND COVERAGE ON NATIONAL HIGHWAYS & MOTORWAYS
IN BALOCHISTAN & SERVICES IN DADU & HYDERABAD**

2019-07-23
↓

2019

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**JAZZ AND USF TO EXPAND INTERNET ACCESS IN
SOUTH WAZIRISTAN**

2019-09-12
↓





↑
**USF AWARDS CONTRACT TO JAZZ FOR PROVIDING
HI-SPEED BROADBAND IN KURRAM
2020-04-20**
↓

2020

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**USF AWARDS CONTRACT TO JAZZ FOR PROVIDING
HI-SPEED BROADBAND IN KURRAM
2020-04-20**
↓



CORPORATE GOVERNANCE



Specific statements to comply with the requirements of the Code of Corporate Governance are as follows:

1. This report is also being submitted to the contributors of Universal Service Fund.
2. USF Co Board makes the following statements, prepared under section S227 of the Companies Act, 2017:
 - a. The Board has complied with the relevant principles of corporate governance and has identified the rules that have not been complied with, the period in which such non-compliance continued, and reasons for such noncompliance (Statement of Compliance).
 - b. The financial statements, prepared by the management of USF, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
 - c. Proper books of account of the USF have been maintained.
 - d. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
 - e. They recognize their responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored;
 - f. The appointment of Chairman and other members of the Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the public sector company as well as in line with the best practices.
3. Given below is the remuneration to the CEO and Directors of USF Board:

Remuneration to CEO (Rs.)						
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Managerial Remuneration	7,668,750	8,869,872	3,831,787	5,985,938	11,017,500	1,599,315
Allowance	7,148,583	8,170,723	4,043,325	4,293,562	9,412,433	5,536,426
Total	14,817,333	17,040,595	7,875,112	10,279,500	20,429,933	7,135,741

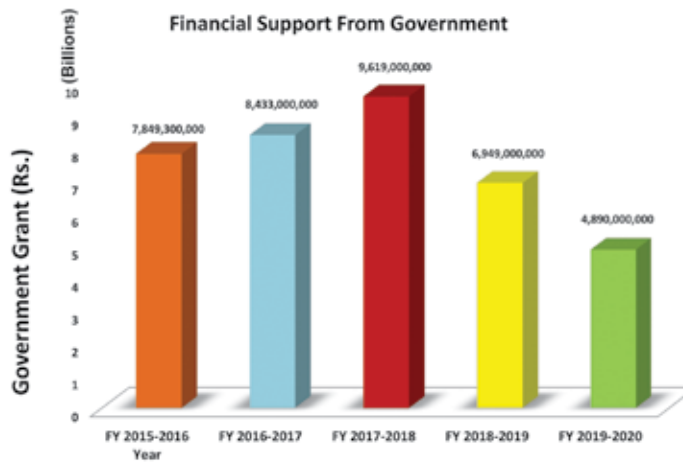
"The USF Co Board in its 65th Board of Director's Meeting held on 25th July, 2019 resolved and approved to revise the remuneration of the Director's for attending Board and Committee Meetings as follows:

- Rs. 50,000 for attending Board Meetings
- Rs. 20,000 for attending Committee Meetings"

Directors Remuneration Total (Rs.)	2,740,000/-
Chairperson USF Board	
Shoaib Ahmad Siddiqui	400,000/-
CEO NITB	
Shabhat Ali Shah	540,000/-
Member Telecom	
Chairman PTA	
Major Gen. (R) Amir Azeem Bajwa	600,000/-
Nominee Fixed Line Licensees	
Rashid Khan	No remuneration taken
Nominee Mobile Cellular Licensees	
Irfan Wahab Khan	No remuneration taken
Nominee of Data Licensees	
Imran Akhtar Shah	640,000/-
Representative of Consumer Groups	
Kaukab Iqbal	540,000/-

4. Details regarding clause no. 4 of Rule no. 17 are given below:

a. Subsidy or other Financial support from Government

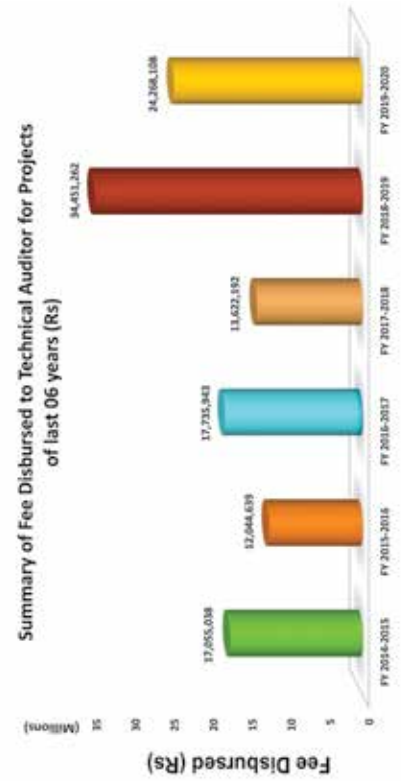
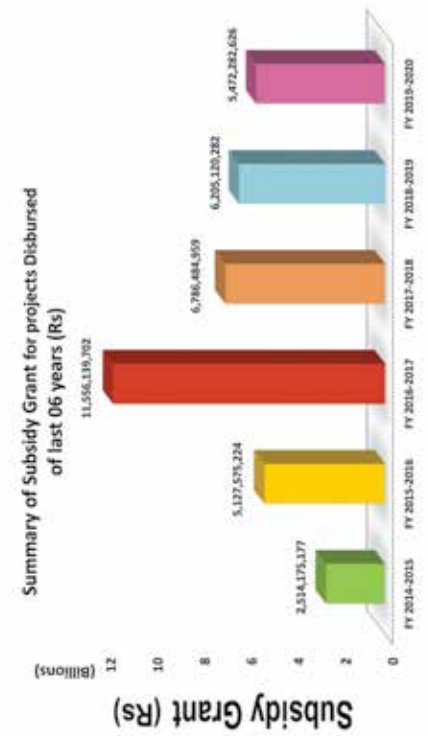
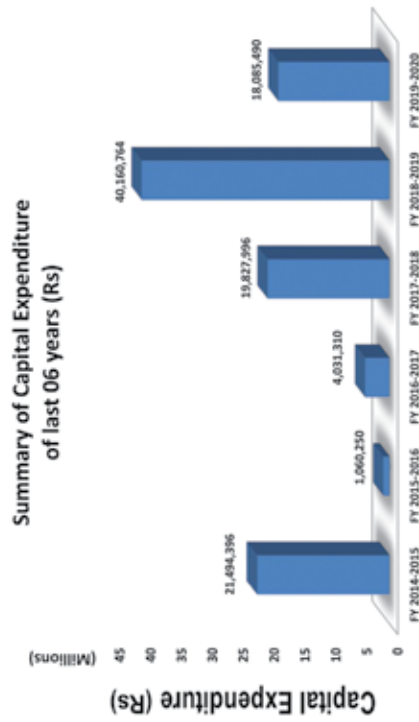
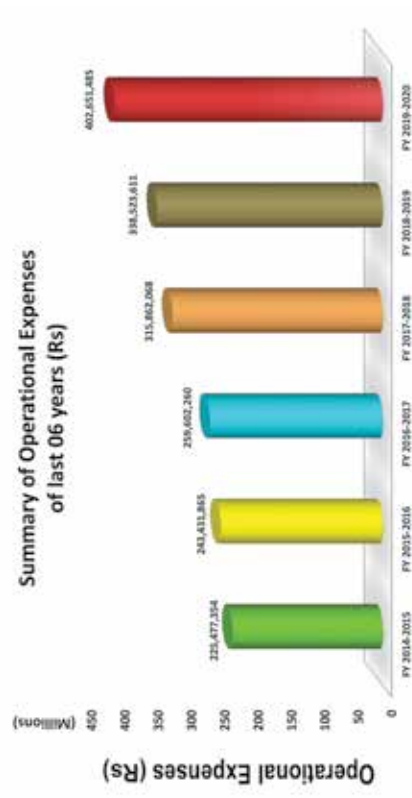


b. Deviations from last year in operating results

	Till the end of FY 2018-19	Till the end of FY 2019-20
Number of Mauzas provided 3G/4G and voice telephony	7,703	9,618
3G/4G provided to unserved segments on National Highways & Motorways	In Progress	981
No. of Tehsil Headquarters & Major Towns Connected	105	138
Length of Optic Fiber Cable	7,199 km	8,344 km



Summary of Operating and Financial data of last 06 years (Rs.)



c. Summary of Operating and Financial data of last 6 years (Rs.)

	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019	FY 2019-2020
Government Grants		7,849,300,000	8,433,000,000	9,619,000,000	6,949,000,000	4,890,000,000
Operational Expenses	225,477,354	243,431,865	259,602,260	315,862,068	338,523,611	402,651,485
Capital Expenditure	21,494,396	1,060,250	4,031,310	19,827,996	40,160,764	18,085,490
Subsidy Grant for projects Disbursed	2,514,175,177	5,127,575,224	11,556,139,702	6,786,484,959	6,205,120,282	5,472,282,626
Fee disbursed to Technical Auditor for projects	17,055,038	12,044,639	17,735,943	13,622,192	34,451,262	24,268,108
Balance Sheet – Assets (Rs.)						
Non-Current	46,047,278	31,060,575	19,649,615	26,424,249	50,300,160	50,565,430
Current	1,374,153,011	3,554,104,975	1,597,119,223	4,242,846,902	5,402,246,041	6,005,488,099
	1,420,200,289	3,585,165,550	1,616,768,838	4,269,271,151	5,452,546,201	6,056,053,529
Balance Sheet – Liabilities (Rs.)						
Non-Current	46,047,278	2,757,001,335	1,285,838,225	3,864,377,459	5,066,738,786	5,802,323,620
Current	1,374,153,011	828,164,215	330,930,613	404,893,692	385,807,415	253,729,909
	1,420,200,289	3,585,165,550	1,616,768,838	4,269,271,151	5,452,546,201	6,056,053,529
Commitment	9,238,422,139	15,567,399,720	18,344,340,720	16,646,129,371	10,353,011,981	10,277,296,359
B- Related Party Transactions (Rs.)						
MoITT - GOP		7,849,300,000	8,433,000,000	9,619,000,000	6,949,000,000	4,890,000,000
Subsidy Payment PTCL	2,254,111,631	2,120,697,056	278,394,500	300,000,000	377,427,300	599,894,680
Subsidy Payment PMCL-Jazz			28,000,000	(28,000,000)	45,101,418	
Subsidy Payment CM Pak		303,638,412				
Subsidy Payment Ufone		996,437,001	5,386,242,306	4,277,294,810	3,176,159,452	1,322,100,387
Subsidy Payment Telenor						3,063,415,965
Employees Gratuity Fund Account	15,653,614	4,809,761	8,824,997	9,597,938	17,677,638	12,512,106

d. Key Performance indicators:

All the initiatives of USF Co along with its innovative and futuristic approach have enabled the citizens of Pakistan to reap maximum benefits from the Information and Communication Technologies (ICT). USF programs have played a huge role in the socio-economic uplift of the underprivileged areas of Pakistan and led to better educational facilities, gender empowerment and bridging the digital divide.

Till the end of FY 2019-20:

- ▶ **9,618 un-served mauzas have been provided 3G/4G and voice telephony services.**
- ▶ **981 km of un-served segments on National Highways & Motorways provided with 3G/4G data services.**
- ▶ **Next Generation Optical Fiber Network & Services Program has been initiated.**
- ▶ **More than 8,344 km of Optic Fiber Cable has been laid which is providing connectivity to 138 Tehsil Headquarters and Towns.**

e. No Statutory payment on account of taxes, duties, levies and charges is overdue or outstanding.

f. Future Plans:

Looking ahead to FY 2020-21, USF commits to continued success for each of the USF programs. USF will measure success by its ability to deliver the Universal Service Fund efficiently and its ability to help bridge the digital divide for the millions of Pakistanis touched by Universal Service Fund initiatives. Our efforts include broadening the Next Generation Broadband for Sustainable Development Program, expanding Optic Fiber Cable Program and launching the Next Generation Optical Fiber Networks and Services Program. USF is determined to achieve the following targets:

i Next Generation – Broadband for Sustainable Development Program

With the future plan set in motion, USF will be providing High Speed Mobile Broadband access to 11 Million people in 4,025 unserved and underserved muazas in Balochistan, Punjab, Sindh and Khyber Pakhtunkhwa provinces.

Province	Districts
Balochistan	Gwadar, Kech//Turbat, Panjgur, Ziarat, Mastung, Chaghai, Noshki, Pishin, Quetta and Killa Abdulah
Punjab	Okara, Sahiwal, Pakpattan, Multan, Khanewal, Chakwal, Jhelum, Attock and Rawalpindi
Sindh	Larkana, Kambar Shahdadkot, Naushahro Feroze, Shaheed Benazirabad, Shikarpur, Jacobabad and Kashmore
Khyber Pakhtunkhwa	Chitral, Upper Dir, Lower Dir, Charsadda, Mardan, Nowshera, Swabi, Swat, Bannu and Lakki Marwat

ii Optic Fiber Cable Program

USF intends to connect 40 unserved Tehsil Headquarters and Major Towns by laying an estimated 837 km of Optic Fiber Cable in districts of Bajaur, Mohmand, Khyber, Orakzai, Kurram, FR Kohat and FR Peshawar.

iii Next Generation Optical Fiber Network & Services Program

USF will be expanding Optic Fiber Cable connectivity to unserved Union Councils' level. Country wide surveys are being conducted and soon, USF will launch tenders for 7 new projects targeting 507 Union Councils and an estimated 3,815 km of Optic Fiber Cable in the districts of Ghotki, Kashmore, Sukkur, Khairpur, Naushahro Feroze, Shaheed Benazirabad, Khairpur, Rajanpur, Muzaffargarh, DG Khan, Layyah & DG Khan.

Cumulative Targets till the end of FY 2020-21

S. No.	Program	Targets
1	Total No. of Muazas to be provided with 3G/4G and voice telephony	14,559
2	Length of Optic Fiber Cable to be laid	8,726 km
3	No. of Tehsil Headquarters and Major Towns to be connected	153
	3G/4G provided to unserved segments on National Highways & Motorways	1,863 km
4	No. of projects to be launched under Next Generation Optical Fiber Network & Services program	07

g. The value of investments of provident, gratuity and pension funds based on their respective audit accounts is as follow:

USF Company is not maintaining any pension and provident fund. Employees Gratuity is maintained separately by Trustees. However, no investment is made for gratuity in FY 2019-20.

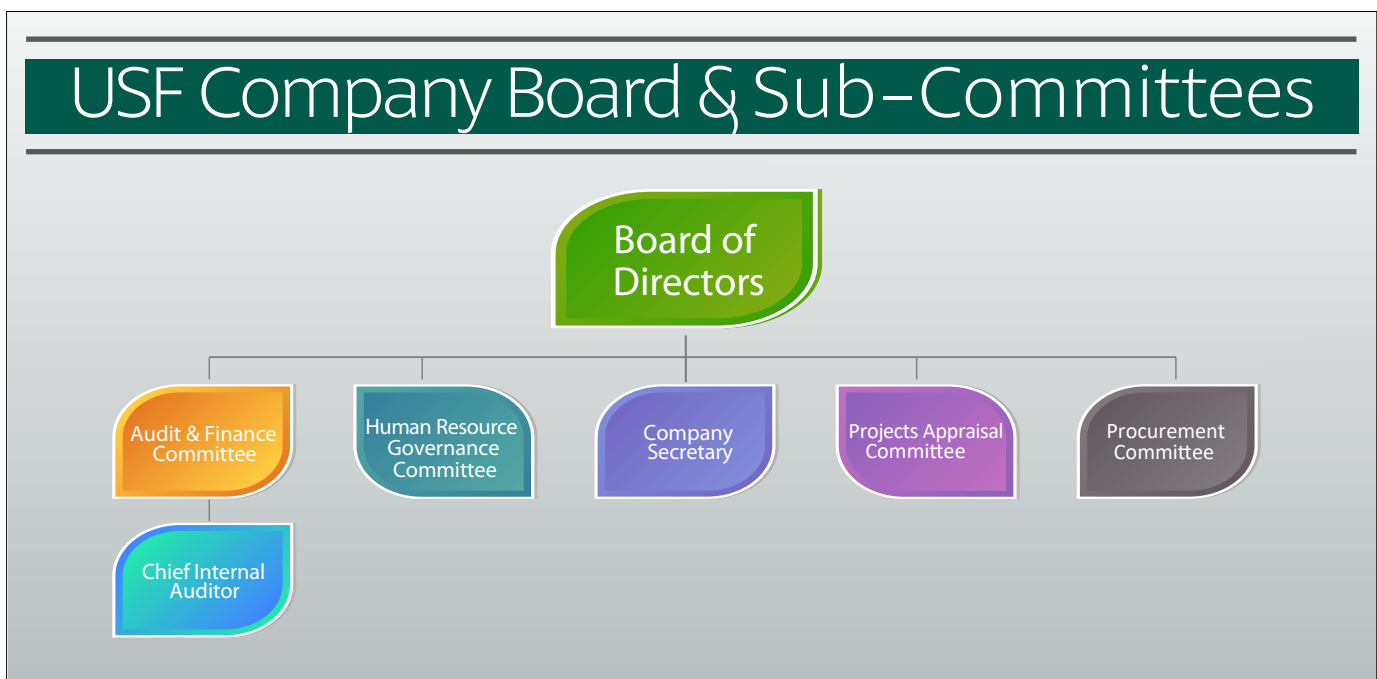
h. Following are the details of number of Board of Directors meetings held during the year and attendance by each Director:

During the FY 2019-20, eight (08) Board of Directors meetings were held. These meetings were chaired by Secretary IT & Telecommunication, Mr. Shoaib Ahmad Siddiqui. The Meetings were held on the following dates:

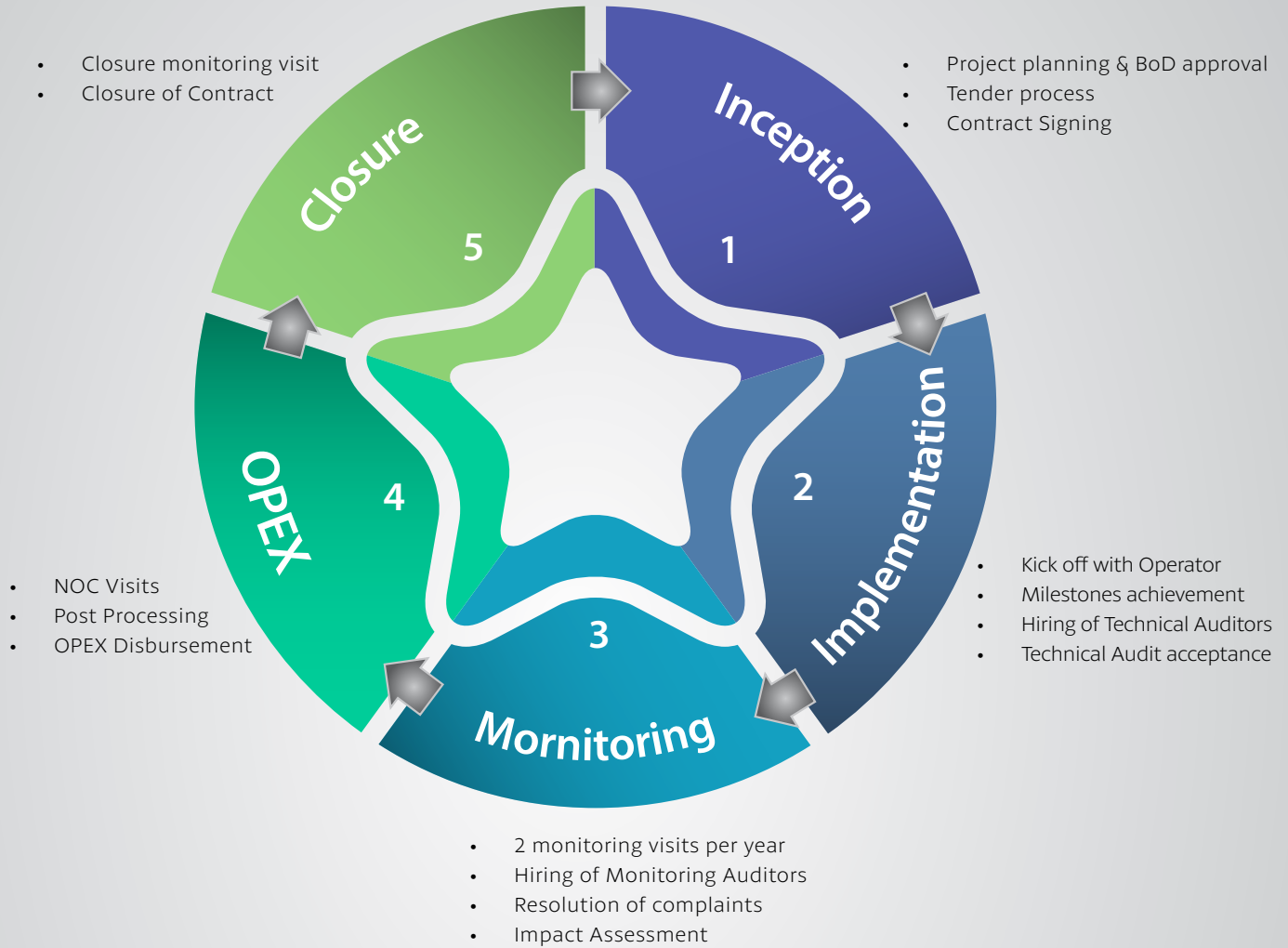
65 th Board Meeting: 25-07-2019	69 th Board Meeting: 13-02-2020
66 th Board Meeting: 06-09-2019	70 th Board Meeting: 24-04-2020
67 th Board Meeting: 25-10-2019	71 st Board Meeting: 20-05-2020
68 th Board Meeting: 22-01-2020	72 nd Board Meeting: 29-06-2020

Board Member	Total Number of Meetings	Meetings Attended
Chairperson	8	8
CEO NITB	8	8
Member Telecom		-
Chairman PTA	8	8
Nominee Fixed Line Licensees	8	7
Nominee Data Licensees	8	8
Nominee Mobile Cellular Licensees	8	7
Nominee Consumer Group	8	8
CEO USF Co.	8	8

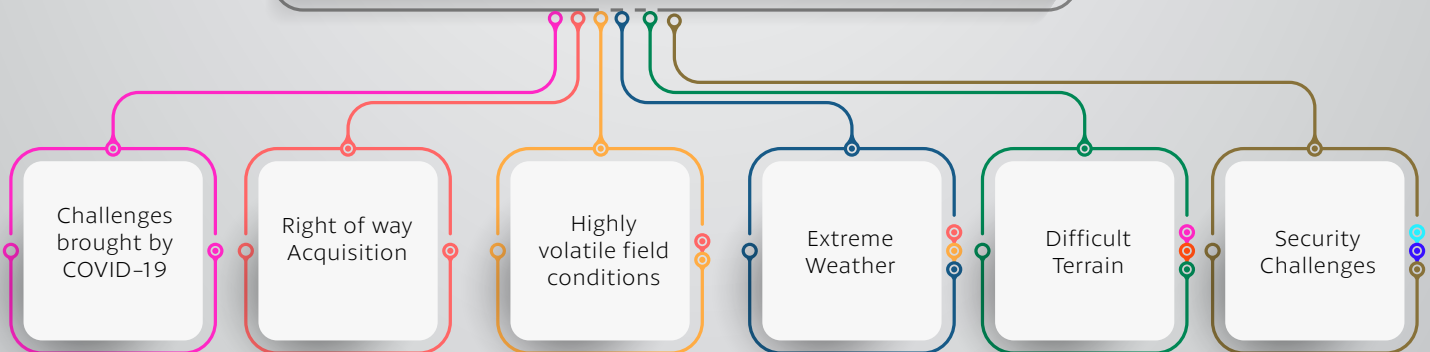
i. Universal Service Fund is incorporated under the section 42 of the Companies Ordinance, 1984 (XLVII of 1984) and it's a company limited by Guarantee.



USF Project Life Cycle



Project Challenges



USER TESTIMONIALS



“

I am so happy that I can finally watch boxing videos on Youtube. Boxing is my passion. I cannot wait to finish school one day and pursue my career in boxing. I am confident that I will win the championship!

13 years old, Gul Rukh, Haripur, Khyber Pakhtunkhwa

Internet connectivity is a blessing in my life. I run a grocery store in my neighborhood and being the only son of my aged parents, I found it very difficult to leave them alone at home while I traveled to the city to purchase stock. But now, I just place an order online, it saves me time and money.

18 years old, Ameen Ullah Khan, Tando Allahyar, Sindh

I am a rice farm owner. I am very grateful to the Government of Pakistan because the mobile phone connectivity has almost doubled my income. I have been directly selling the rice to consumers at good prices without involving any third party.

48 years old, Allah Baksh, Dadu, Sindh

”

“

Being a driver, I travel long distances and therefore, I am never home. When my family needs money, I transfer it through Easy Paisa. It is very convenient to send and receive money, just takes a minute, literally. I am thankful to the Government of Pakistan for bringing ease into our lives.

40 years old, Maalik, Lasbela, Balochistan

I have been teaching for over 06 years and I love my job. I believe that Broadband connectivity has a profound effect on the new generation, unlike on any previous one. Children nowadays are self-directed learners, instead of waiting for a tutor or someone to help them, they are very proactive in seeking help for themselves through the internet.

32 years old, Raheela Bibi, Lower Dir, Khyber Pakhtunkhwa

My husband suffered a stroke last year. Due to Broadband access, I was able to share his medical reports and seek the best advice from doctors all around the globe. By the grace of Allah, he is healthy now.

38 years old, Robina, Layyah, Punjab

”

“

I was able to attend my online classes and access the course materials without facing any problems with the internet connectivity. I hope that the pandemic ends soon so I can return to my university.

21 years old, Imran, Bahawalnagar, Punjab

I am a housewife, and through my smartphone, I am doing a business of selling desi ghee, butter and eggs. People from the locality place their orders, and I deliver them at reasonable rates. It makes me feel so empowered that I am making my own money. Words truly cannot express my happiness.

26 years old, Rakshanda, Karak, Khyber Pakhtunkhwa

It is a dream come true. I am grateful to the Government of Pakistan for bringing internet connectivity to our homes. I have not seen my son in years ever since he moved to Qatar. Now, he is a video call away. Technology has become a part of my daily life now.

60 years old, Achakzai, Washuk, Balochistan

”



FUTURE OUTLOOK

FY 2020 - 21

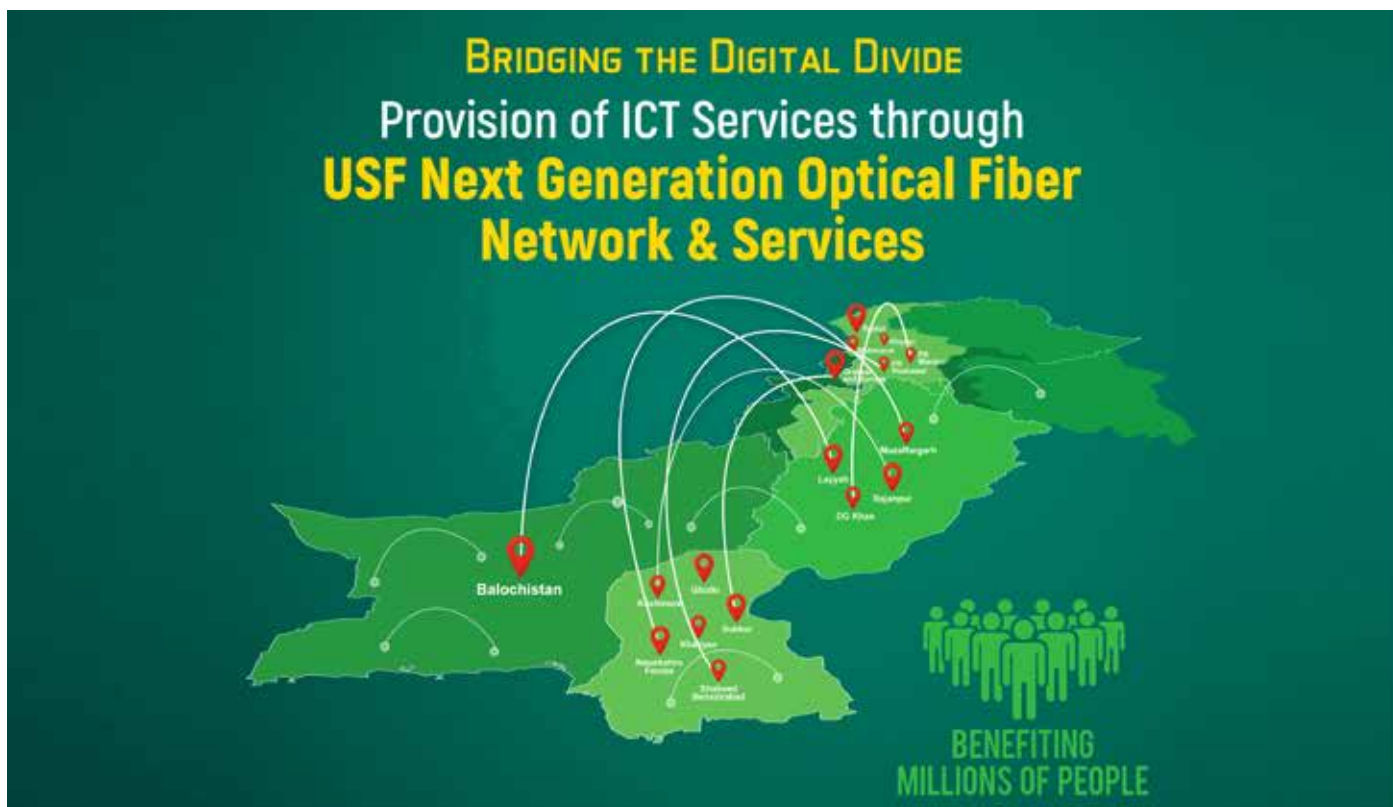
Looking ahead to FY 2020-21, USF commits to continued success for each of the USF programs. Our efforts include broadening the Next Generation Broadband for Sustainable Development Program, expanding the Optic Fiber Cable Program and launching the Next Generation Optical Fiber Networks and Services Program.

- ✔ With the future plan set in motion for Next Generation – Broadband for Sustainable Development Program, USF will be providing Hi-speed Mobile Broadband access to 11 Million people in 4,025 unserved and underserved muazas in Balochistan, Punjab, Sindh and Khyber Pakhtunkhwa provinces.

Province	Districts
Balochistan	Gwadar, Kech//Turbat, Panjgur, Ziarat, Mastung, Chaghai, Noshki, Pishin, Quetta and Killa Abdulah
Punjab	Okara, Sahiwal, Pakpattan, Multan, Khanewal, Chakwal, Jhelum, Attock and Rawalpindi
Sindh	Larkana, Kambar Shahdadt, Naushahro Feroze, Shaheed Benazirabad, Shikarpur, Jacobabad and Kashmore
Khyber Pakhtunkhwa	Chitral, Upper Dir, Lower Dir, Charsadda, Mardan, Nowshera, Swabi, Swat, Bannu and Lakki Marwat

- ✔ USF intends to connect 40 unserved Tehsil Headquarters and Major Towns by laying an estimated 837 km of Optic Fiber Cable in districts of Bajaur, Mohmand, Khyber, Orakzai, Kurram, FR Kohat and FR Peshawar.
- ✔ Next Generation Optical Fiber Network & Services program will be expanding Optic Fiber Cable connectivity to unserved Union Councils' level. Countrywide surveys are being conducted and in the current financial year, USF will launch tenders for 7 new projects targeting 507 Union Councils and an estimated 3,815 km of Optic Fiber Cable in the districts of Ghotki, Kashmore, Sukkur, Khairpur, Naushahro Feroze, Shaheed Benazirabad, Khairpur, Rajanpur, Muzaffargarh, DG Khan, Layyah & DG Khan.

In 2020, USF will measure success by its ability to deliver the Universal Service Fund efficiently and its ability to help bridge the digital divide for the millions of Pakistanis touched by Universal Service Fund initiatives.



M E E T T H E T E A M



Harnessing the diverse talents and energies of our people is vital to our continued success. This year, significant resources were dedicated to developing a universal understanding of what leadership looks like at USF, and how each one of us can align our actions to the USF framework. Our efforts have helped USF's highly engaged and motivated team fulfill our commitment.

Performing competitively in the Information and Communication Technologies (ICT) sector requires competent and empowered people working safely together across Universal Service Fund.

We recruit, train and recompense people according to a strategy that aims to organize our organization effectively. We accelerate development of our people; grow and strengthen our leadership capabilities; and enhance employee performance through strong engagement.

Employee Engagement

Our focus in the year was to continue building a work culture that is engaging and fosters high performance, innovation and opportunities for everyone to grow and excel in their respective areas.

Employee Benefits

Our employee benefits are focused on building a workplace that is engaging, inclusive, and one that gives our employees the trust to believe in our vision. During the year, we have reviewed and maintained our employee benefits across all levels and grades.

Our employee benefits enable employees to achieve a positive work life balance by offering them flexible timings, medical coverage, as well as monetary benefits. Rewards schemes such as spot recognition awards and promotions are exercised to engage and motivate employees.

Training and Development

Investing in our people is critical to our success. Each of our colleagues undergoes formal performance development reviews and are encouraged to nurture their skills through our various training opportunities.

We recognize that there are valuable and productive abilities in people of various abilities. We support people of determination to build long-term opportunities at our organization.

Our people are essential to the successful delivery of the Universal Service Fund strategy and to sustaining organizational performance over the long term.

USF is committed to creating amazing career opportunities for the people of Pakistan. The Company endeavours to be an equal opportunity employer and displays no discrimination regarding age, gender, colour or religion in its decisions to recruit or develop careers.

We support a gender balanced workforce and equal opportunities at all levels. This helps us achieve a vibrant workforce with diverse experiences, strengths and perspectives that help drive innovation and engagement across the organization.

Diversity and Inclusion (D&I)

We believe the success of our company must have a diverse workforce comprised of individuals with different ideas, strengths, interests and backgrounds. Our diversity and inclusion (D&I) approach focuses on talent acquisition, progression, retention, leadership visibility, and inclusive culture.

We strive to create an environment where all our employees are heard and appreciated – regardless of gender, nationality, ethnic origin, religion, world view, different abilities, age or identity. By embedding D&I into our operations, we have a better understanding of the needs of our people as well as the needs of our varied partners and stakeholders.

We provide equal opportunity in recruitment, career development, promotion, training and rewards for all our people, including those with disabilities.

We face another exciting and promising year in FY 2020–21 to deliver on our vision to provide Broadband access to more and more people in rural areas of Pakistan. Let us continue to work as we have until now, safe in the knowledge that we have the ingredients to succeed in our mission, and to demonstrate every day that that Information Communication Technologies (ICTs) is for all!

Impact of ICT on Different Industries

In the present world, Information and Communication Technologies (ICT) is a rare occurrence whose speed is worth keeping with. The moment an economy adopts digitalization, it allows sustainable business models to be developed that cut through the whole economy. Pakistan, a country with a population of 200 million is taking deliberate measures towards a digitalized economy. Information and Communication Technologies (ICT) are changing Pakistan's society by giving new opportunities for businesses, governments and citizens in a wide range of sectors including agriculture, finance, health, education, and many more.

Agriculture

USF is empowering the country's population by enabling them to participate in the exchange of data and sharing of information through Information and Communication Technologies (ICTs). Farmers are reaping the benefits from access to information about market, health, and weather services in remote areas. The improved cutting-edge strategies and information about the best pesticides to use on the farms for better harvests are increasing the farmer's productivity and income.



Health

The emerging role of ICT has created an immense impact on healthcare. It has become easy to deliver treatment and care to a patient living in a remote and isolated area. ICT enables healthcare providers to continuously monitor and interact with their patients and track their current health condition from afar. ICT promotes patient-centered healthcare at a lower cost, improve quality of care and information sharing, educate health professionals and patients, encourages a new form of relationship between patients and their health providers, and reduce travel time.

Finance

Information and Communication Technologies (ICT) are providing financial access to the rural population and boosting the burgeoning digital payment industry in Pakistan. There is growing evidence that improved access to financial services positively impacts development and poverty reduction. The businesses that have digitally transformed are prospering in the country. The process of creating, marketing, buying, selling and distribution have become simpler due to the digital economy. Furthermore, social networking websites are also providing a worldwide platform to interact with millions of potential clients at no cost, thereby increasing the market size. This has impacted positively on poor and low-income households as well as micro, small, and medium firms.



Education

Information and Communication Technologies (ICT) is playing a meaningful role in changing and modernizing the educational systems and the way of learning. The transformation gets to increase learning gains for students to provide learners an opportunity to develop creativity, communication skills, and other thinking skills. It aids literacy movements and enhances the scope of education by facilitating mobile learning and inclusive education for the rural population.



FINANCIAL STATEMENTS

FY 2019 - 20



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL SERVICE FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Universal Service Fund (the Company) which comprise statement of financial position as at June 30, 2020 and statement of income and expenditure and other comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of income and expenditure and other comprehensive income and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the surplus, other comprehensive income, and its cash flows for the year then ended.

Basis for Opinion

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

Other Matter

The financial statements of the Company for the year ended June 30, 2019 were audited by another firm of chartered accountants, whose report dated September 6, 2019, included emphasis of matter paragraph regarding uncertainty related to the outcome of certain cases.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. However, no such information is published along with these financial statements.

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the interim statement of financial position, the interim statement of income and expenditure and other comprehensive income and the interim statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) Investments made, expenditure incurred and guarantees extended during the half year were for the purpose of the Company's business; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Shahzad Ali.


Chartered Accountants

Place: Islamabad
Date: October 19, 2020

UNIVERSAL SERVICE FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	June 30, 2020 ----- Rupees -----	June 30, 2019
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	16,141,873	24,680,063
Intangible assets	5	32,028,972	24,994,338
Long term deposits		127,500	127,500
Long term advances	6	2,267,085	498,259
		50,565,430	50,300,160
CURRENT ASSETS			
Advances	7	1,891,923,984	504,941,286
Short-term prepayments	8	6,331,777	2,775,593
Interest accrued		133,093,896	85,152,640
Other receivables	9	1,096,216,888	1,096,016,872
Cash and bank balance	10	2,877,921,554	3,713,359,650
		6,005,488,099	5,402,246,041
TOTAL ASSETS		6,056,053,529	5,452,546,201
EQUITY AND LIABILITIES			
EQUITY			
NON-CURRENT LIABILITIES			
Fund balance (restricted)	11	5,754,152,775	5,017,064,385
Deferred capital grant	12	48,170,845	49,674,401
		5,802,323,620	5,066,738,786
CURRENT LIABILITIES			
Trade and other payables	13	253,729,909	385,807,415
TOTAL EQUITY AND LIABILITIES		6,056,053,529	5,452,546,201
CONTINGENCIES AND COMMITMENTS	14		

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

UNIVERSAL SERVICE FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020	June 30, 2019
		----- Rupees -----	
INCOME			
Amortization of deferred capital grant	12	19,589,046	15,027,063
EXPENDITURE			
Administrative and general expenses	15	402,651,485	338,523,611
Subsidy grant for projects	16	4,026,608,808	7,397,099,688
Fee to technical auditors for projects	17	24,268,108	34,416,102
		4,453,528,401	7,770,039,401
		<u>(4,433,939,355)</u>	<u>(7,755,012,338)</u>
FUNDS (RESTRICTED) RECOGNIZED AS GRANT AGAINST EXPENDITURE	11	4,444,257,081	7,759,025,410
NET SURPLUS FOR THE YEAR		<u>10,317,726</u>	<u>4,013,072</u>
OTHER COMPREHENSIVE INCOME			
<i>Item not to be reclassified to statement of income and expenditure account in subsequent periods</i>			
Re-measurement loss on defined benefit plan		(10,317,726)	(4,013,072)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>-</u>	<u>-</u>

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR

UNIVERSAL SERVICE FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020 ----- Rupees -----	June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Subsidy grant disbursement	16	(5,472,282,626)	(6,205,120,282)
Technical audit fee	17	(24,268,108)	(34,451,262)
Liquidated damages, profit on deposit account and others		251,171,979	356,100,482
Payment to suppliers and employees		(461,973,851)	(181,140,390)
Net cash used in operating activities		(5,707,352,606)	(6,064,611,452)
CASH FLOWS FROM INVESTING ACTIVITIES			
Procurement of property and equipment	4	(1,300,061)	(13,857,637)
Procurement of intangible assets	5	(16,785,429)	(23,740,402)
Net cash used in investing activities		(18,085,490)	(37,598,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant received	11	4,890,000,000	6,949,000,000
Net cash generated from financing activities		4,890,000,000	6,949,000,000
Net (decrease)/increase in cash & cash equivalents		(835,438,096)	846,790,509
Cash & cash equivalents at beginning of year		3,713,359,650	2,866,569,141
Cash & cash equivalents at end of year	10	2,877,921,554	3,713,359,650

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

UNIVERSAL SERVICE FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 STATUS AND ACTIVITIES

The Universal Service Fund Company ("the Company") was incorporated in Pakistan as a Public Company, limited by guarantee, not having a share capital and licensed under section 42 of the repealed Companies Ordinance, 1984 (replaced with Companies Act, 2017) 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 its registered office is situated at 5th floor, HBL Tower, Jinnah Avenue, Islamabad.

Pursuant to Section 16 of the Rules, operations of the Company are funded by The Federal Government through the Universal Service Fund ("USF"), a separate entity established under section 33 A of the Telecommunication Re-organization Act, 1996. USF is kept in the non-lapsable public fund account of the Federal Government maintained with the Federal Treasury Office. The account is operated by Ministry of Information Technology (MoIT). The primary objective of the Company is to plan, develop, finance and execute communication network projects and services to un-served or under-served areas of Pakistan as defined under Section 26 of the Rules mainly through disbursement of grants received from Government of Pakistan, in the form of subsidies to selected contributors to USF, for execution of the related telecom projects.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for liability for gratuity, which is carried at present value of defined benefit obligation net of fair value of plan asset.

2.3 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

	Effective from accounting period beginning on or after
IFRS 16 'Leases': This standard superseded IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts - IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016. However, SECP has adopted from July 01, 2019.	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'	January 01, 2019

2.4 New accounting standards / amendments 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.

	Effective from accounting period beginning on or after
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material and Classification of liabilities as current or non-current.	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

January 01, 2022

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions

January 01, 2020

Certain annual improvements have also been made to a number of IFRSs.

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

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

IFRS 17 Insurance Contracts

IFRS 1 First-time Adoption of International Financial Reporting Standards

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies have been applied consistently to all periods presented in these financial statements except the Note 3.1

3.1 Changes in accounting policy

IFRS 16 "Leases" has replaced IAS 17 "Leases", the former leaser accounting standard, and has become effective from annual accounting periods beginning on or after January 1, 2019. Under the new standard, almost all leases which meet the criteria disclosed in the standard will be recognized on the statement of financial position with on exceptions of short term and low value leases. Under IFRS 16, an asset (the right to use the leases item) is recognized along with corresponding financial liability to pay rentals at the present value of future lease payments over the lease term, discounted with the specific incremental borrowing rate.

The Company has adopted IFRS 16 from July 01, 2019 using the modified retrospective approach and the Company has assessed that the adoption of IFRS 16 does not have any material financial impact on these financial statements.

3.2 Functional and presentation currency

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

3.3 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods affected.

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

3.3.1 Property, equipment and intangible assets

The Company reviews the appropriateness of the rate of depreciation, useful lives and residual values used in the calculation of depreciation/ amortization on an annual basis. Any change in estimates in the future years might affect the carrying amounts of the respective items of property and equipment and intangible assets, with a corresponding effect on the depreciation and amortization charge.

3.3.2 Employee benefits

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations. Changes in these assumptions in future years may affect the liability under this scheme in those years.

3.3.3 Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws, and decisions taken by the taxation authorities. In instances where the Company's views differ from the views taken by the income tax department at the assessment stage, and where the Company considers that its views on items of a material nature are in accordance with the law, the related amounts are disclosed as contingent liabilities.

3.3.4 Provisions and contingencies

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost, if any.

Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is disclosed as contingent liability.

3.4 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses (if any). Cost comprises of acquisition cost, non-refundable indirect taxes and any other directly attributable costs.

Depreciation is charged on assets using the straight line method, at the rates stated in note 4. A full month's depreciation is charged in the month of acquisition of an asset, while no depreciation is charged in the month of an assets' retirement.

Useful lives are determined by the management based on the expected usage of an asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. The effects of adjustments to residual values, useful lives and methods are recognized prospectively as a change in accounting estimates.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income and expenditure statement in the year the asset is derecognized.

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

3.5 Right-of-use assets and their related lease liability

3.5.1 Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation/ accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged in the month in which the leases mature or are terminated.

3.5.2 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. Remeasurements of lease liabilities only occur in cases where the terms of the lease are changed during the lease tenor. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the statement of income and expenditure over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3.6 Intangibles

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that cost of such an asset can also be measured reliably.

Intangible assets are measured on initial recognition at cost, being the fair value of the consideration given. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment, if any.

The useful lives of intangible assets are assessed either as finite or indefinite. The Company does not have an intangible asset with indefinite useful life. Intangible assets with finite useful lives are amortized over the period of their useful life, at rate mentioned in note 5. In respect of additions and disposal of intangible assets during a year, amortization is charged to statement of income and expenditure from the month of acquisition and up to the month preceding the disposal of such intangible assets.

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

Changes in expected useful lives or the expected pattern of consumption of future economic benefits, embodied in intangible assets, are accounted for by changing the useful life or amortization method, as appropriate, and treated as a change in accounting estimate.

3.7 Advances, deposits and other receivables

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each statement of financial position date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the asset's recoverable amount and its carrying value.

3.8 Cash and cash equivalents

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

3.9 Fund balance (restricted)

Grants received from MoIT are classified as restricted grants and transferred to fund balance (restricted). Such grant is recognized to the statement of income and expenditure to the extent of actual expenditure incurred there against.

3.10 Deferred capital grant

Restricted funds utilized for capital expenditure are transferred from the Fund balance (restricted) and accounted for as a deferred capital grant. An amount equal to the charge for depreciation and amortization for the year, on property and equipment and intangible assets acquired, is then recognized in the income and expenditure statement.

3.11 Trade and other payables

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

3.12 Provision

Provisions are recognized when the Company has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.13 Staff benefits

i) Defined benefit plan

The Company operates a funded gratuity scheme for employees who have completed the minimum qualifying period of service to the Company. Provision for gratuity is made to cover obligations under the scheme in accordance with the actuarial recommendations using the Projected Unit Credit Method. Actuarial gain or loss is recorded in other comprehensive income. The latest actuarial valuation was carried out as at June 30, 2020, details are given in the note 13 of the financial statements.

ii) Compensated absences

The compensated absences provides a short-term leave encashment benefit to its employees whereby, employees can carry forward up to a maximum of 10 leaves for a year. Employees can either avail these leaves or en-cash them.

3.14 Taxation

i) Current

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

ii) Deferred

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

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

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

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

3.15 Income

i) Profit on bank deposits

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

ii) Other income

Any other income is recorded on an accrual basis.

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

3.16 Foreign currency translation

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

3.17 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

3.17.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets:

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Debt instrument designated at other comprehensive income

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Amortised cost and effective interest rate method:

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income - interest income"

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Impairment of financial assets:

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic data. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

(ii) Definition of default:

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 360 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets:

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties

(iv) Write-off policy:

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses:

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross

carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets:

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.17.2 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss.

The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

(ii) *Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities:

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

ii) Non-financial assets

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income and expenditure statement.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss recognized in the prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i) In the principal market for the asset or liability; or
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Chief Financial Officer determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The Company does not measure any of its assets or liabilities at fair value, except plan assets for gratuity, under the gratuity scheme.

4 PROPERTY AND EQUIPMENT

	COST			ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As at July 01, 2019	Additions	Disposals	As at June 30, 2020	Rate	As at July 01, 2019	Charge for the year	On disposals	As at June 30, 2020
June 30, 2020	Rupees			Rupees				Rupees	
Vehicles	29,704,498	-	-	29,704,498	20	29,422,956	281,472	-	29,704,428
Furniture and equipment	51,164,556	338,767	-	51,503,323	20	35,401,505	4,311,761	-	39,713,266
Computer and accessories	36,241,498	780,587	-	37,022,085	33	28,876,910	4,915,444	-	33,792,354
Communication equipment	1,988,039	180,707	-	2,148,746	20-33	697,157	329,574	-	1,026,731
	<u>119,078,591</u>	<u>1,300,061</u>	<u>-</u>	<u>120,378,652</u>		<u>94,398,528</u>	<u>9,838,251</u>	<u>-</u>	<u>104,236,779</u>
									<u>16,141,873</u>

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

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

	COST			ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As at July 01, 2018	Additions	Disposals	As at June 30, 2019	Rate	As at July 01, 2018	Charge for the year	On disposals	As at June 30, 2019
June 30, 2019	Rupees			Rupees				Rupees	
Vehicles	29,704,498	-	-	29,704,498	20	29,085,182	337,774	-	29,422,956
Furniture and equipment	37,446,504	13,740,520	(22,468)	51,164,556	20	28,159,176	7,264,797	(22,468)	35,401,505
Computer and accessories	39,661,955	2,694,842	(6,115,299)	36,241,498	33	30,741,224	4,250,985	(6,115,299)	28,876,910
Communication equipment	1,988,039	-	(20,000)	1,968,039	20-33	375,595	326,562	(5,000)	697,157
	<u>108,800,996</u>	<u>16,435,362</u>	<u>(6,157,767)</u>	<u>119,078,591</u>		<u>88,361,177</u>	<u>12,180,118</u>	<u>(6,142,767)</u>	<u>94,398,528</u>
									<u>24,680,063</u>

5 INTANGIBLE ASSETS

	COST			ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	As at July 01, 2019	Additions	Disposals	As at June 30, 2020	Rate	As at July 01, 2019	Charge for the year	On disposals	As at June 30, 2020
June 30, 2020	Rupees			Rupees				Rupees	
Digital Maps	7,500,000	-	-	7,500,000	20	7,499,990	-	-	7,499,990
Software	39,953,527	-	-	39,953,527	33	14,959,199	9,750,795	-	24,709,994
Capital Work in progress - Software	-	16,785,429	-	16,785,429	-	-	-	-	16,785,429
	47,453,527	16,785,429	-	64,238,956		22,459,189	9,750,795	-	32,209,984
									32,028,972

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

	COST			ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	As at July 01, 2018	Additions	Disposals	As at June 30, 2019	Rate	As at July 01, 2018	Charge for the year	On disposals	As at June 30, 2019
June 30, 2019	Rupees			Rupees				Rupees	
Digital Maps	7,500,000	-	-	7,500,000	20	7,499,990	-	-	7,499,990
Software	16,213,125	23,740,402	-	39,953,527	33	12,112,254	2,846,945	-	14,959,199
	23,713,125	23,740,402	-	47,453,527		19,612,244	2,846,945	-	22,459,189
									24,994,338

6	LONG TERM ADVANCES	Note	June 30, 2020	June 30, 2019
			----- Rupees -----	
	Advance against gratuity balance to employees		2,267,085	498,259
			<u>2,267,085</u>	<u>498,259</u>
6.1	The above advances were given against employees' gratuity in accordance with Company's service rules with repayment terms of maximum twenty four (24) months and carry no markup.			
7	ADVANCES	Note	June 30, 2020	June 30, 2019
			----- Rupees -----	
	Considered good			
	To employees - secured:			
	- Advance against gratuity - current portion		4,647,592	2,918,277
	- Advance as against salary/TADA		-	256,266
	Advance against projects - secured	7.1	1,887,276,392	501,071,743
	To suppliers		-	695,000
			<u>1,891,923,984</u>	<u>504,941,286</u>
7.1	This represents unutilized portion of an advance paid to service providers, in respect of following projects:			
			June 30, 2020	June 30, 2019
			----- Rupees -----	
	Advances to related parties:			
	PTCL-OFC KPK		-	79,612,278
	PTCL-OFC FATA		-	140,000,000
	PTML-BSD KharanWashuk		-	58,250,000
	PTML-NG-BSD Small Lot-P4		9,800,000	-
	TELENOR-BSD Mohmand		-	2,384,969
	TELENOR-BSD Kohistan		331,087,248	-
	TELENOR-NG- BSD Dadu		67,206,683	43,359,151
	TELENOR-NG-BSD NH&MW Lot-2(NH 25&65)		65,167,259	50,128,661
	TELENOR-NG-BSD NH&MW Lot-3(NH 50&70)		86,347,029	82,235,266
	TELENOR-NG-BSD Hyderabad		112,423,036	-
	TELENOR-NG-BSD Bahawalpur		257,780,779	-
	TELENOR-NG-BSD Small Lot S3		16,942,374	-
	TELENOR-NG-BSD Tharparker		479,093,772	-
	TELENOR-NG-BSD Sanghar		117,633,831	-
	TELENOR-NG-BSD Muzaffargarh		130,043,980	-
	TELENOR-NG-BSD Small Lot IBA-1		6,049,105	-
	Advances to other than related parties:			
	PMCL-BSD North Waziristan		-	27,082,149
	PMCL-BSD South Waziristan		18,019,269	18,019,269
	PMCL-NG-BSD Bahawalnagar		33,322,227	-
	PMCL-NG-BSD Rahimyarkhan		39,705,142	-
	PMCL-NG-BSD Dera Ghazi Khan		98,205,509	-
	PMCL-NG-BSD Khurram		18,449,149	-
			<u>1,887,276,392</u>	<u>501,071,743</u>

8	SHORT-TERM PREPAYMENTS	Note	June 30, 2020	June 30, 2019
			----- Rupees -----	
	Rent		-	-
	Insurance		1,721,258	1,706,805
	Others		4,610,519	1,068,788
			6,331,777	2,775,593

9	OTHER RECEIVABLES	Note	June 30, 2020	June 30, 2019
			----- Rupees -----	
	From Related Party			
	PTCL Mustang	9.1	281,929,919	281,929,919
	PTCL OFC BP-05	9.1	787,860,677	787,860,677
	PTCL BB HTR	9.1	26,171,616	26,171,616
	From Others		254,676	54,660
			1,096,216,888	1,096,016,872

Age Analysis of other receivables from related parties

Name of Related Party	Amount not past due	Amount past due				
		0-30 Days	31-60 Days	61-90 Days	91-365 Days	Above 365 Days
PTCL	-	-	-	-	-	281,929,919
PTCL	-	-	-	-	-	787,860,677
PTCL	-	-	-	-	-	26,171,616
	-	-	-	-	-	1,095,962,212

9.1 These represent late delivery charges recognized on delayed implementation of projects milestones. Management believe that no expected credit losses are required to recognize because these are secured through performance bond. Further, it is maximum outstanding balance at any time during the year. The receivables are secured with bank guarantees of Projects.

10	CASH AND BANK BALANCE	Note	June 30, 2020	June 30, 2019
			----- Rupees -----	
	Cash in hand		24,494	40,106
	Cash at bank			
	- Deposit account - local currency	10.1	2,877,897,060	3,713,319,544
			2,877,921,554	3,713,359,650

10.1 This carries mark-up at rate 6.10% to 12 % per annum (2019: 4.25% to 11% per annum). The profit on bank deposit is receivable with reference to the daily balance in the bank account.

11	FUND BALANCE (RESTRICTED)	Note	June 30, 2020	June 30, 2019
			----- Rupees -----	
	Balance at the beginning of the year		5,017,064,385	3,839,836,759
	Grant received during the year		4,890,000,000	6,949,000,000
	Profit on deposit account	11.1	298,360,152	150,862,877
	Miscellaneous receipts / receivables	11.2	753,083	1,872,537,851
			5,189,113,235	8,972,400,728
	Grants transferred to:			
	-Deferred capital grant	12	18,085,490	40,160,764
	-Income and expenditure statement		4,444,257,081	7,759,025,410
	-Experience adjustment	13.3.4	(10,317,726)	(4,013,072)
			4,452,024,845	7,795,173,102
			<u>5,754,152,775</u>	<u>5,017,064,385</u>

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

11.2 This includes amount of **Rs.215,776** (2019: Rs. 1,871,029,167) against liquidated damages, recovered from operators.

12	DEFERRED CAPITAL GRANT	Note	June 30, 2020	June 30, 2019
			----- Rupees -----	
	Balance at beginning of the year		49,674,401	24,540,700
	Transferred from fund balance (restricted)	11	18,085,490	40,160,764
	Depreciation/amortization charged during the year	12.1	(19,589,046)	(15,027,063)
	Balance at end of the year		<u>48,170,845</u>	<u>49,674,401</u>

12.1 As at the reporting date, the Company has utilized **Rs.198.8 million** (2019: Rs.180.72 million) out of grant received for capital expenditure.

13	TRADE AND OTHER PAYABLES	Note	June 30, 2020	June 30, 2019
			----- Rupees -----	
	Project subsidy payable	13.1	115,763,726	175,232,895
	Technical auditor fee payable		102,741	102,741
	Payable to suppliers		7,192,302	9,557,086
	Rent payable		10,502,800	10,502,800
	Accrued liabilities		2,370,924	3,593,281
	Payable to gratuity fund	13.2	16,787,416	5,273,612
	Earnest money		101,010,000	181,545,000
			<u>253,729,909</u>	<u>385,807,415</u>

13.1 This includes an amount of **Rs. 102.40 million** (2019: 80.71 million) payable to related parties.

13.2	Payable to gratuity fund	June 30, 2020	June 30, 2019
		----- Rupees -----	
	The movement in net liability is as follows:		
	Balance at beginning of the period	5,273,612	7,079,152
	Charge for the period	13,708,184	11,859,026
	Remeasurement loss	10,317,726	4,013,072
	Contribution	(12,512,106)	(17,677,638)
	Balance at end of the year - Payable	<u>16,787,416</u>	<u>5,273,612</u>

13.3 The details of actuarial valuation carried by Nauman Associates as at 30 June, 2020 are as follows:

		June 30, 2020	June 30, 2019
	Note	----- Rupees -----	
13.3.1 Reconciliation of payable to gratuity fund:			
Present value of the defined benefit obligation	13.3.2	87,489,648	77,754,649
Fair value of the plan assets	13.3.5	(70,702,232)	(72,481,037)
		<u>16,787,416</u>	<u>5,273,612</u>
13.3.2 Change in the present value of defined benefit obligation			
Opening balance		77,754,649	63,580,017
Current service cost	13.3.3	13,850,638	12,034,992
Interest cost on defined benefit obligation	13.3.3	9,812,439	6,037,268
Benefits paid		(20,165,308)	(6,414,680)
Actuarial gain / (loss)		6,237,230	2,517,052
		<u>87,489,648</u>	<u>77,754,649</u>
13.3.3 Charge for the year is as follows:			
Current service cost		13,850,638	12,034,992
Interest expense		9,812,439	6,037,268
Interest income on plan assets		(9,954,893)	(6,213,234)
Interest income - net		(142,454)	(175,965)
		<u>13,708,184</u>	<u>11,859,026</u>
13.3.4 Remeasurement gain - net is as follows:			
Actuarial (gain) / loss recognized		6,237,230	2,517,052
Return on plan assets excluding the interest income		4,080,496	1,496,020
		<u>10,317,726</u>	<u>4,013,072</u>
13.3.5 Change in fair value of plan assets			
Opening balance		72,481,037	56,500,865
Interest income		9,954,893	6,213,234
Contribution made directly to gratuity fund		9,086,760	11,262,958
Payments made on behalf of the gratuity fund		3,425,346	6,414,680
Benefits paid		(20,165,308)	(6,414,680)
Return on plan assets, excluding interest income		(4,080,496)	(1,496,020)
		<u>70,702,232</u>	<u>72,481,037</u>

Major categories of the plan assets as a percentage of total plan assets are as follows:

	June 30, 2020	June 30, 2019
	----- Rupees -----	
Cash and other deposits:		
-Bank balance	70,702,232	72,481,037
-Percentage	<u>100%</u>	<u>100%</u>

13.3.6 The principal actuarial assumptions used were as follows:

Actuarial valuation of the plan was carried out as at 30 June, 2020 by an independent valuer using projected unit credit method, on following assumptions:

	June 30, 2020	June 30, 2019
Discount rate used for Interest Cost in P&L Charge	14.50%	10.00%
Discount rate used for year end obligation	9.25%	14.50%
Salary increase used for year end obligation	8.75%	13.50%
Salary Increase FY 2021 Onward	8.75%	13.50%
Next salary is increased on	1-Jul-20	1-Jul-19
Mortality rates	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year
Withdrawal rates	Age-Based (per appendix)	Age-Based (per appendix)
Retirement assumption	Age 60	Age 60

13.3.7 Estimated expenses to be charged to statement of income & expenditure

	Financial Year 2021	Financial Year 2020
	----- Rupees -----	
Current service cost	13,888,116	13,850,638
Interest cost on defined benefit obligation	7,902,458	10,995,601
Interest income on plan assets	(6,928,307)	(11,512,556)
	<u>14,862,267</u>	<u>13,333,683</u>

13.3.8 For a change of 100 basis points in these assumptions, keeping other present value of defined benefit obligation as at 30 June, 2020 would have been as follows:

	June 30, 2020		June 30, 2019	
	Present value of obligation		Present value of obligation	
	1 % Increase	1 % decrease	1 % Increase	1 % decrease
	-----Rupees-----			
Discount rate	78,122,839	98,470,418	70,046,892	86,680,529
Salary increase rate	98,557,355	77,877,524	86,801,463	69,811,587

	June 30, 2020	June 30, 2019
The average duration of the defined benefit obligation is	12 Years	11 Years

13.4 Historical information

	2020	2019	2018	2017
	----- Rupees -----			
Net staff retirement benefit liability	16,787,416	5,273,612	7,079,152	3,290,150
Experience adjustment	10,317,726	4,013,072	4,206,951	(726,186)

14 CONTINGENCIES AND COMMITMENTS

14.1 Commitments

		June 30, 2020	June 30, 2019
		----- Rupees -----	
Subsidy grant commitments	16	10,168,293,254	10,322,964,919
Technical auditor's fee	17	99,457,812	30,047,062
Monitoring auditor's fee		9,545,293	-

14.2 Contingencies

14.2.1 During FY 2013-14, the Additional Commissioner Inland Revenue (ACIR) raised a demand in respect of tax years 2008 to 2014, amounting to Rs. 3,939,571,607 by treating the grant received from MoIT as taxable income, after giving benefit for the Company's Administrative and General expenses. The Company filed appeals against this demand, with the Commissioner Inland Revenue Appeals [CIR(A)], for re-examining of facts for, ignoring the provision of clause 59 of part of 2nd Schedule, limiting the scope of Charitable purpose under section 2(11A) and

ignoring the provisions of section 9, of Income Tax Ordinance, 2001 as well as limiting the admissibility of expense by disallowing expenses for projects subsidy grant and projects technical auditors fee. CIR (A) set aside all the orders and remanded back for admissibility of expenses not allowed and instructions that taxation should be made as is done on normal business/profession.

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

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

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

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

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

15	ADMINISTRATIVE AND GENERAL EXPENSES	Note	June 30, 2020	June 30, 2019
			----- Rupees -----	
	Salaries and benefits	15.1	281,893,291	244,160,554
	Training & HR development		2,366,574	1,371,550
	Legal and professional charges		22,358,480	1,244,650
	Rent		31,508,400	29,598,800
	Utilities and office supplies		2,543,253	2,209,624
	Communication charges		1,293,483	1,085,856
	Entertainment		718,728	778,534
	Traveling		11,666,274	20,528,196
	Printing and stationery		1,748,646	1,545,754
	Vehicle fuel expenses		10,174,291	9,450,500
	Repairs and maintenance		5,204,257	1,587,364
	Advertisement		8,547,563	7,820,094
	Depreciation	4	9,838,251	12,180,118
	Amortization of intangible asset	5	9,750,795	2,846,945
	Auditors' remuneration	15.2	446,000	240,000
	Insurance expense		2,572,881	1,874,774
	Bank charges		20,318	20,298
			402,651,485	338,523,611

15.1 Salaries and benefits include Rs.24,025,910 (2019: Rs.15,872,098) charged in respect of defined benefit scheme.

15.2	Auditors' remuneration:	June 30, 2020	June 30, 2019
		----- Rupees -----	
	Annual audit fee	200,000	125,000
	Interim audit fee	100,000	60,000
	Review of Code of Corporate Governanace	50,000	55,000
	Out of pocket expense	35,000	-
	Sales tax	61,000	-
		446,000	240,000

Sr. No.	Project / Lot	Ablotted to	Contract date	Total subsidy as per contract	Subsidy due For the year		As of 30 June 2019	As of 30 June 2020	Subsidy disbursed For the year	Liquidated damages for the year	Balance commitment	Bank guarantees	Milestones achieved
					Capex	Opex							
C) OPTICAL FIBER CABLE- OFC													
1	Sirolu Package	Wintenn Telecom	11-Feb-09	449,000,000	-	-	449,000,000	449,000,000	-	-	-	179,600,000	Completed
2	Biochhatan Package-1	Wintenn Telecom	17-May-09	374,000,000	-	-	374,000,000	374,000,000	-	-	-	545,600,000	Completed
3	Biochhatan Package-2	PTCL****	25-Jun-09	1,200,000,000	-	-	960,000,000	960,000,000	-	-	340,000,000	480,000,000	Up to 2nd
4	Biochhatan Purnali Package-3	Wintenn Telecom	24-Nov-09	680,000,000	-	-	591,600,000	591,600,000	-	-	304,400,000	304,400,000	Up to 2nd
5	Biochhatan Purnali Package-5	PTCL****	17-Mar-10	1,468,000,000	-	-	1,468,000,000	1,468,000,000	-	-	-	590,200,000	Completed
6	Biochhatan Package-4	Wintenn Telecom	13-Jul-11	1,965,000,000	-	-	1,965,000,000	1,965,000,000	-	-	-	790,000,000	Completed
7	IPFK	PTCL****	8-Mar-18	779,894,680	240,387,722	538,506,958	779,894,680	459,834,680	779,894,680	-	-	320,000,000	Completed
8	FATA Package-1	PTCL****	27-Jun-18	700,000,000	-	260,000,000	280,000,000	140,000,000	140,000,000	-	420,000,000	280,000,000	Up to 1st
Sub-total (C)				7,951,894,688	5,877,987,722	819,506,958	6,897,484,680	5,899,400,000	599,834,680	6,289,234,680	1,054,400,000	3,182,800,000	
D) BROADBAND													
1	FTR	PTCL****	27-Apr-08	1,183,720,000	-	-	1,183,720,000	1,183,720,000	-	-	-	-	Completed
2	FTR-1	Wintenn Telecom	27-Apr-09	238,832,000	-	-	238,832,000	238,832,000	-	-	-	-	Completed
3	MTR	PTCL****	25-Jun-09	1,152,452,500	-	-	1,152,452,500	1,152,452,500	-	-	-	-	Completed
4	BTR-1	PTCL****	25-Jun-09	480,651,511	-	-	480,651,511	480,651,511	-	-	-	-	Completed
5	MTR	Wondkall Telecom	28-Jul-09	745,323,255	-	-	745,323,255	745,323,255	-	-	-	-	Completed
6	HTR	PTCL****	24-Nov-09	194,265,262	-	-	194,265,262	194,265,262	-	-	-	84,636,679	Completed
7	HTR	Wintenn Telecom	24-Nov-09	54,799,000	-	-	54,799,000	54,799,000	-	-	-	-	Completed
8	GTR	Wondkall Telecom	22-Mar-10	394,283,250	-	-	394,283,250	394,283,250	-	-	-	-	Completed
9	GTR	Wintenn Telecom	30-Mar-10	426,245,870	-	-	426,245,870	426,245,870	-	-	-	-	Completed
10	GTR	Wintenn Telecom	13-Apr-10	244,869,250	-	-	244,869,250	244,869,250	-	-	-	-	Completed
11	CTR	PTCL****	28-Apr-10	503,272,000	-	-	503,272,000	503,272,000	-	-	-	-	SSA terminated
12	CTR	PTCL****	28-Apr-10	503,272,000	-	-	503,272,000	503,272,000	-	-	-	-	Completed
13	BTR-V	PTCL****	8-Mar-12	941,132,300	-	-	941,132,300	941,132,300	-	-	-	482,470,000	Completed
14	BTR	PTCL****	11-Dec-13	1,391,872,500	-	-	1,391,872,500	1,391,872,500	-	-	-	556,789,000	Completed
15	BTR-1	PTCL****	11-Dec-13	1,102,000,000	-	-	1,102,000,000	1,102,000,000	-	-	-	-	Completed
Sub-total (D)				9,115,848,278	9,115,848,278	9,088,826,792	9,115,848,278	9,088,826,792	9,088,826,792	9,088,826,792	1,029,895,679	1,029,895,679	
E) SPECIAL PROJECTS- TELECENTERS													
1	Broadband for Mera Bighwal	NAVATEL	15-Mar-10	9,210,918	-	-	9,210,918	9,210,918	-	-	-	-	Completed
2	Broadband for Pilot MCT Sites	PTCL	16-Mar-10	27,899,147	-	-	27,899,147	27,899,147	-	-	-	-	Project Closed
3	Broadband for Pilot MCT Sites	World Call	31-Mar-10	5,944,157	-	-	5,944,157	5,944,157	-	-	-	-	Completed
4	Telecenters (Ten Sites)	PMCL**	14-Apr-17	-	-	-	-	-	-	-	-	-	Terminated
Sub-total (E)				43,054,222	43,054,222	43,054,222	43,054,222	43,054,222	43,054,222	43,054,222	43,054,222	43,054,222	

Sr. No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	Subsidy due For the year			As of 30 June 2019	As of 30 June 2018	As of 30 June 2017	Subsidy disbursed For the year	As of 30 June 2020	Liquidated amounts for the year	Balance commitment	Bank guarantee	Missions achieved	
					Open	Close	Total										
F) SPECIAL PROJECTS-OTHER ICT SERVICES																	
1	Ramjyoti / Sukur / Khar	Abhis Tech ICT for Disabled Up gradation / Establishment of Computerized Low Vision Rehabilitation Centre	8-Jul-08	24,716,000	24,716,000	-	-	24,716,000	24,716,000	24,716,000	-	24,716,000	-	-	-	Completed	
2	Ramjyoti / Ramjyoti	Project for Providing PFTB - ICT to Disabled Up gradation of Aural Handicapped & Aural Work Programmes	15-Sep-08	6,484,118	6,484,118	-	-	6,484,118	6,484,118	6,484,118	-	6,484,118	-	-	-	Completed	
3	Ramjyoti / Karachi / Multan	Quater Technology Pvt LIS - Translance Project	14-Oct-11	59,657,213	59,657,213	-	-	59,657,213	59,657,213	59,657,213	-	59,657,213	-	-	-	Completed	
4	Pakistan	Carder College Helms Model ICT Labs	2-Apr-11	23,690,883	23,690,883	-	-	23,690,883	23,690,883	23,690,883	-	23,690,883	-	-	-	Completed	
5	Educational Institutions, Sak of Mat Street Homes	Establishment of 13 Computer labs in Selected Institutions - Punjab	5-Nov-15	26,793,249	26,793,249	-	-	26,793,249	26,793,249	26,793,249	-	26,793,249	-	-	-	Upto 4th (3rd Year)	
6	WECEI	Establishment of 50 Computer labs - Computer Networking Cell (DLSN)	17-May-16	108,448,711	101,218,737	7,229,974	-	108,448,711	108,448,711	101,218,737	7,229,974	108,448,711	215,776	-	4,219,808	Completed	
7	Women Empowerment Centers- WECEI	Establishment of 50 Computer labs - Analytical Solutions Pvt LIS	8-Jan-17	98,950,950	92,354,220	6,596,730	-	98,950,950	92,354,220	92,354,220	6,596,730	98,950,950	-	-	-	Completed	
8	Computerized Government Oils School ICT Rural Areas FDE-1	Establishment of 107 Computer labs in Government Oils School in Rural Areas of ICT Co. Marketing Co Pvt LIS	5-Jun-17	168,538,758	151,684,881	16,853,877	-	168,538,758	151,684,881	151,684,881	16,853,877	168,538,758	-	11,235,919	16,853,878	Upto 3rd (6th year)	
9	ICTDS-48-FDE-1	Recruitment, Management, Monitoring & Monitoring Operations of 202 Computer Teachers in Govt Oils Schools in Rural Areas of ICT Pak Multi Services Pvt LIS	24-Oct-17	413,081,568	180,804,791	138,396,579	131,813,762	413,081,568	180,804,791	182,558,224	138,396,579	413,081,568	-	87,881,168	2,324,156	Total 202 Salary Allow & Admin June	
10	Women Empowerment Centers- WECEI	Establishment of 45 Computer Labs in Women Empowerment Centres - Analytical Solutions Pvt LIS	34-Oct-17	92,479,700	47,228,130	1,748,190	-	92,479,700	47,228,130	47,228,130	1,748,190	92,479,700	-	3,488,380	1,748,200	Upto 3rd (1st Year)	
11	Computer labs-Government Oils School ICT Rural Areas FDE-2	Establishment of 119 Computer labs in Government Oils School in Rural Areas of ICT - Analytical Solutions Pvt LIS	24-Oct-17	228,089,222	202,776,499	8,437,574	903,000	228,089,222	202,776,499	202,776,499	8,437,574	228,089,222	-	16,875,489	7,602,974	Upto 3rd (1st Year Warranty) upto 6th (1st Year)	
12	Computer labs-ICT For National Library & So. Sdu. ins of CADD Pvt LIS	Establishment of 6 Computer labs - Analytical Solutions Pvt LIS	8-May-18	23,813,000	21,521,702	797,100	-	23,813,000	21,521,702	21,521,702	797,100	23,813,000	-	1,584,200	797,100	Upto 1st (1st Year Warranty)	
13	Computer labs-ICT at Six Oils (Educational Institutions) Pvt LIS	Establishment of 6 Computer labs - Analytical Solutions Pvt LIS	31-Dec-18	10,656,000	8,863,100	-	-	10,656,000	8,863,100	8,863,100	-	10,656,000	-	1,092,900	1,092,900	Upto 1st	
Sub-totals (F)																	
					854,894,241	36,842,283	132,776,702	168,834,645	1,423,828,286	850,558,674	168,834,645	1,113,395,036	215,776	122,193,746	34,643,814	403,900,000	Contract Signed
G) SPECIAL PROJECTS- OTHER INCLUSION																	
1	Empowerment of SME/MSMEs through E-Commerce	E-commerce (District/ECG) Pvt LIS	1-Aug-18	403,000,000	-	-	-	403,000,000	-	-	-	-	-	403,000,000	403,000,000	Contract Signed	

Sr. No.	Project / Lot	Allocated to	Contract date	Total subsidy as per contract	As of 30 June 2019		Subsidy due For the year		Total	As of 30 June 2020	Subsidy disbursed For the year	As of 30 June 2020	Liquateded damages for the year	Balance commitment	Bank guarantee	Missions achieved
					Capex	Opex	Opex	Opex								
				409,800,000										409,800,000		
Total (A+B+C+D+E+F+G)																
				52,339,244,172	48,141,342,110	3,371,827,656	654,781,152	4,026,609,808	52,167,950,918	47,876,342,379	5,472,862,638	51,398,433,895	218,779	16,186,293,264	21,399,620,153	

- 1. Telecel Pakistan (Private) Limited (Telecel) (a related party)
- 2. Pakistan Mobile Communications Limited (PMCL)
- 3. World Telecom (Private) Limited (World)
- 4. Pakistan Telecommunication Company Limited (PTCL) (a related party)
- 5. CMFPA Limited
- 6. Pakistan Telecelcom Mobile Limited (PTML, Ufone) (a related party)

Sl. No.	Project / Lot	Allotted to	Contract date	Total subsidy as per contract	Subsidy due For the year		Subsidy disbursed For the year	Liquidated damages for the year	Balance commitment	Bank guarantee	Milestone achieved
					As of 30 June 2018	As of 30 June 2019					
					Capes	Ojras					
					Total						
C) OPTICAL FIBER CABLE- OFC											
1	South Package	Walesan Telecom	11-Feb-09	449,000,000	449,000,000	449,000,000	-	-	-	139,800,000	Completed
2	Biharistan Package 1	Walesan Telecom	17-May-09	374,000,000	374,000,000	374,000,000	-	-	-	149,600,000	Completed
3	Biharistan Package 2	PTCL ****	25-Jun-09	1,200,000,000	960,000,000	960,000,000	-	240,000,000	-	480,000,000	Up to 30%
4	Biharistan Package 3	Walesan Telecom	24-Nov-09	999,000,000	599,000,000	599,000,000	-	394,400,000	-	599,000,000	Up to 2nd
5	Biharistan Package 4	PTCL ****	17-May-10	1,498,000,000	898,000,000	898,000,000	-	1,387,000,000	-	599,000,000	Completed
6	Biharistan Package 4	Walesan Telecom	13-Jul-11	1,965,000,000	1,965,000,000	1,965,000,000	-	-	-	790,000,000	Completed
7	APK	Walesan Telecom	6-Mar-18	800,000,000	800,000,000	800,000,000	-	559,612,278	-	370,000,000	up to 1st
8	FATA Package 1	PTCL ****	27-Jun-18	700,000,000	-	700,000,000	-	700,000,000	-	260,000,000	Mobilization Adv.
Sub-total (C)				7,972,000,000	5,238,400,000	5,238,400,000	160,800,000	1,894,912,278	1,894,912,278	3,192,800,000	
D) BROADBAND											
1	FTTR	PTCL ****	27-Apr-09	1,183,720,000	1,183,720,000	1,183,720,000	-	-	-	476,648,000	Completed
2	FTTR-1	Walesan Telecom	27-Apr-09	238,832,000	238,832,000	238,832,000	-	-	-	95,000,000	Completed
3	MTR	PTCL ****	25-Jun-09	1,152,452,500	1,152,452,500	1,152,452,500	-	-	-	464,417,600	Completed
4	BTR-1	PTCL ****	25-Jun-09	480,651,511	480,651,511	480,651,511	-	-	-	218,622,300	Completed
5	MTR	Wardial Telecom	28-Jul-09	745,323,255	745,323,255	745,323,255	-	-	-	314,208,500	Completed
6	HTR	PTCL ****	24-Nov-09	196,295,292	169,273,356	169,273,356	-	53,193,502	-	84,036,678	Completed
7	HTR	Walesan Telecom	24-Nov-09	54,799,000	54,799,000	54,799,000	-	-	-	21,919,600	Completed
8	GTR	PTCL ****	23-Mar-10	304,293,250	304,293,250	304,293,250	-	-	-	157,714,000	Completed
9	GTR	Wardial Telecom	30-Mar-10	426,245,870	426,245,870	426,245,870	-	-	-	192,666,100	Completed
10	GTR	Walesan Telecom	13-Apr-10	244,869,250	244,869,250	244,869,250	-	-	-	97,947,700	Completed
11	CTR	PTCL ****	28-Apr-10	-	-	-	-	-	-	-	SSA terminated
12	CTR	PTCL ****	28-Apr-10	503,272,000	503,272,000	503,272,000	-	-	-	205,108,600	Completed
13	BTR-V	PTCL ****	9-May-12	841,132,300	723,705,000	723,705,000	217,427,300	-	-	482,470,000	Completed
14	HTR	PTCL ****	11-Dec-13	1,393,972,500	1,393,972,500	1,393,972,500	-	-	-	556,788,000	Completed
15	NTR-1	PTCL ****	11-Dec-13	1,162,000,000	1,162,000,000	1,162,000,000	-	-	-	464,800,000	Completed
Sub-total (D)				9,115,848,728	8,871,399,492	8,871,399,492	217,427,300	8,098,826,792	8,098,826,792	3,834,716,279	
E) SPECIAL PROJECTS-TELECENTERS											
1	Broadband for Mins (Right)	NAVATEL	15-Mar-10	9,210,918	9,210,918	9,210,918	-	-	-	-	Completed
2	Broadband for Pilot MCT Sites	PTCL	16-Mar-10	34,873,834	27,899,147	27,899,147	-	6,074,787	-	-	Up to 3rd
3	Broadband for Pilot MCT Sites	Wardial Telecom	31-Mar-10	5,944,157	5,944,157	5,944,157	-	-	-	-	Crossed
4	Telecenters (Ten Sites)	PMCL **	14-Apr-17	-	-	-	-	-	-	-	Terminated
Sub-total (E)				50,829,608	43,654,222	43,654,222	-	43,654,222	-	6,074,787	

Sr. No.	Project / Lot	Admitted to	Contract date	Total subsidy as per contract	As of 30 June 2018		Subsidy due For the year		Subsidy disbursed		Liquated damages for the year	Balance commitment	Bank guarantee	Missions achieved		
					Capex	Opex	Total	As of 30 June 2018	For the year	As of 30 June 2019						
F) SPECIAL PROJECTS-OTHER ICT SERVICES																
1	Ravenscroft / Sukkur / Kohat	Alma Trust ICT for Disabled - Up gradation / Establishment of Computerized Low Vision rehabilitation centre	8-Jul-08	24,716,000	-	24,716,000	-	-	24,716,000	-	-	-	-	Completed		
2	Ravenscroft Islamabad	Pakistan Foundation Fighting Blindness- PFB - ICT for Disabled - Up gradation of Audio World & Access internet Café (IT Help & Audio World Programme)	15-Sep-08	6,494,118	-	6,494,118	-	-	6,494,118	-	-	-	-	Completed		
3	Ravenscroft / Karachi / Multan	Orator Technologies Pvt Ltd - Telemedicine Project	14-Oct-11	59,657,213	-	59,657,213	-	-	59,657,213	-	-	-	-	Completed		
4	Pafos	Center College Pafos - Moodle ICT Lab	2-Apr-11	23,690,883	-	23,690,883	-	-	23,690,883	-	-	-	-	Completed		
5	Educational Institutions (IIM of MAJ, Sowed House)	Establishment of 13 Computer labs in Selected Institutions-Analytical Solutions Pvt Ltd	5-Nov-15	26,793,249	893,108	25,900,141	-	-	26,793,249	893,108	-	-	853,109	Upto 4th (1st Year)		
6	Women Employment Centres (WEC)	Establishment of 50 Computer labs - Computer Marketing Co Pvt Ltd	17-May-10	108,448,712	-	101,218,797	-	-	101,218,797	-	-	7,229,915	5,996,713	Upto 2nd		
7	Women Employment Centres (WEC)	Establishment of 50 Computer labs - Acadia Solutions Pvt Ltd	9-Jan-17	98,090,950	-	89,055,855	-	3,298,365	92,354,220	3,298,365	-	6,596,730	9,895,095	Upto 3rd (1st Year)		
8	Computer labs - Government Girls School - ICT Rural Areas FDE-1	Establishment of 107 Computer labs in Government Girls School in Rural Areas of ICT-Computer Marketing Co Pvt Ltd	5-Jun-17	398,538,758	33,707,751	117,877,130	-	-	151,684,881	33,707,751	-	16,853,878	16,853,878	Upto 2nd		
9	ICTGS-HR-FDE-1	Recruitment, Management, Deployment & Monitoring Operations of 202 Computer Teachers in Govt. Girls Schools of Rural Areas of ICT-Pak Multi Services Pvt. Ltd	24-Oct-17	413,081,568	5,483,465	48,640,400	-	-	180,824,791	438,043,741	-	226,276,777	2,524,156	Task 20enary & Admin Jun 19		
10	Women Employment Centres (WEC)	Establishment of 45 Computer Labs in Women Employment Centres - Analytical Solutions Pvt Ltd	24-Oct-17	52,475,700	47,228,130	-	-	-	47,228,130	47,228,130	-	5,247,570	5,247,570	Upto 2nd		
11	Computer labs - Government Girls School - ICT Rural Areas FDE-1	Establishment of 119 Computer labs in Government Girls School in Rural Areas of ICT -Analytical Solutions Pvt Ltd	24-Oct-17	226,980,222	45,810,444	156,960,055	-	-	202,776,499	45,810,444	-	25,312,723	22,808,822	Upto 2nd (8th Yr) (1,2)		
12	Computer labs-ICT For National Library & Sp. Sbu - Govt. of Sindh	Establishment of 6 Computer labs - Analytical Solutions Pvt Ltd	8-May-18	23,813,000	21,521,798	-	-	-	21,521,798	21,521,798	-	2,291,200	2,291,200	Upto 1st		
13	Computer labs-ICT at Sindh Educational Institutions	Establishment of 6 Computer labs - Analytical Solutions Pvt Ltd	31-Dec-18	10,850,000	9,863,100	-	-	-	9,863,100	9,863,100	-	1,086,900	1,086,900	Upto 1st		
Sub-total (F)					1,245,809,033	654,317,252	164,507,698	135,878,291	305,486,989	954,804,241	659,132,335	359,486,339	859,958,874	5,635,948	291,004,792	87,759,441
G) SPECIAL PROJECTS- DIGITAL INCLUSION																
1	Employment of (SM/MS/SES through E.	Excelsiora Cybernetics-EDP/MLL	1-Aug-18	409,000,000	-	-	-	-	-	-	-	-	409,000,000	40,900,000	Contract Signed	
Sub-total (G)					409,000,000	-	-	-	-	-	-	-	409,000,000	40,900,000	-	
Total (A+B+C+D+E+F+G)					58,684,307,039	48,744,242,422	8,357,242,882	1,039,856,796	2,397,999,888	48,141,342,116	41,729,222,897	8,295,120,282	47,826,342,379	1,871,029,157	19,322,944,819	23,035,317,314

Sub-total (F)

1	Employment of (SM/MS/SES through E.	Excelsiora Cybernetics-EDP/MLL	1-Aug-18	409,000,000	-	-	-	-	-	-	-	-	409,000,000	40,900,000	Contract Signed
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Sub-total (G)

Total (A+B+C+D+E+F+G)					58,684,307,039	48,744,242,422	8,357,242,882	1,039,856,796	2,397,999,888	48,141,342,116	41,729,222,897	8,295,120,282	47,826,342,379	1,871,029,157	19,322,944,819	23,035,317,314
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- 1. Tricolor Pakistan (Private) Limited (Tricolor) (a related party)
- 2. Pakistan Mobile Communications Limited (PMCL)
- 3. World Telecom (Private) Limited (World)
- 4. Pakistan Telecommunication Company Limited (PTCL) (a related party)
- 5. CM Pak Limited
- 6. Pakistan Telecommunication Limited (PTML, Ultra) (a related party)

17 FEE TO TECHNICAL AUDITORS FOR PROJECTS

Sr. No.	Project / Lot	Allotted to	Contract date	Total cost as per contract	Technical audit fee due		Technical audit fee disbursed		Balance commitment	Milestones achieved
					As of 30 June, 2019	For the year	As of 30 June, 2019	For the year		
A) BROADBAND FOR SUSTAINABLE DEVELOPMENT PROGRAM										
1	Malakand	Telecom Services *	02-Aug-08	5,000,000	5,000,000	-	5,000,000	5,000,000	-	Contract Closed
2	DG Khan	Telecom Services *	01-Jan-09	12,594,400	12,594,400	-	12,594,400	12,594,400	-	Completed
3	Sukkur	Optiwave **	01-Jan-09	11,327,700	11,327,700	-	11,327,700	11,327,700	-	Completed
4	Bahawalpur	Telecom Services *	26-Mar-09	8,975,000	8,975,000	-	8,975,000	8,975,000	-	Completed
5	Dadu	Myson Engineering Systems	15-Apr-09	6,400,000	6,400,000	-	6,400,000	6,400,000	-	Completed
6	Phihin	Myson Engineering Systems	15-Apr-09	6,700,000	6,700,000	-	6,700,000	6,700,000	-	Completed
7	Mianwaha	Optiwave **	09-Dec-09	5,264,040	5,264,040	-	5,264,040	5,264,040	-	Up to 2nd, Contract Closed
8	Mirpurkhas	Telecom Services *	30-Dec-09	3,375,000	3,375,000	-	3,375,000	3,375,000	-	Completed
9	Nasirabad	Technology at Work Pvt. Ltd.	08-Feb-10	7,809,678	7,809,678	-	7,809,678	7,809,678	-	Completed/idle days
10	Turbat	Technology at Work Pvt. Ltd.	21-May-14	5,636,303	4,252,911	-	4,150,170	4,150,170	1,383,392	Up to 4th
11	Mastung	Komkonsult ***	23-May-14	2,895,572	2,895,572	-	2,895,572	2,895,572	-	Completed
12	Chitral	Myson Engineering Systems	03-Nov-15	10,108,262	10,108,262	-	10,108,262	10,108,262	-	Completed
13	Sibi	Komkonsult ***	11-May-16	3,818,570	3,818,570	-	3,818,570	3,818,570	-	Completed
14	Shangla	GeoTech Services ****	30-Jun-16	3,457,792	3,457,792	-	3,457,792	3,457,792	-	Completed
15	Zhob	Myson Engineering System	05-Dec-16	5,163,991	5,163,991	-	5,163,991	5,163,991	-	Completed
16	Khuzdar	GeoTech Services ****	28-Mar-17	5,525,869	5,525,869	-	5,525,869	5,525,869	-	Completed
17	Chigal	Futursk Pvt Ltd	24-Mar-17	2,530,079	2,530,079	-	2,530,079	2,530,079	-	Completed
18	Awaran-Lasbela	Komkonsult ***	31-Jul-17	3,667,540	3,667,540	-	3,667,540	3,667,540	-	Completed
19	Kharan-Washuk	Komkonsult ***	20-Dec-17	5,624,665	4,165,764	1,458,901	4,165,764	4,165,764	1,458,901	Completed
20	Kohistan	Futursk Pvt Ltd	20-Dec-17	11,500,000	2,300,000	2,300,000	2,300,000	2,300,000	6,900,000	Up to 2nd
21	Khyber	Excelsior Communications	14-Feb-19	9,195,579	3,680,343	3,680,343	3,680,343	3,680,343	1,713,336	Up to 4th
22	Di Khan	Myson Engineering System	14-Feb-19	11,111,750	10,986,750	125,000	11,111,750	10,986,750	125,000	Completed
23	North Waziristan	Ranop Solutions Private	17-Dec-19	6,888,050	-	-	-	-	6,888,050	Contract Signed
24	South Waziristan	Ranop Solutions Private	17-Dec-19	6,209,404	-	-	-	-	6,209,404	Contract Signed
25	Dera Bugti	Komkonsult ****	20-Feb-20	5,375,831	-	-	-	-	5,375,831	Contract Signed
26	Mohmand	Komkonsult ****	20-Feb-20	6,579,069	-	-	-	-	6,579,069	Contract Signed
				174,734,144	130,120,818	7,564,244	137,685,062	130,018,077	7,564,244	137,562,321
Sub-total (A)										

B) NEXT GENERATION-BROADBAND FOR SUSTAINABLE DEVELOPMENT PROGRAM

1	NH&MW Lot-1	Komkonsult ***	23-Jul-19	4,950,498	-	3,470,426	3,470,426	3,470,426	1,480,072	Up to 3rd
2	Dadu	Myson Engineering System	25-Nov-19	10,398,000	-	4,761,000	4,761,000	4,761,000	5,627,000	Up to 2nd
3	NH&MW Lot-2(NH 25&65)	Myson Engineering System	03-Feb-20	3,819,450	-	752,468	752,468	752,468	3,066,982	Up to 1st
4	NH&MW Lot-3(NH 50&70)	Myson Engineering System	03-Feb-20	3,455,806	-	949,560	949,560	949,560	2,506,246	Up to 1st
5	Hydrabad	Komkonsult Private Limited	20-Feb-20	7,861,555	-	-	-	-	7,861,555	Contract Signed
6	Bahawalpur	Komkonsult Private Limited	20-Feb-20	5,985,310	-	771,355	771,355	771,355	5,213,955	Up to 1st
7	Bahawalnagar	Komkonsult Private Limited	06-May-20	4,595,985	-	-	-	-	4,595,985	Contract Signed
8	Rahimyar Khan	Komkonsult Private Limited	06-May-20	5,495,586	-	-	-	-	5,495,586	Contract Signed
9	Dera Ghazi Khan	Komkonsult Private Limited	06-May-20	6,997,725	-	-	-	-	6,997,725	Contract Signed
10	Small Lot S3	Myson Engineering System	06-May-20	1,307,500	-	-	-	-	1,307,500	Contract Signed
11	Tharparker	Ranop Solutions Private	25-May-20	4,569,017	-	-	-	-	4,569,017	Contract Signed
12										
				59,426,432		10,704,809	10,704,809	10,704,809	48,721,623	

Sub-total (B)

C) OPTICAL FIBER CABLE- OFC

1	Sindh-Package	Technology at Work Pvt. Ltd.	29-Sep-09	12,002,488	12,002,488	-	12,002,488	12,002,488	-	Completed & idle days
2	Balochistan Package-1	Technology at Work Pvt. Ltd.	17-Mar-10	7,226,443	7,226,443	-	7,226,443	7,226,443	-	Completed, 2 idle days
3	Balochistan Package-2	Shaikat Hayat Javed	21-May-10	8,601,988	6,245,588	-	6,245,588	6,245,588	2,356,400	Up to 3rd, 2 idle days

Sr. No.	Project / Lot	Allotted to	Contract date	Total cost as per contract	Technical audit fee due		Technical audit fee disbursed		Balance commitment	Milestones achieved
					As of 30 June, 2019	For the year	As of 30 June, 2019	For the year		
4	Balochistan-Punjab	Teralight Limited	27-Sep-10	835,858	835,858	-	835,858	-	-	Up to 1st. Contract. Closed
5	Balochistan-Punjab	TEACH ***	19-May-11	1,425,000	-	1,425,000	1,425,000	-	-	Up to 2nd/3rd 50% Contract Completed
6	Balochistan-Punjab	TEACH ***	28-Oct-13	3,952,193	-	3,952,193	3,952,193	-	-	Completed
7	Balochistan-Punjab	TEACH ***	16-Apr-14	8,974,928	-	4,487,464	4,487,464	-	4,487,464	Up to 3rd
8	FATA Package-1	Global Enterprises		8,823,350	-	3,166,209	-	3,166,209	5,657,141	Up to 1st.
Sub-total (C)				51,842,248	36,175,034	3,166,209	36,175,034	3,166,209	39,341,243	12,501,005

Sr. No.	Project / Lot	Allotted to	Contract date	Total cost as per contract	Technical audit fee due		Technical audit fee disbursed		Balance commitment	Milestones achieved	
					As of 30 June, 2019	For the year	As of 30 June, 2020	For the year			As of 30 June, 2020
D) BROADBAND											
1	STR-1	BIDCON	27-Jul-10	13,689,376	13,689,376	-	13,689,376	13,689,376	-	Completed	
2	HTR-PTCL	People Logic Pakistan Pvt. Ltd.	27-Jul-10	4,217,788	3,387,516	-	3,422,676	3,422,676	830,272	Up to 4th & Idle days	
3	HTR-Wateen	People Logic Pakistan Pvt. Ltd.	27-Jul-10	2,343,463	1,987,633	-	1,987,633	1,987,633	355,830	Up to 4th and Idle days	
4	MTR-World call	Emerging Systems	27-Jul-10	7,336,740	7,336,740	-	7,336,740	7,336,740	-	Completed	
5	MTR-PTCL	Emerging Systems	27-Jul-10	10,567,406	10,567,406	-	10,567,406	10,567,406	-	Completed	
6	CTR	Optiwave **	05-Aug-11	-	-	-	-	-	-	Advance refunded, Contract	
7	GTR-World call	Technology at Work Pvt. Ltd.	05-Aug-11	3,508,042	3,508,042	-	3,508,042	3,508,042	-	Completed	
8	GTR-Wateen	Technology at Work Pvt. Ltd.	05-Aug-11	1,590,300	1,590,300	-	1,590,300	1,590,300	-	Completed	
9	GTR-PTCL	Technology at Work Pvt. Ltd.	05-Aug-11	2,783,025	2,783,025	-	2,783,025	2,783,025	-	Completed	
10	FTR-PTCL	Technology at Work Pvt. Ltd.	18-Apr-14	5,492,920	5,492,920	-	5,492,920	5,492,920	-	Completed, Descoped	
11	FTR-Wateen	Technology at Work Pvt. Ltd.	18-Apr-14	1,386,228	1,386,228	-	1,386,228	1,386,228	-	Completed	
12	STR-V PTCL	Seronic Pvt Limited	22-May-14	2,766,000	2,766,000	-	2,766,000	2,766,000	-	upto 2nd Contract Closed	
13	NTR-1 PTCL	Seronic Pvt Limited	17-Oct-14	4,840,500	4,840,500	-	4,840,500	4,840,500	-	Completed	
14	RTR-1 PTCL	Makkays	23-Oct-14	3,678,350	3,678,350	-	3,678,350	3,678,350	-	Completed	
15	STR-V PTCL	Emerging Systems	26-Dec-18	8,331,900	8,331,900	2,832,846	5,499,054	8,331,900	2,832,846	Completed	
Sub-total (D)					68,513,090	2,832,846	71,345,936	68,548,250	2,832,846	71,381,096	1,186,102
Total (A+B+C+D)					358,534,862	234,808,942	259,077,050	234,741,361	24,268,108	259,009,469	99,457,812

* Telecom Services & Consultants (Private) Limited- Tele-Com
 ** Optiwave Technologies (Pvt.) Ltd.
 *** Telecom Engineering & Consultancy House (Pvt) Limited- TEACH
 **** Komkonsult Private Limited
 ***** GloTech Services Pakistan Pvt Ltd

17.1 FEE TO TECHNICAL AUDITORS FOR PROJECTS

Sr. No.	Project / Lot	Allotted to	Contract date	Total cost as per contract	Technical audit fee due			Technical audit fee disbursed			Balance commitment	Milestones achieved
					As of 30 June, 2018	For the year	As of 30 June, 2019	As of 30 June, 2018	For the year	As of 30 June, 2019		
Rupees												
A) BROADBAND FOR SUSTAINABLE DEVELOPMENT PROGRAM												
1	Malakand	Telecom Services *	02-Aug-08	5,000,000	5,000,000	-	5,000,000	5,000,000	-	5,000,000	-	Contract Closed
2	DG Khan	Telecom Services *	01-Jan-09	12,594,400	12,594,400	-	12,594,400	12,594,400	-	12,594,400	-	Completed
3	Sukkur	Optiwave **	01-Jan-09	11,327,700	11,327,700	-	11,327,700	11,327,700	-	11,327,700	-	Completed
4	Bahawalpur	Telecom Services *	26-Mar-09	8,975,000	8,975,000	-	8,975,000	8,975,000	-	8,975,000	-	Completed
5	Dadu	Myson Engineering	15-Apr-09	6,400,000	6,400,000	-	6,400,000	6,400,000	-	6,400,000	-	Completed
6	Pishin	Myson Engineering	15-Apr-09	6,700,000	6,700,000	-	6,700,000	6,700,000	-	6,700,000	-	Completed
7	Mansehra	Optiwave **	09-Dec-09	5,264,040	5,264,040	-	5,264,040	5,264,040	-	5,264,040	-	Up to 2nd,
8	Mirpurkhas	Telecom Services *	30-Dec-09	3,375,000	3,375,000	-	3,375,000	3,375,000	-	3,375,000	-	Completed
9	Nasirabad	Technology at Work	08-Feb-10	7,809,678	7,809,678	-	7,809,678	7,809,678	-	7,809,678	-	Completed/Idle
10	Turbat	Technology at Work	21-May-14	5,636,303	4,252,911	-	4,252,911	4,150,170	-	7,809,678	-	Completed/Idle
11	Mastung	Komkonsult ***	23-May-14	2,895,572	1,784,526	1,111,046	1,784,526	1,784,526	1,111,046	4,150,170	1,383,392	Up to 4th
12	Chitral	Myson Engineering	03-Nov-15	10,108,262	6,155,346	3,952,916	10,108,262	6,155,346	3,952,916	10,108,262	-	Completed
13	Sibi	Komkonsult ****	11-May-16	3,818,570	3,329,469	489,101	3,818,570	3,329,469	489,101	3,818,570	-	Completed
14	Shangla	GloTech Services	30-Jun-16	3,457,792	3,457,792	-	3,457,792	3,457,792	-	3,457,792	-	Completed
15	Zhob	Myson Engineering	05-Dec-16	5,163,991	5,163,991	-	5,163,991	5,163,991	-	5,163,991	-	Completed
16	Khuzdar	GloTech Services	28-Mar-17	5,525,869	3,900,612	1,625,257	5,525,869	3,900,612	1,625,257	5,525,869	-	Completed
17	Chagai	Futursit Pvt Ltd	24-Mar-17	2,530,079	2,530,079	-	2,530,079	2,530,079	-	2,530,079	-	Completed
18	Awaran-Lasbela	Komkonsult ****	31-Jul-17	3,667,540	1,759,478	1,908,062	3,667,540	1,759,478	1,908,062	3,667,540	-	Completed
19	Kharan-Washuk	Komkonsult ****	20-Dec-17	6,942,943	1,388,588	2,777,176	4,165,764	1,388,588	2,777,176	4,165,764	2,777,179	Up to 3rd
20	Kohistan	Futursit Pvt Ltd	20-Dec-17	11,500,000	-	2,300,000	2,300,000	-	2,300,000	2,300,000	9,200,000	up to 1st
21	Khyber	Exceleron	14-Feb-19	9,195,579	-	3,801,900	3,801,900	-	3,801,900	3,801,900	5,393,679	Up to 2nd
22	DI Khan	Myson Engineering	14-Feb-19	11,416,750	-	10,986,750	10,986,750	-	10,986,750	10,986,750	430,000	Up to 4th
				149,305,068	101,168,610	28,952,208	130,120,818	101,065,869	21,952,208	130,018,077	19,184,250	
Sub-total (A)												
B) OPTICAL FIBER CABLE- OFC												
1	Sindh-Package	Technology at Work	29-Sep-09	12,002,488	12,002,488	-	12,002,488	12,002,488	-	12,002,488	-	Completed & Idle
2	Balochistan Package-	Technology at Work	17-Mar-10	7,226,443	7,226,443	-	7,226,443	7,226,443	-	7,226,443	-	Completed, 2
3	Balochistan Package-	Shaukat Hayat Javed	21-May-10	8,601,988	6,245,588	-	6,245,588	6,245,588	-	6,245,588	2,356,400	Up to 3rd, 2 Idle
4	Balochistan-Punjab	Teralight Limited	27-Sep-10	835,858	835,858	-	835,858	835,858	-	835,858	-	Up to 1st,
5	Balochistan-Punjab	TEACH ***	19-May-11	1,425,000	1,425,000	-	1,425,000	1,425,000	-	1,425,000	-	Up to 2nd/3rd
6	Balochistan-Punjab	TEACH ***	28-Oct-13	3,952,193	3,952,193	-	3,952,193	3,952,193	-	3,952,193	-	Completed
7	Balochistan-Punjab	TEACH ***	16-Apr-14	8,974,928	4,487,464	-	4,487,464	4,487,464	-	4,487,464	4,487,464	Up to 3rd
				43,018,898	36,175,034	-	36,175,034	36,175,034	-	36,175,034	6,843,864	
Sub-total (B)												

Sr. No.	Project / Lot	Allotted to	Contract date	Total cost as per contract	Technical audit fee due		Technical audit fee disbursed		Balance commitment	Milestones achieved		
					As of 30 June, 2018	For the year	As of 30 June, 2018	For the year			As of 30 June, 2019	
C) BROADBAND												
1	STR-1	BIDCON	27-Jul-10	13,689,376	13,689,376	13,689,376	-	13,689,376	-	Completed		
2	HTR-PTCL	People Logic	27-Jul-10	4,217,786	3,387,516	3,422,676	(35,160)	3,422,676	830,272	Up to 4th & Idle		
3	HTR-Wateen	People Logic	27-Jul-10	2,343,463	-	1,987,633	-	1,987,633	355,830	Up to 4th and		
4	MTR-World call	Emerging Systems	27-Jul-10	7,336,740	7,336,740	7,336,740	-	7,336,740	-	Completed		
5	MTR-PTCL	Emerging Systems	27-Jul-10	10,567,406	10,567,406	10,567,406	-	10,567,406	-	Completed		
6	CTR	Optiwave **	05-Aug-11	-	-	-	-	-	-	Advance		
7	GTR-World call	Technology at Work	05-Aug-11	3,508,042	3,508,042	3,508,042	-	3,508,042	-	Completed		
8	GTR-Wateen	Technology at Work	05-Aug-11	1,590,300	1,590,300	1,590,300	-	1,590,300	-	Completed		
9	GTR-PTCL	Technology at Work	05-Aug-11	2,783,025	2,783,025	2,783,025	-	2,783,025	-	Completed		
10	FTR-PTCL	Technology at Work	18-Apr-14	5,492,920	5,492,920	5,492,920	-	5,492,920	-	Completed,		
11	FTR-Wateen	Technology at Work	18-Apr-14	1,386,228	1,386,228	1,386,228	-	1,386,228	-	Completed		
12	STR-V PTCL	Seronic Pvt Limited	22-May-14	2,766,000	2,766,000	2,766,000	-	2,766,000	-	upto 2nd		
13	NTR-1 PTCL	Seronic Pvt Limited	17-Oct-14	4,840,500	4,840,500	4,840,500	-	4,840,500	-	Completed		
14	RTR-1 PTCL	Makkays	23-Oct-14	3,678,350	3,678,350	3,678,350	-	3,678,350	-	Completed		
15	STR-V PTCL	Emerging Systems	26-Dec-18	8,331,900	5,499,054	5,499,054	5,499,054	5,499,054	2,832,846	3rd & 4th		
					Sub-total (C)	63,049,196	5,463,894	68,513,090	63,049,196	5,499,054	68,548,250	4,018,948
					Total (A+B+C)	200,382,840	34,416,102	234,808,942	200,290,099	34,451,262	234,741,361	30,047,062

Sub-total (C)

Total (A+B+C)

- * Telecom Services & Consultants (Private) Limited- Tel-e-Com
- ** Optiwave Technologies (Pvt.) Ltd.
- *** Telecom Engineering & Consultancy House (Pvt) Limited- TEACH
- **** Komkonsult Private Limited
- ***** GloTech Services Pakistan Pvt Ltd

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- Credit risk
- Liquidity risk and
- Market risk

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

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

18.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company's credit risk is primarily attributable to advances, deposits, interest accrued, other receivables and balance at bank.

The Company limits its exposure to credit risk by maintaining bank account only with counterparties that have a credit rating of at least A1 and A. Considering the high credit rating, the credit risk in respect of bank balance is considered to be low. The Company's other financial assets are not significant to its operations. The carrying values of financial assets represents the maximum credit exposure at the reporting date are as follows:

	June 30, 2020	June 30, 2019
	----- Rupees -----	
Long term deposits	127,500	127,500
Long term advances	2,267,085	498,259
Advances	1,891,923,984	504,941,286
Interest accrued	133,093,896	85,152,640
Other receivables	1,096,216,888	1,096,016,872
Bank balance	2,877,897,060	3,713,319,544
	<u>6,001,526,413</u>	<u>5,400,056,101</u>

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

			June 30, 2020	June 30, 2019
			----- Rupees -----	
Bank name:	Rating	Rating Agency		
National Bank of Pakistan	AAA/A-1+	JCR-VIS/PACRA		
Bank balance			2,877,897,060	3,713,319,544
Interest accrued			133,093,896	85,152,640
			<u>3,010,990,956</u>	<u>3,798,472,184</u>

The management believes that no expected credit loss allowance is required in respect of these financial assets unless explicitly stated in the respective notes.

18.2 Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Maturity up to 1 year	Maturity over 1 year and up to 5 years
-----Rupees-----				
June 30, 2020				
Project subsidy payable	115,763,726	115,763,726	115,763,726	-
Technical auditor fee payable	102,741	102,741	102,741	-
Payable to suppliers	7,192,302	7,192,302	7,192,302	-
Accrued liabilities	2,370,924	2,370,924	2,370,924	-
Earnest money	101,010,000	101,010,000	101,010,000	-
Rent Payable	10,502,000	10,502,000	10,502,000	-
Payable to Gratuity fund	16,787,416	16,787,416	16,787,416	-
	<u>253,729,109</u>	<u>253,729,109</u>	<u>253,729,109</u>	<u>-</u>
June 30, 2019				
Project subsidy payable	175,232,895	175,232,895	175,232,895	-
Technical auditor fee payable	102,741	102,741	102,741	-
Payable to suppliers	9,557,086	9,557,086	9,557,086	-
Accrued liabilities	3,593,281	3,593,281	3,593,281	-
Earnest money	181,545,000	181,545,000	181,545,000	-
Rent Payable	10,502,000	10,502,000	10,502,000	-
Payable to Gratuity fund	5,273,612	5,273,612	5,273,612	-
	<u>385,806,615</u>	<u>385,806,615</u>	<u>385,806,615</u>	<u>-</u>

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

18.3 Market risk

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

18.3.1 Currency risk

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

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

18.3.2 Interest rate risk

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

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

Financial assets include Rs. 2,877,897,060 (2019: Rs. 3,713,319,544) which earn interest. Applicable interest rates for financial assets have been indicated in note 10.1.

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

Fair value sensitivity analysis for fixed rate instruments

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

18.3.3 Other price risk

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

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

18.4 Off-setting of financial assets and liabilities

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

18.5 Determination of fair values

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

18.6 Capital risk management

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

19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company is governed by the Ministry of Information Technology, Government of Pakistan (GoP). Therefore, all departments and agencies controlled by the GoP ("State-controlled entities") are related parties of the Company. Other related parties include directors, members, key management personnel, USF Employees' Gratuity Fund and entities under common directorship. Remuneration to the chief executive, directors and executives is disclosed in note 20 to these financial statements. Balances with related parties are disclosed in note 7, 13 and 16 to the financial statements and significant transactions with related parties are as follows:

		June 30, 2020	June 30, 2019
	Note	----- Rupees -----	
State-controlled entities			
- MoIT- grant received during the year		<u>4,890,000,000</u>	<u>6,949,000,000</u>
Associate due to common directorship			
Subsidy grant disbursement	16		
- Pakistan Telecommunication Company Limited		599,894,680	377,427,300
- Pak Telecom Mobile Limited (Ufone)		1,322,100,387	3,176,159,452
- Pakistan Mobile Communication Limited-Jazz		-	45,101,418
- Telenor Pakistan Private Limited-Telenor		3,063,415,965	-
		<u>4,985,411,032</u>	<u>3,598,688,170</u>
USF Employees' Gratuity Fund			
Contributions paid by the Company	13	<u>12,512,106</u>	<u>17,677,638</u>

20 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	-----Rupees-----					
Meeting fee	-	-	2,740,000	284,000	-	-
Managerial remuneration	1,599,315	11,017,500	-	-	83,751,751	64,377,779
Allowances	1,129,426	8,112,433	-	-	69,880,835	58,399,945
Bonus	4,407,000	1,300,000	-	-	24,064,141	16,527,388
	7,135,741	20,429,933	2,740,000	284,000	177,696,727	139,305,112
Number of persons	1	1	9	9	33	29

20.1 Allowances includes monetization allowance, amounting to **Rs. 11,619,688** (2019: Rs. 11,761,250) provided in lieu of the Company maintained car to the entitled employees. Further, the Chief Executive Officer is also entitled to gratuity on leaving the Company.

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

21 NUMBER OF EMPLOYEES

June 30, 2020 June 30, 2019

Employees at the year end (Number)

88 88

Average employees during the year (Number)

88 88

22 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 19 October, 2020.

23 GENERAL

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



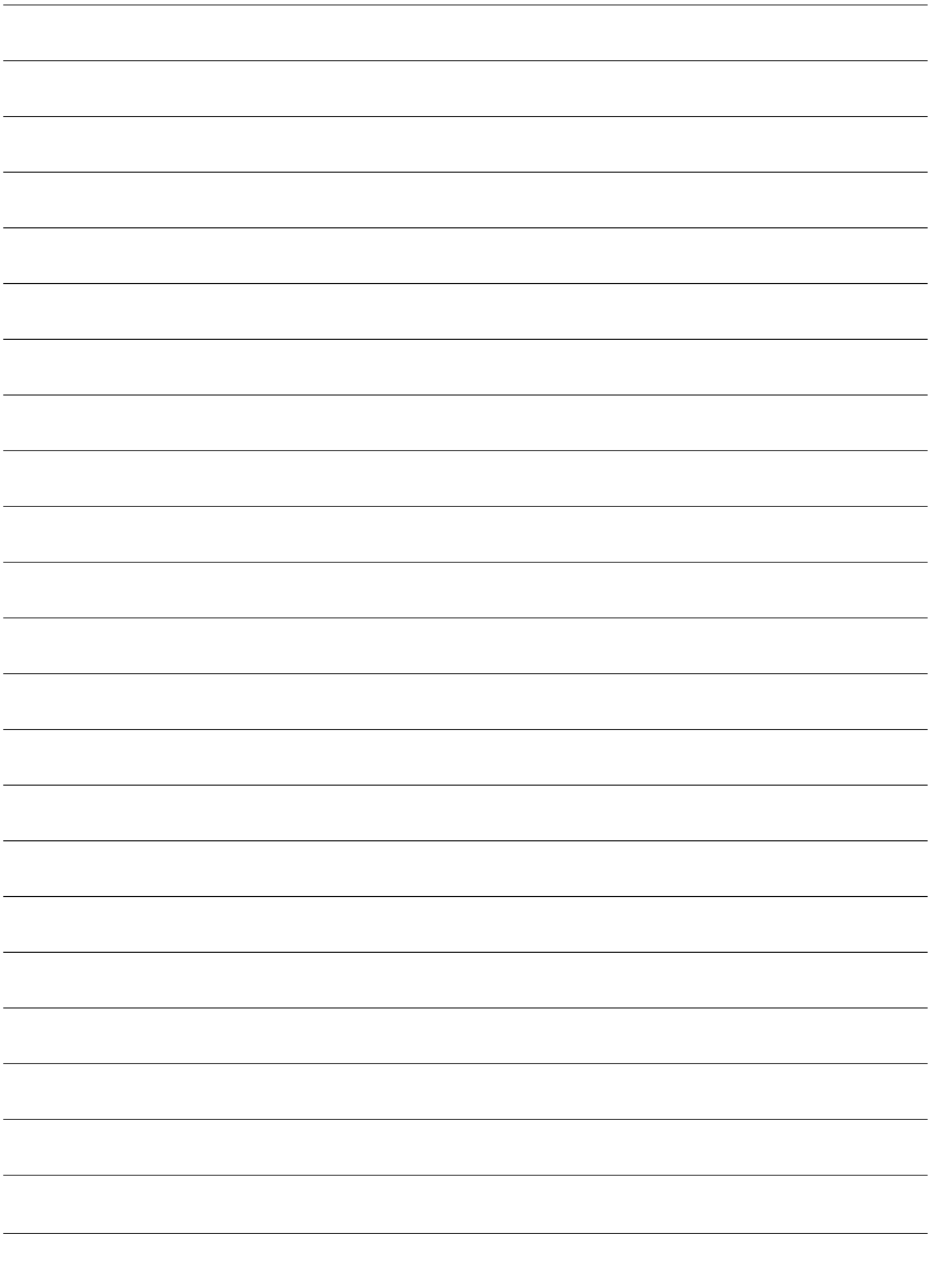
 CHIEF EXECUTIVE OFFICER



 DIRECTOR

PROUD PARTNERS








Ministry of Information Technology
& Telecommunication


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