

ILYAS SAEED & Co.

CHARTERED ACCOUNTANTS

OFFICE # 26, 2ND FLOOR, ROSE PLAZA, I-8 MARKAZ, ISLAMABAD. PH: 051-4102626-27

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of M/s UNIVERSAL SERVICE FUND ("hereinafter referred to as "the Company") as at June 30, 2010 and the related income and expenditure account, statement of cash flows and statement of changes in fund together with notes forming part thereof (hereinafter referred to as the financial statements) for the year then ended and we state that we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
 - (i) the financial statements have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanation given to us, the financial statements conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affair as at June 30, 2010 and of the surplus, its cash flows and its changes in fund balance for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Ilyas Saeed & Co.


ISLAMABAD: JANUARY 27, 2011

CHARTERED ACCOUNTANTS
Engagement Partner: IMRAN ILYAS, FCA

UNIVERSAL SERVICE FUND
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2010

	<i>Note</i>	30 June 2010 Rupees	30 June 2009 Rupees
PROPERTY & ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	4	10,538,645	12,938,501
Intangible assets	5	7,181,086	5,834,443
Total non-current assets		17,719,731	18,772,944
CURRENT ASSETS			
Advances, prepayments and other receivables	6	7,163,284	7,562,446
Securities Deposits		72,000	61,000
Interest accrued		2,514,078	6,432,687
Advance tax		270,807	220,188
Cash and bank balances	7	1,307,100	496,858
Total current assets		11,327,269	14,773,179
Total assets		29,047,000	33,546,123
FUNDS & LIABILITIES			
NON - CURRENT LIABILITIES			
Fund balance (restricted)		(4,069,493)	4,032,951
Deferred grant	8	17,719,731	18,772,944
Deferred liability for staff retirement gratuity	9	3,177,720	7,190,563
CURRENT LIABILITIES			
Creditors accrued and other liabilities	10	12,219,042	3,549,665
Total liabilities		29,047,000	33,546,123
Commitment	11	-	-

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


CHIEF EXECUTIVE
 Islamabad: September 22, 2010


DIRECTOR

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**UNIVERSAL SERVICE FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010**

PARTICULARS	<i>Note</i>	30 June 2010 Rupees	30 June 2009 Rupees
Administrative and general expenses	12	(149,401,070)	(118,718,610)
Deferred grant recognized	8	9,288,842	7,893,949
		(140,112,228)	(110,824,661)
Transferred from fund balance		140,112,228	110,824,661
		-	-

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



CHIEF EXECUTIVE
Islamabad: September 22, 2010



DIRECTOR

**UNIVERSAL SERVICE FUND
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2010**

PARTICULARS	30 June 2010 Rupees	30 June 2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Subsidy grant payment	(2,150,906,853)	(1,573,995,722)
Technical audit fee	(27,606,938)	(21,950,492)
Profit on bank deposit and other receipts	28,275,439	5,072,137
Cash payments to suppliers and employees	(135,582,601)	(114,004,749)
Advance taxes paid	(50,619)	(108,619)
<i>Net cash used in operating activities</i>	<u>(2,285,871,572)</u>	<u>(1,704,987,445)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,450,599)	(1,207,697)
Proceeds from sale of property and equipment	87,465	30,863
Long term deposits	(11,000)	(50,000)
Purchase of intangible assets	(3,317,052)	(1,430,968)
<i>Net cash used in investing activities</i>	<u>(7,691,186)</u>	<u>(2,657,802)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Grant received	2,294,373,000	1,701,315,750
<i>Net cash flow from financing activities</i>	<u>2,294,373,000</u>	<u>1,701,315,750</u>
Net increase in cash and cash equivalents during the period	810,242	(6,329,497)
Cash and cash equivalents at beginning of the period	496,858	6,826,355
Cash and cash equivalents at end of the period	<u><u>1,307,100</u></u>	<u><u>496,858</u></u>

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


CHIEF EXECUTIVE

Islamabad: September 22, 2010


DIRECTOR

UNIVERSAL SERVICE FUND
STATEMENT OF CHANGES IN FUND (RESTRICTED)
AS AT JUNE 30, 2010

PARTICULARS	<i>Note</i>	30 June 2010 Rupees	30 June 2009 Rupees
Balance at beginning of the period		4,032,951	999,059
Grant received during the period for:			
-operational and capital expenditure		109,858,000	104,245,776
-subsidy grant payment		2,156,375,000	1,575,119,482
-fee payment to technical auditor		28,140,000	21,950,492
		2,294,373,000	1,701,315,750
Profit on bank deposit and other receipts	13	24,386,204	11,096,819
		2,322,792,155	1,713,411,628
Less: Transferred to income and expenditure account		(140,112,228)	(110,824,661)
Transferred to deferred grant for capital expenditure	8	(8,235,629)	(2,607,802)
Subsidy grant payment	14	(2,150,906,853)	(1,573,995,722)
Fee payment to technical auditor	15	(27,606,938)	(21,950,492)
		(2,326,861,648)	(1,709,378,677)
		(4,069,493)	4,032,951

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



CHIEF EXECUTIVE
 Islamabad: September 22, 2010



DIRECTOR

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Universal Service Fund

Notes to the Financial Statements

For the year ended June 30, 2010

1. STATUS AND OPERATIONS

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPERATION

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

2.1 Functional and presentation currency

These financial statements of the Company are presented in Pak Rupees, which is the Company's functional and presented currency.

2.2 Significant estimates

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

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

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year mainly relate to the useful lives and residual values of property, plant and equipment and intangible assets. Any change in useful life and residual value will affect the depreciation/amortization charge in the year of change.

Universal Service Fund
Notes to the Financial Statements
For the year ended June 30, 2010

3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items that are considered material to the Company's financial statements.

3.1 Accounting convention

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

3.2 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged using the straight-line method. The rates of depreciation are specified in note 4. Full month's depreciation is charged on property and equipment for the month of acquisition while depreciation is not charged for the month of disposal.

Renewals and replacements are recognized in the carrying amount of the property, plant and equipment if it is probable that future embodied economic benefits will flow to the Company. Other maintenance and repairs are charged during the year and included in the income and expenditure account. Gain or loss on disposal is taken to income and expenditure account.

3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment. Amortization is charged on a straight-line method at rates specified in note 5 based over the useful life of the intangible asset and charged to the income and expenditure account.

3.4 Receivables

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

3.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and bank balances.

3.6 Grant/ Fund

Grant received for capital expenditures is transferred from fund balance and accounted for as deferred grant. An amount equal to the annual charge for depreciation and amortization on assets so acquired is recognized as income in the income and expenditure account. Amounts received for ongoing administrative expenses are recognized in fund. An amount equivalent to the expenses incurred during the period is transferred to income and expenditure account and the remaining unspent amount is included in the fund balance.

3.7 Funds received for subsidy and subsidy grant payments

Amounts received from Government of Pakistan for subsidy to selected contributors to the Fund for execution of the projects in un-served and under-served areas of Pakistan are initially

Universal Service Fund

Notes to the Financial Statements

For the year ended June 30, 2010

recognized in the fund balance and adjustment is made on actual disbursement to the contributors. Any un-disbursed subsidy amount is included in the closing balance of the fund.

3.8 Provisions

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

3.9 Trade and other payables

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

3.10 Impairment

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

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

3.11 Financial instruments

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

3.12 Offsetting

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

3.13 Staff retirement gratuity

The Company operates a funded gratuity scheme for employees who have completed the minimum qualifying period of service to the Company. Provision for gratuity is made to cover obligations under the scheme in accordance with the actuarial recommendations. The latest actuarial valuation was carried out as at June 30, 2010 on the Projected Unit Credit Method based on the following significant assumptions:

Discount rate	12% per annum
Expected rate of increase in salary	11% per annum
Average expected remaining working life time of the employee	3 Years

Universal Service Fund
Notes to the Financial Statements
For the year ended June 30, 2010

3.14 Taxation

The Company has been granted conditional approval as non profit organization under the Income Tax Ordinance, 2001. The Company enjoys the exemption owing to the nature of its operations and accordingly, provision for taxation has not been made in these financial statements.

3.15 Initial application of IFRS

The Company has applied Revised IAS 1 - Presentation of financial statements which became applicable for the periods starting from January 1, 2009. Revised IAS 1 introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1 also introduces the terms statement of financial position, statement of cash flows for balance sheet and cash flow statement respectively.

3.16 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned against the respective standards or interpretation:

	Standard or Interpretation	Effective Date
IFRS 1	First-time adoption of International Financial Reporting Standards – Additional Exemption for first-time adopters (Amendments)	January 1, 2010
IFRS 1	First-time adoption of International Financial Reporting Standards – Limited Exemption from Comparatives. IFRS 7 Disclosures for first-time adopters	July 1, 2010
IFRS 2	Group Cash-settled Share-based Payment Arrangements	January 1, 2010
IFRS 9	Financial Instruments	January 1, 2013
IAS 24	Related Party Disclosures (Revised)	January 1, 2011
IAS 32	Financial Instruments : Presentation – Classification of Rights Issue(Amendments)	February 1, 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (amendment)	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities With Equity Instruments	July 1, 2010

Universal Service Fund
 Notes to the Financial Statements
 For the year ended June 30, 2010

The Company expects that the adoption of the above standards and interpretations will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for the accounting periods beginning on or after January 1, 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Standards, interpretations effective in 2009 but not relevant to the Company

The following standards and interpretations are effective for financial periods beginning on or after July 1, 2009 but are either not relevant or do not have any effect / material effect on the financial statements of the Company.

	Standard or Interpretation
IFRS 1	First-time adoption of International Financial Reporting Standards – Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate (Amendments)
IFRS 2	Share – based payments – Vesting Conditions and Cancellations (Amendments)
IFRS 3	Business Combinations (Revised)
IFRS 8	Operating Segments
IAS 23	Borrowing Costs (Revised)
IAS 27	Consolidated and Separate Financial Statements – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
IAS 27	Consolidated and Separate Financial Statements (Amendments)
IAS 32	Financial Instruments : Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
IAS 39	Financial Instruments : Recognition and Measurement – Eligible hedged items (Amendments)
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net investments in a Foreign Operation
IFRIC 17	Distributions of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

Universal Service Fund
Notes to the financial statements
For the year ended June 30, 2010

4	PROPERTY, PLANT & EQUIPMENT	Vehicles	Furniture and equipment	Computers and accessories	Communication equipment	Total
		Rupees				
	Cost					
	Balance as of 01 July 2008	11,878,363	475,648	9,007,814	621,967	21,983,792
	Additions during the year	117,394	870,138	48,100	128,565	1,164,197
	Balance as of 30 June 2009	11,995,757	1,345,786	9,055,914	750,532	23,147,989
	Balance as of 01 July 2009	11,995,757	1,345,786	9,055,914	750,532	23,147,989
	Additions during the period	841,655	441,082	2,968,542	199,320	4,450,599
	Adjustments	-	(82,485)	-	(11,200)	(93,685)
	Balance as of 30 June 2010	12,837,412	1,704,383	12,024,456	938,652	27,504,903
	Depreciation					
	Balance as of 01 July 2008	1,587,343	67,045	2,647,657	129,619	4,431,664
	Charge for the year	2,399,152	201,123	3,008,428	169,121	5,777,824
	Balance as of 30 June 2009	3,986,495	268,168	5,656,085	298,740	10,209,488
	Balance as of 01 July 2009	3,986,495	268,168	5,656,085	298,740	10,209,488
	Charge for the period	2,469,290	316,613	3,735,387	243,074	6,764,364
	Adjustments	-	(1,374)	-	(6,220)	(7,594)
	Balance as of 30 June 2010	6,455,785	583,407	9,391,472	535,594	16,966,258
	Net book value as of 30 June 2009	8,009,262	1,077,618	3,399,829	451,792	12,938,501
	Net book value as of 30 June 2010	6,381,627	1,120,976	2,632,984	403,058	10,538,645
	Rates of depreciation - (%age)	20	20	33.33	20-33	

5	INTANGIBLE ASSETS	Digital Maps	Software's	Total
		(Rupees)		
	Cost			
	Balance as of 01 July 2008	7,500,000	812,500	8,312,500
	Additions during the year	-	1,430,968	1,430,968
	Balance as at 30 June 2009	7,500,000	2,243,468	9,743,468
	Balance as of 01 July 2009	7,500,000	2,243,468	-
	Additions during the period	-	3,871,121	3,871,121
	Balance as of 30 June 2010	7,500,000	6,114,589	13,614,589
	Amortization			
	Balance as of 01 July 2008	1,625,000	180,537	1,805,537
	Amortization for the year	1,500,000	603,488	2,103,488
	Balance as at 30 June 2009	3,125,000	784,025	3,909,025
	Balance as of 01 July 2009	3,125,000	784,025	3,909,025
	Amortization for the period	1,500,000	1,024,478	2,524,478
	Balance as of 30 June 2010	4,625,000	1,808,503	6,433,503
	Net book value as of 30 June 2009	4,375,000	1,459,443	5,834,443
	Net book value as of 30 June 2010	2,875,000	4,306,086	7,181,086
	Rates of amortization- (% age)	20	33.33	

Note	30 June 2010 Rupees	30 June 2009 Rupees
6	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	
	55,408	124,012
	5,662,274	5,875,658
6.1	1,445,602	1,562,776
	<u>7,163,284</u>	<u>7,562,446</u>

6.1 This include expenses incurred on behalf of National Information Communication Technologies Research and Development Fund Company (a related party due to the factors explained at Note 17 of these financial statements. This is interest free and recoverable on demand. The maximum exposure against this receivable is the carrying amount. This receivable is from an associated undertaking and the management therefore considers this receivable to be good.

7 CASH AND BANK BALANCES

	6,616	30,229
7.1	1,300,484	466,629
	<u>1,307,100</u>	<u>496,858</u>

7.1 Local currency deposit account carry interest ranging between 5% & 9% per annum. The maximum exposure is the carrying amount. Cash at bank is placed with a bank with strong credit rating and the management believes that credit risk is not significant.

8 DEFERRED GRANT

	18,772,944	24,059,091
	8,235,629	2,607,802
	(9,288,842)	(7,893,949)
	<u>17,719,731</u>	<u>18,772,944</u>

Up to period end, the Company has utilized Rs.40.58 million (30 June 2009: Rs.32.90 million) out of grant received for capital expenditure.

9 DEFERRED LIABILITY - STAFF RETIREMENT GRATUITY

	<u>3,177,720</u>	<u>7,190,563</u>
Reconciliation of amount payable to defined benefit plan		
Present value of obligation	(13,445,590)	(7,190,563)
Fair value of plan assets	10,267,870	-
Surplus/(deficit)	(3,177,720)	(7,190,563)
Unrecognized actuarial gain/(loss)	-	-
Net liability Recognized in Balance sheet	<u>(3,177,720)</u>	<u>(7,190,563)</u>

Charge for defined benefit plan

	4,894,556	4,586,099
	862,868	454,690
	-	-
	311,200	(1,184,856)
	<u>6,068,624</u>	<u>3,855,933</u>

Movement in the liability for defined benefit plan

	7,190,563	3,789,083
	6,068,624	3,855,933
	13,259,187	7,645,016
	(81,467)	454,453
	(10,000,000)	-
	(10,081,467)	(454,453)
	<u>3,177,720</u>	<u>7,190,563</u>

Comparison of the present value of defined benefit obligation for the current and previous year

	3,177,720	7,190,563
	311,200	(1,184,856)
Expected change for the year 2010-11 is Rs. 6,231,432.		

Actuarial Valuation of the plan was carried out as at June 30, 2010 from an independent Valuer using Projected Unit Credit Method. Significant Actuarial assumptions were as follows:

Discount rate	12% per annum	12% per annum
Expected rate of eligible salary increase in future years	11 % per annum	11 % per annum
Average expected remaining working lifetime of employees	3 Years	3 Years

10 CREDITORS, ACCRUED AND OTHER LIABILITIES

Payable to suppliers	5,182,571	1,703,534
Accrued expenses	460,103	849,070
Other liabilities	6,576,368	997,061
	<u>12,219,042</u>	<u>3,549,665</u>

11 COMMITMENTS

As detailed in Note 14, the commitment in respect of subsidy grant payments as at 30 June 2010 amounts to Rs.8,710.80 Million (June 2009 Rs.6,069.11 Million)

As detailed in Note 15, the commitment in respect of outstanding payment to technical auditors amounts to Rs. 49.33 Million (June 2009 Rs 52.60 Million).

12 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and benefits	12.1	77,760,774	58,428,760
Legal and professional charges		19,171,794	23,771,110
Rent		9,002,400	8,490,900
Office supplies		1,533,473	996,828
Communication charges		2,613,556	2,052,660
Entertainment		236,174	266,114
Traveling		5,222,031	1,591,416
Printing and stationery		714,999	307,091
Vehicle fuel expenses		3,236,686	2,642,108
Repairs and maintenance		1,288,497	740,023
Advertisement		18,632,454	10,841,187
Depreciation		6,764,364	5,790,461
Amortization of intangible asset		2,524,478	2,103,488
Auditors' remuneration		177,500	225,000
Insurance expense		501,683	461,586
Bank charges		20,207	9,878
		<u>149,401,070</u>	<u>118,718,610</u>

12.1 Salaries and benefits include Rs.6,068,624 (30 June 2009: Rs.3,855,933) charged in respect of staff gratuity.

13 PROFIT ON BANK DEPOSIT AND OTHER RECEIPTS

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

14 SUBSIDY GRANT PAYMENTS

This represents the following:

Telenor Pakistan (Private) Limited (Telenor)	14.1	-	-
Pakistan Mobile Communications Limited (PMCL)	14.2	44,920,000	44,920,000
Warid Telecom (Private) Limited (Warid)	14.3	18,200,000	36,400,000
Pakistan Telecommunication Company Limited (PTCL)	14.4	140,000,000	-
Pakistan Telecommunication Company Limited (PTCL)	14.5	60,000,000	-
Pakistan Telecommunication Company Limited (PTCL)	14.6	150,000,000	100,000,000
Telenor Pakistan (Private) Limited (Telenor)	14.7	149,029,119	99,352,746
Alshifa Trust-Rawalpindi-Special Project	14.8	691,597	24,025,063
Telenor Pakistan (Private) Limited (Telenor)	14.9	372,000,000	186,000,000
Wateen Telecom	14.10	89,800,000	89,800,000
Pakistan Telecommunication Company Limited (PTCL)	14.11	-	238,324,000
Wateen Telecom	14.11A	-	47,828,000
Pakistan Telecommunication Company Limited (PTCL)	14.12	91,200,000	45,600,000
Wateen Telecom	14.13	74,800,000	74,800,000

Universal Service Fund
Notes to the financial statements
For the year ended June 30, 2010

	Note	30 June 2010 Rupees	30 June 2009 Rupees
Pakistan Foundation Fighting Blindness-PFFB -Special Project	14.14	1,668,129	4,825,989
Pakistan Telecommunication Company Limited (PTCL)	14.15	-	232,208,800
Pakistan Telecommunication Company Limited (PTCL)	14.16	-	109,911,124
Pakistan Telecommunication Company Limited (PTCL)	14.17	-	240,000,000
CM Pak	14.18	314,549,143	-
World Call (MTR)	14.19	157,144,250	-
Pakistan Telecommunication Company Limited (PTCL)	14.20	42,318,339	-
Wateen Telecom	14.21	10,959,800	-
Wateen Telecom	14.22	197,200,000	-
Nayatel Pvt Limited	14.23	1,842,183	-
Pakistan Telecommunication Company Limited (PTCL)	14.24	9,281,912	-
Pakistan Telecommunication Company Limited (PTCL)	14.25	78,856,650	-
World Call	14.26	1,188,831	-
World Call	14.27	96,283,050	-
Wateen Telecom	14.28	48,973,850	-
		<u>2,150,906,853</u>	<u>1,573,995,722</u>

- 14.1 Pursuant to Service and Subsidy agreement dated 04 October 2007 between the Company and Telenor for setting up telecommunication network facilities in unserved and underserved areas of Malakand Division an advance payment of Rs. 62,029,745 out of the total approved contribution of Rs. 310,148,725 was made in FY 2007-08. The remaining subsidy amount will be paid in 4 equal installments upon achievement of each of project implementation milestone defined in the agreement. Pursuant to the terms of the agreement the Company had obtained an irrevocable bank guarantee of Rs. 124.06 million from Telenor. Project is under force majeure.
- 14.2 Pursuant to Service and Subsidy agreement dated 15 January 2008 between the Company and PMCL for setting up telecommunication network facilities in unserved and underserved areas of Sukkur Division, an advance payment of Rs. 22,460,000 out of the total approved contribution of Rs. 112,300,000 was made in FY 2007-08. During the FY 2008-09, an amount of Rs. 44,920,000 was paid against 1st two milestones achieved during the year. The project has been completed and the current payment pertains to remaining two 3rd & 4th Milestones achieved during FY 2009-10. The payment of final milestone has been made after adjustment of Rs. 1,084,954 as liquidate damages for delay in completion of the project. Pursuant to the terms of the agreement, the Company had obtained an irrevocable bank guarantee of Rs. 44.92 million from PMCL.
- 14.3 Pursuant to Service and Subsidy agreement dated 07 February 2008 between the Company and Warid for setting up telecommunication network facilities in unserved and underserved areas of Dera Ghazi Khan Division, an advance payment of Rs. 18,200,000 out of the total approved contribution of Rs. 91,000,000 was made in FY 2007-08. During the year 2008-09 an amount of Rs. 36,400,000 was paid against first two milestones achieved during the year. Current payment pertains to third milestones achieved during FY 2009-10. Only 4th Installment is outstanding. Pursuant to the terms of the agreement, the Company had obtained an irrevocable bank guarantee of Rs. 36.4 million from Warid.
- 14.4 Pursuant to Service and Subsidy agreement dated 29 May 2008 between the Company and PTCL for setting up telecommunication network facilities in unserved and underserved areas of Pishin Division, an advance payment of Rs. 35,000,000 out of the total approved contribution of Rs. 175,000,000 was made in FY 2007-08. Current payment pertains to first & second, third and fourth milestones achieved during FY 2009-10. Pursuant to the terms of the agreement, the Company had obtained an irrevocable bank guarantee of Rs. 70 million from PTCL.
- 14.5 Pursuant to Service and Subsidy agreement dated 24 June 2008 between the Company and PTCL for setting up telecommunication network facilities in unserved and underserved areas of Mansehra Division, an advance payment of Rs. 60,000,000 out of the total approved contribution of Rs. 300,000,000 was made in FY 2007-08. Current payment pertains to first milestone achieved during FY 2009-2010. Pursuant to the terms of the agreement, the Company had obtained an irrevocable bank guarantee of Rs. 120 million from PTCL.
- 14.6 Pursuant to Service and Subsidy agreement dated 25 July 2008 between the Company and PTCL for setting up telecommunication network facilities in unserved and underserved areas of Dadu Division. During the FY 2008-09, Rs. 100,000,000 was paid against mobilization advance and achievement of 1st milestone out of the total approved contribution of Rs.250,000,000. Current payment pertains to second, third and fourth milestones achieved during FY 2009-10. The project has been completed and payment of final milestone has been made after adjustment of Rs. 7,569,839 as a liquidate damages for delay in completion of the project. Pursuant to the terms of the agreement, the Company had obtained an irrevocable bank guarantee of Rs. 100 million from PTCL.
- 14.7 Pursuant to Service and Subsidy agreement dated 22 September 2008 between the Company and Telenor for setting up telecommunication network facilities in unserved and underserved areas of Bahawalpur Division. During the FY 2008-09, Rs. 99,352,746 was paid against mobilization advance and achievement of the 1st milestone out of the total approved contribution of Rs.248,381,865. The project has been completed and current payment pertains to second, third and fourth milestones achieved during FY 2009-10. Pursuant to the terms of the agreement the Company had obtained an irrevocable bank guarantee of Rs. 99.35 million from PTCL.

Universal Service Fund
Notes to the financial statements
For the year ended June 30, 2010

	Note	30 June 2010 Rupees	30 June 2009 Rupees
14.8			
<p>Pursuant to Service and Subsidy agreement dated 08 July 2008 and amendment to the agreement dated 04 November 2008 between the Company and Alshifa Trust for Special Project -ICT for Disabled- Establishment and Up gradation of Low Vision Rehabilitation Centers at Islamabad, Sukkur and Kohat, an amount of Rs.24,025,063 was paid during the FY 2008-09 to Alshifa Eye Trust out of the total approved contribution of Rs. 24,756,910, pursuant to . Pursuant to the terms of the agreement the Company had obtained an irrevocable bank guarantee of Rs. 25.02 million from Alshifa Trust. The current payment relates to remaining subsidy amount payable upon installation and submission of supporting documents, as defined in the agreement. Alshifa has foregone the balance of Rs.40,250, therefore the Project has been completed.</p>			
14.9			
<p>Pursuant to Service and Subsidy agreement dated 13 March 2009 between the Company and Telenor for setting up telecommunication network facilities in unserved and underserved areas of MirpurKhas, an advance payment of Rs. 186,000,000 out of the total approved contribution of Rs. 930,000,000 was made during the FY 2008-09. Current payment relates to first and second milestone achieved during FY 2009-2010. Pursuant to the terms of the agreement the Company had obtained an irrevocable bank guarantee of Rs. 372 million from Telenor.</p>			
14.10			
<p>Pursuant to Service and Subsidy agreement dated 11 February 2009 between the Company and Wateen Telecom for setting up Optical Fiber network facilities in unserved and underserved areas of SIND Province, an advance payment of Rs. 89,800,000 out of the total approved contribution of Rs. 449,000,000 was made during the FY 2008-09. The current payment pertains to first milestone achieved during FY 2009-10. Remaining amount is to be paid in three equal installments. Pursuant to the terms of the agreement the Company has obtained an irrevocable bank guarantee of Rs. 179.6 million from Wateen.</p>			
14.11			
<p>Pursuant to Service and Subsidy agreements dated 27 April 2009 between the Company and PTCL for setting up Broadband network facilities in unserved and underserved areas of Faisalabad Telecom Region (FTR), an advance payment of Rs. 238,324,000 was made during FY 2008-09, out of the total approved contribution of Rs. 1,191,620,000. The payment under this agreement is to be made in four equal installments based on predetermined milestones. Pursuant to the terms of the agreement the Company had obtained an irrevocable bank guarantee of Rs. 476.65 million from PTCL.</p>			
14.11	A		
<p>Pursuant to Service and Subsidy agreements dated 27 April 2009 between the Company and Wateen Telecom for setting up Broadband network facilities in unserved and underserved areas of Faisalabad Telecom Region (FTR), an advance payment of Rs. 47,828,000 was made during FY 2008-09, out of the total approved contribution of Rs. 239,140,000. The payment under this agreement is to be made in four equal installments based on predetermined milestones. Pursuant to the terms of the agreement the Company had obtained an irrevocable bank guarantee of Rs. 95.66 million.</p>			
14.12			
<p>Pursuant to Service and Subsidy agreement dated 17 May 2009 between the Company and PTCL for setting up telecommunication network facilities in unserved and underserved areas of Larkana , an advance payment of Rs. 45,600,000 was made to PTCL during FY 2008-09, out of the total approved contribution of Rs. 228,000,000. The current payment pertains to first and second milestones achieved during FY 2009-10. Two final installments are outstanding under this Agreement. Pursuant to the terms of the agreement the Company had obtained an irrevocable bank guarantee of Rs. 91.20 million from PTCL.</p>			
14.13			
<p>Pursuant to Service and Subsidy agreement dated 17 May 2009 between the Company and Wateen Telecom for setting up optical fiber network facilities in unserved and underserved areas of Baluchistan Province (Baluchistan Pacakage-1 project), an advance payment of Rs.74,800,000 out of the total approved contribution of Rs.374,000,000 was made during FY 2008-09. The current payment pertains to first milestone achieved during FY 2009-10. Three remaining installments are outstanding under this Agreement. Pursuant to the terms of the agreement the Company had obtained an irrevocable bank guarantee of Rs. 149.60 million from Wateen.</p>			
14.14			
<p>Pursuant to Service and Subsidy agreement dated 15 September 2008 and amendment to the agreement dated 17 June 2009 between the Company and PFFB for Special Project -ICT for Disabled- Up gradation of Audio World & Access Internet Café (I T Help & Audio World Programs), an amount of Rs.4,825,989 was paid during FY 2008-09 to Pakistan Foundation Fighting Blindness-PFFB out of the total approved contribution of Rs. 6,848,367. The payment include advance of Rs.1,661,468 for procurement of ICT equipment and Rs. 3,164,521 against establishment of Audio World. The current payment relates to subsidy payable upon procurement of equipment and submission of supporting document, as defined in the agreement. The project has been completed after 2nd amendment in the agreement.</p>			
14.15			
<p>Pursuant to Service and Subsidy agreements dated 25 June 2009 between the Company and PTCL for setting up Broadband network facilities in unserved and underserved areas of Multan Telecom Region (MTR), an advance payment of Rs. 232,208,800 out of the total approved contribution of Rs.1,161,044,000 was made during the FY 2008-09. The payment under this agreement is to be made in four equal installments based on predetermined milestones. Pursuant to the terms of the agreement the Company had obtained an irrevocable bank guarantee of Rs. 464.42 million from PTCL.</p>			
14.16			
<p>Pursuant to Service and Subsidy agreements dated 25 June 2009 between the Company and PTCL for setting up broadband network facilities in unserved and underserved areas of Southern Telecom Region-1 (STR-1), an advance payment of Rs. 109,911,124 out of the total approved contribution of Rs.549,555,618 was made during FY 2008-09. The payment under this agreement is to be made in four equal installments based on predetermined milestones. Pursuant to the terms of the agreement the Company had obtained an irrevocable bank guarantee of Rs. 219.82 million from PTCL.</p>			

Universal Service Fund
Notes to the financial statements
For the year ended June 30, 2010

	30 June 2010	30 June 2009
	Note	Rupees
		Rupees
14.17	Pursuant to Service and Subsidy agreement dated 25 June 2009 between the Company and PTCL for setting up optical fiber network facilities in unserved and underserved areas of Baluchistan & Punjab Provinces (Balochistan Pacakage-2 project) , an advance payment of Rs. 240,000,000 out of the total approved contribution of Rs.1,200,000,000 was made during FY 2008-09. The payment under this agreement is to be made in four equal installments based on predetermined milestones.Pursuant to the terms of the agreement the Company had obtained an irrevocable bank guarantee of Rs. 480 million from PTCL.	
14.18	Pursuant to Service and Subsidy agreement dated 28 July 2009 between the Company and CM Pak for setting up telecommunication network facilities in unserved and underserved areas of Nasirabad, an advance payment of Rs. 314,549,143 out of the total approved contribution of Rs. 1,572,745,715 was made. The payment under this agreement is to be made in four equal installments based on predetermined milestones. Pursuant to the terms of the agreement the Company has obtained an irrevocable bank guarantee of Rs. 629.10 million from CM Pak .	
14.19	Pursuant to Service and Subsidy agreements dated 28 July 2009 between the Company and World call for setting up broadband network facilities in unserved and underserved areas of Multan Telecom Region (MTR), an advance payment of Rs. 157,144,250 was made out of the total approved contribution of Rs.785,721,250. The payment under this agreement is to be made in four equal installments based on predetermined milestones. Pursuant to the terms of the agreement the Company has obtained an irrevocable bank guarantee of Rs. 314.29 million from World call .	
14.20	Pursuant to Service and Subsidy agreements dated 24 November 2009 between the Company and PTCL for setting up broadband network facilities in unserved and underserved areas of Hazara Telecom Region (HTR), an advance payment of Rs. 42,318,339 was made out of the total approved contribution of Rs.211,591,697. The payment under this agreement is to be made in four equal installments based on predetermined milestones.Pursuant to the terms of the agreement the Company has obtained an irrevocable bank guarantee of Rs. 84.64 million from PTCL.	
14.21	Pursuant to Service and Subsidy agreements dated 24 November 2009 between the Company and Wateen Telecom for setting up broadband network facilities in unserved and underserved areas of Hazara Telecom Region (HTR), an advance payment of Rs.10,959,800 was made out of the total approved contribution of Rs.54,799,000. The payment under this agreement is to be made in four equal installments based on predetermined milestones. Pursuant to the terms of agreement, the Company has obtained an irrevocable bank guarantee of Rs.21.92 million from Wateen.	
14.22	Pursuant to Service and Subsidy agreement dated 24 November 2009 between the Company and Wateen Telecom for setting up optical fiber network facilities in unserved and underserved areas of Baluchistan & Punjab Provinces (Balochistan Pacakage-3 project) , an advance payment of Rs. 197,200,000 out of the total approved contribution of Rs.986,000,000 was made. The payment under this agreement is to be made in four equal installments based on predetermined milestones. Pursuant to the terms of the agreement the Company has obtained an irrevocable bank guarantee of Rs. 394.40 million from Wateen Telecom.	
14.23	Pursuant to Service and Subsidy agreement dated 15 March 2010 between the Company and Nayatel for setting up Broadband facilities in unserved and underserved areas for Conversion of Computer Centers-CCs into Multipurpose Community Based Telecenters-MCTs Meera Bhagwal , an advance payment 20% of Rs. 1,842,183 out of the total approved contribution of Rs.9,210,918 was made. The remaining subsidy amount will be paid in 3 installments of 60%, 15% & 5% upon achievement of each of project implementation milestone defined in the agreement. Pursuant to the terms of the agreement the Company has obtained security deposit amounting to Rs. 3.68 million from Nayatel.	
14.24	Pursuant to Service and Subsidy agreement dated 16 March 2010 between the Company and PTCL for setting up Broadband facilities in unserved and underserved areas for Conversion of Computer Centers-CCs into Multipurpose Community Based Telecenters-MCTs MCT Pilot Sites , an advance payment 20% of Rs. 9,281,912 out of the total approved contribution of Rs.46,409,562 was made. The remaining subsidy amount will be paid in 3 installments of 60%, 15% & 5% upon achievement of each of project implementation milestone defined in the agreement. Pursuant to the terms of the agreement the Company has obtained an irrevocable bank guarantee of Rs. 18.56 million from PTCL.	
14.25	Pursuant to Service and Subsidy agreements dated 22 March 2010 between the Company and PTCL for setting up broadband network facilities in unserved and underserved areas of Gujranawala Telecom Region (GTR), an advance payment of Rs. 78,856,650 was made out of the total approved contribution of Rs.394,283,250. The payment under this agreement is to be made in four equal installments based on predetermined milestones. Pursuant to the terms of the agreement the Company has obtained an irrevocable bank guarantee of Rs. 157.71 million from PTCL.	
14.26	Pursuant to Service and Subsidy agreement dated 31 March 2010 between the Company and World Call For setting up Broadband facilities in unserved and underserved areas for Conversion of Computer Centers-CCs into Multipurpose Community Based Telecenters-MCTs- MCT Pilot Sites , an advance payment 20% of Rs. 1,188,831 out of the total approved contribution of Rs.5,944,157 was made. The remaining subsidy amount will be paid in 3 installments of 60%, 15% & 5% upon achievement of each of project implementation milestone defined in the agreement. Pursuant to the terms of the agreement the Company has obtained an irrevocable bank guarantee of Rs. 2.38 million from World call	
14.27	Pursuant to Service and Subsidy agreements dated 30 March 2010 between the Company and World call for setting up broadband network facilities in unserved and underserved areas of Gujranawala Telecom Region (GTR), an advance payment of Rs. 96,283,050 was made out of the total approved contribution of Rs.481,415,250. The payment under this agreement is to be made in four equal installments based on predetermined milestones. Pursuant to the terms of the agreement the Company has obtained an irrevocable bank guarantee of Rs. 192.57 million from world call	

Universal Service Fund
Notes to the financial statements
For the year ended June 30, 2010

	Note	30 June 2010 Rupees	30 June 2009 Rupees
14.28			
Pursuant to Service and Subsidy agreements dated 13 April 2010 between the Company and Wateen Telecom for setting up broadband network facilities in unserved and underserved areas of Gujranawala Telecom Region (GTR), an advance payment of Rs. 48,973,850 was made out of the total approved contribution of Rs.244,869,250. The payment under this agreement is to be made in four equal installments based on predetermined milestones. Pursuant to the terms of the agreement the Company has obtained an irrevocable bank guarantee of Rs. 97.95 million from Wateen.			
14.29			
During the period, the Company has received Rs.2,184.52 million from the Ministry of Information Technology, Government of Pakistan against which Rs. 2,150.91 million were disbursed to operators and Rs. 27.61 million were paid for technical audit (Refer note 14). On cumulative basis, the Company has received Rs. 3,979 million up to the year end out of which Rs. 3,923 million has been distributed under subsidy grant payments and Rs. 50 million has been paid to technical auditors.			
15			
PAYMENTS FOR TECHNICAL AUDIT			
Telecom Services & Consultants (Private) Ltd. (Tel-e-Com)	15.1	-	5,000,000
Telecom Services & Consultants (Private) Ltd. (Tel-e-Com)	15.2	1,007,552	6,549,088
Optiwave Technologies Pvt Limited	15.3	5,437,296	5,890,404
Telecom Services & Consultants (Private) Ltd. (Tel-e-Com)	15.4	5,744,000	3,231,000
MYSON Engineering System	15.5	3,840,000	1,280,000
MYSON Engineering System	15.6	5,360,000	-
Technology at Work	15.7	1,456,015	-
Optiwave Technologies Pvt Limited	15.8	1,754,680	-
Telecom Services & Consultants (Private) Ltd. (Tel-e-Com)	15.9	2,025,000	-
Technology at Work	15.10	982,395	-
		<u>27,606,938</u>	<u>21,950,492</u>
15.1			
This represents amount paid to Tel-e-Com for Technical Audit Service upon achieving the 1st milestone out of the total approved fee of Rs. 28,500,000. Payment was made pursuant to Technical Audit Services agreement dated 02 August 2008 between the Company and Tel-e-com. The firm is appointed as Technical Auditor for the RTeS project at Malakand Division. The remaining amount will be paid in 5 installments upon confirmation of respective project milestones.			
15.2			
This represents amount paid to Tel-e-Com for Technical Audit Service against achieving third milestones out of the total approved fee of Rs. 12,594,398. Payment was made pursuant to Technical Audit Services agreement dated 01 January 2009 between the Company and Tele-e-com. The firm is appointed as Technical Auditor for the RTeS project at Dera Ghazi Khan Division. The remaining amount will be paid in 2 installments upon confirmation of respective project milestones.			
15.3			
This represents amount paid to Optiwave Technologies for Technical Audit Service against achieving third, fourth and fifth (final report submission) milestones of the Project, out of the total approved fee of Rs. 11,327,700. Payment was made pursuant to Technical Audit Services agreement dated 01 January 2009 between the Company and Optiwave Technologies. The firm is appointed as Technical Auditor for the RTeS project at Sukkur Division. The project has been completed and Final report has been submitted.			
15.4			
This represents amount paid to Tele-e-Com for Technical Audit Service against achieving the second, third, fourth and fifth (final report submission) milestones of the project, out of the total approved fee of Rs. 8,975,000. Payment was made pursuant to Technical Audit Services agreement dated 26 March 2009 between the Company and Tele-e-com. The firm is appointed as Technical Auditor for the RTeS project at Bahawalpur Division. The project has been completed and Final report has been submitted.			
15.5			
This represents amount paid to MYSON for Technical Audit Service upon achieving the second, third and fourth milestones out of the total approved fee of Rs. 6,400,000. Payment was made pursuant to Technical Audit Services agreement dated 15 April 2009 between the Company and MYSON. The firm is appointed as Technical Auditor for the RTeS project at Dadu Lot. The remaining amount for final (fifth) milestone will be paid upon confirmation of respective project milestones, which is the final report.			
15.6			
This represents amount paid to MYSON for Technical Audit Service upon achieving the first, second, third and fourth milestones out of the total approved fee of Rs. 6,700,000. Payment was made pursuant to Technical Audit Services agreement dated 15 April 2009 between the Company and MYSON. The firm is appointed as Technical Auditor for the RTeS project at Pishin Lot. The remaining amount for final (fifth) milestone will be paid upon confirmation of respective project milestones, which is the final report.			
15.7			
This represents amount paid to M/S Technology at Work for Technical Audit Service upon achieving the 1st milestone out of the total approved fee of Rs. 7,280,075. Payment was made pursuant to Technical Audit Services agreement dated 29 September 2009 between the Company and Technology at Work. The firm is appointed as Technical Auditor for the OFC Sindh Project. The remaining amount will be paid in 4 installments upon confirmation of respective project milestones.			
15.8			
This represents amount paid to Optiwave Technologies for Technical Audit Service against achieving first milestone out of the total approved fee of Rs. 8,773,400. Payment was made pursuant to Technical Audit Services agreement dated 09 December 2009 between the Company and Optiwave Technologies. The firm is appointed as Technical Auditor for the RTeS project at Mansehra Division. The remaining amount will be paid in four installments upon confirmation of respective project milestones.			
15.9			
This represents amount paid to Tel-e-Com for Technical Audit Service against achieving first, Second and third milestones out of the total approved fee of Rs. 3,375,000. Payment was made pursuant to Technical Audit Services agreement dated December 30, 2009 between the Company and Tele-e-com. The firm is appointed as Technical Auditor for the RTeS project at Mirpurkhas Division. The remaining amount will be paid in two installments upon confirmation of respective project milestones.			
15.10			
This represents amount paid to M/S Technology at Work for Technical Audit Service upon achieving the 1st milestone out of the total approved fee of Rs. 4,911,975. Payment was made pursuant to Technical Audit Services agreement dated 17 March 2010 between the Company and Technology at Work. The firm is appointed as Technical Auditor for the OFC Balochistan Package-1 Project. The remaining amount will be paid in four installments upon confirmation of respective project milestones.			

16 FINANCIAL INSTRUMENTS & RELATED DISCLOSURES

DESCRIPTION	INTEREST / MARK-UP BEARING			NON INTEREST / MARK-UP BEARING			TOTAL	
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	30-Jun-10	30-Jun-09
FINANCIAL ASSETS								
Advances, Deposits & Prepayments	-	-	-	1,843,817	-	1,843,817	1,843,817	1,967,976
Cash & Bank Balances	1,300,484	-	1,300,484	6,616	-	6,616	1,307,100	496,858
Interest accrued	-	-	-	2,514,078	-	2,514,078	2,514,078	6,432,687
	1,300,484	-	1,300,484	4,364,511	-	4,364,511	5,664,995	8,897,521
FINANCIAL LIABILITIES								
Deferred liability for staff retirement gratuity	-	3,177,720	3,177,720	-	-	-	3,177,720	7,190,563
Creditors accrued and other liabilities	-	-	-	12,219,042	-	12,219,042	12,219,042	3,549,665
	-	3,177,720	3,177,720	12,219,042	-	12,219,042	15,396,762	10,740,228

16.1 Financial risk management

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

- credit risk
- liquidity risk
- market risk.

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly

The Board of Directors of the Company oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

16.2 Concentration of credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash at bank and other receivable. The management of the Company is not exposed to significant concentration of credit risk against these financial assets.

16.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities

16.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rate. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Interest rate risk

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

b) Currency risk

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

16.5 Capital risk management

The Board's objective when managing funds is to safeguard the Company's ability to continue as a going concern so that it can achieve its primary objective, provide educational and cultural activities to the stakeholders and to maintain fund balance to support the sustained development of its activities.

16.6 Fair values of financial assets and liabilities

Fair values of the Company's financial assets and liabilities approximate their book values.

17 **TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

The Company is governed by the Ministry of Information Technology, Government of Pakistan (GoP). Therefore, all departments and agencies controlled by the GoP ("State-controlled entities") are related parties of the Company. Other related parties include directors, members, key management personnel and entities under common directorship. Remuneration to the chief executive is disclosed in note 18 to these financial statements. Balance with related party is disclosed in note 6.1 to these financial statements. Insignificant transactions with Government of Pakistan and Government owned entities are not disclosed as the management is of the opinion that it is impracticable to disclose such transactions due to the nature of the Company's operations. Significant transactions with State-controlled entities are as follows:

State owned entities

Grant received during the period	2,294,373,000	1,701,315,750
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Associate due to common directorship

Subsidy grant payment	1,249,830,270	1,251,396,670
Expenses incurred on behalf of associates	1,429,020	1,562,776

18 **REMUNERATION OF CHIEF EXECUTIVE**

Gross salary:

Managerial remuneration	8,250,000	7,500,000
Allowances	4,950,000	4,500,000
Total	13,200,000	12,000,000

Chief executive officer is also provided company maintained vehicle. Expenses reimbursed to CEO on account of fuel & driver salary for the current period is amounting to Rs.528,939 . Further chief executive officer is also entitled to gratuity, the provision for which is determined by actuary.

19 **DATE OF AUTHORIZATION FOR ISSUE**

These Financial statements have been authorized for issue by the Board on *January 27, 2011.*

20 **GENERAL**

20.1 The Commissioner Inland Revenue , Regional Tax Office, Islamabad vide Order No. 510 dated June 28, 2010 has granted the Company conditional approval for exemption under section 2(36) of the Income Tax Ordinance, 2001 up to June 30, 2011 subject to condition that the Company will provide PCP Certification by December 31, 2010. In addition to the above the Company as applied for PCP certification in May, 2010 . The withholding tax already deducted by the parties has been treated as advance tax by the Company in these financial statements.

20.2 Figures have been rounded off to the nearest Pak Rupee.


CHIEF EXECUTIVE
Islamabad, September 22, 2010


DIRECTOR