

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the accompanying financial statements of UNIVERSAL SERVICE FUND ("the Company") which comprises the statement of financial position as at June 30, 2012 and the related income and expenditure account, statement of cash flows and statement of changes in fund balance (net assets) together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Management's Responsibility for the Financial Statements

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


**UNIVERSAL SERVICE FUND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2012**

Our audit was conducted in accordance with the standards of independent auditors 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 from any material misstatement.

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

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

In our opinion, these financial statements present fairly, in all material respects the financial position of Universal Service Fund as at June 30, 2012 and of its financial performance and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.


M. Yousuf Adil Saleem & Co.
Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the accompanying financial statements of UNIVERSAL SERVICE FUND ("the Company") which comprises the statement of financial position as at June 30, 2012 and the related income and expenditure account, statement of cash flows and statement of changes in fund balance (restricted) together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

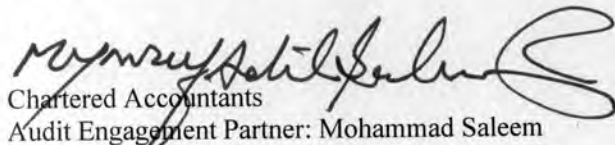
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

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

Opinion

In our opinion these financial statements present fairly, in all material respects the financial position of Universal Service Fund as at June 30, 2012 and of its financial performance and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.


Chartered Accountants
Audit Engagement Partner: Mohammad Saleem

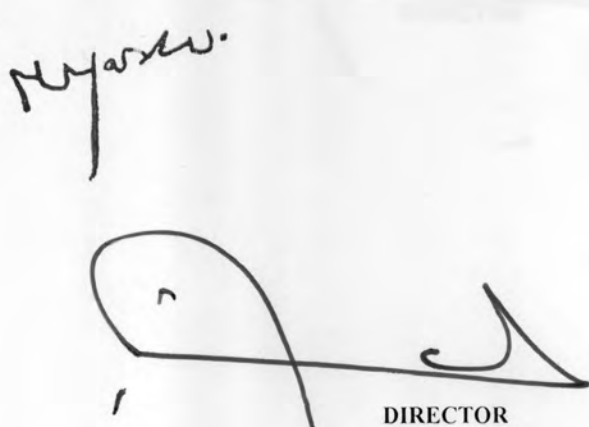
Date: 14 FEB 2013
Islamabad

**UNIVERSAL SERVICE FUND
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2012**

	Note	June 30, 2012 (Rupees)	June 30, 2011
NON CURRENT ASSETS			
Property and equipment	4	30,167,156	6,205,031
Intangible assets	5	1,014,035	3,823,561
		31,181,191	10,028,592
CURRENT ASSETS			
Advances, deposits and prepayments	6	6,414,047	7,698,316
Other receivables	7	1,243,992	2,039,392
Accrued profit on bank deposit	8	29,504,483	29,480,808
Tax refund due from Government		341,735	285,610
Cash and bank balances	8	100,612,869	509,080,927
		138,117,126	548,585,053
TOTAL ASSETS		<u>169,298,317</u>	<u>558,613,645</u>
NON-CURRENT LIABILITIES			
Fund balance (restricted)		126,235,084	539,836,436
Deferred grant	9	31,181,191	10,028,592
		157,416,275	549,865,028
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	10	11,882,042	8,748,617
TOTAL LIABILITIES		<u>169,298,317</u>	<u>558,613,645</u>
CONTINGENCIES AND COMMITMENTS	11		

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

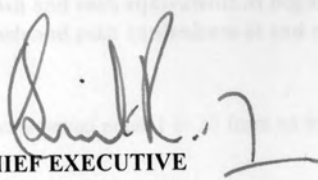

CHIEF EXECUTIVE


DIRECTOR

**UNIVERSAL SERVICE FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	June 30, 2012	June 30, 2011
		(Rupees)	
INCOME			
Grants transferred from fund balance	9	1,617,746,556	3,632,330,713
Amortization of deferred grant		7,348,821	7,897,658
		<u>1,625,095,377</u>	<u>3,640,228,371</u>
EXPENDITURE			
Administrative and general expenses	13	167,966,343	124,948,811
Subsidy grant disbursements for projects	14	1,444,605,074	3,487,706,917
Fee payment to technical auditors for projects	15	12,523,960	27,572,643
		<u>1,625,095,377</u>	<u>3,640,228,371</u>
Surplus / (Deficit) for the year		<u>-</u>	<u>-</u>

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


CHIEF EXECUTIVE

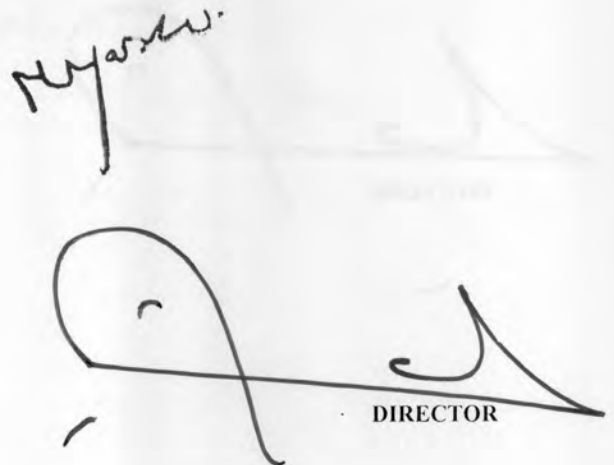

DIRECTOR

**UNIVERSAL SERVICE FUND
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	June 30, 2012	June 30, 2011
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Subsidy grant disbursement		(1,444,605,074)	(3,487,706,917)
Technical audit fee		(12,523,960)	(27,572,643)
Profit on bank deposit and other receipts		72,726,596	3,451,631
Cash payment to suppliers and employees		(161,156,461)	(126,319,940)
Advance taxes paid		(56,125)	(14,803)
		(1,545,615,024)	(3,638,162,672)
Net cash used in operating activities	2	(1,545,615,024)	(3,638,162,672)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(23,479,823)	(98,300)
Proceeds from disposal of property and equipment		875,789	34,799
		(22,604,034)	(63,501)
Net cash from investing activities		(22,604,034)	(63,501)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant received		1,159,751,000	4,146,000,000
Net cash from financing activities		1,159,751,000	4,146,000,000
Net (decrease) / increase in cash and cash equivalents		(408,468,058)	507,773,827
Cash and cash equivalents at beginning of the year		509,080,927	1,307,100
Cash and cash equivalents at end of the year	8	100,612,869	509,080,927

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


CHIEF EXECUTIVE



DIRECTOR

UNIVERSAL SERVICE FUND
STATEMENT OF CHANGES IN FUND (RESTRICTED)
AS AT JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
		(Rupees)	
Balance at the beginning of the year		539,836,436	(4,069,493)
Grant received during the year for:			
Operational and capital expenditure		47,417,000	121,659,000
Subsidy grant disbursements		1,107,897,000	3,993,841,000
Fee payment to technical auditor		4,437,000	30,500,000
		1,159,751,000	4,146,000,000
Profit on bank deposit and other receipts	12	72,895,624	30,443,161
		<u>1,772,483,060</u>	<u>4,172,373,668</u>
Less: Grants transferred to:			
Deferred grant for capital expenditure	9	28,501,420	206,519
Income and expenditure account		1,617,746,556	3,632,330,713
		<u>1,646,247,976</u>	<u>3,632,537,232</u>
Balance at the end of the year		<u><u>126,235,084</u></u>	<u><u>539,836,436</u></u>

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

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CHIEF EXECUTIVE


DIRECTOR

**UNIVERSAL SERVICE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1 STATUS AND ACTIVITIES

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

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

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

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

2.2 Functional and presentation currency

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

2.3 Significant estimates

The preparation of financial statements requires use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The matters involving a higher degree of judgment or areas where assumptions and estimates are significant to the financial statements are disclosed in respective notes to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

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

3.2 Property and equipment

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

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

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

M. Yousaf

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

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

3.3 Intangible assets

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

3.4 Receivables

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

3.5 Cash and cash equivalents

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

3.6 Grant/Fund

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

3.7 Funds received for subsidy and subsidy grant disbursements

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

3.8 Provisions

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

3.9 Creditors and other payables

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

3.10 Impairment

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

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

3.11 Financial 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.

M. H. Khan

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 year 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, 2012 on the Projected Unit Credit Method based on the following significant assumptions:

Discount rate	13% per annum
Expected rate of increase in salary	12% per annum
Average expected remaining working life time of the employee	4 Years

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

3.14 Taxation

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

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

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company's current operations or are not expected to have a significant impact on the Company's financial statements other than certain additional disclosures:

- Amendments to IAS 1 Presentation of Financial statement	1st July, 2012
- Amendments to IAS 12 Income Taxes	1st January, 2012
- Amendments to IAS 19 Employee Benefits	1st January, 2013
- Amendments to IFRS 7 Financial Instrument Disclosures	1st January 2013
- IFRS 9 Financial	1st January, 2013
- IFRS 10 Consolidated Financial Statements	1st January, 2013
- IFRS 11 Joint Arrangements	1st January, 2013
- IFRS 12 Disclosure of Interest in Other Entities	1st January, 2013
- IFRS 13 Fair Value Measurement	1st January, 2013

M. Y. Arshad

4 PROPERTY AND EQUIPMENT
AS AT JUNE 30, 2012

Particulars	COST				DEPRECIATION				Net book value as at June 30, 2012	Annual rate of depreciation (%)
	As at July 01, 2011	Additions	Disposals	As at June 30, 2012	As at July 01, 2011	For the year	On disposals / adjustments	As at June 30, 2012		
(Rupees)										
Vehicles	12,972,630	2,973,751	(3,456,911)	12,489,470	9,029,706	2,328,746	(2,730,142)	8,628,310	3,861,160	20
Furniture and equipment	1,704,383	6,109,114	-	7,813,497	924,285	571,754	-	1,496,039	6,317,458	20
Computers and accessories	12,042,356	3,006,071	-	15,048,427	10,749,942	1,479,935	-	12,229,877	2,818,550	33.33
Communication equipment	716,952	208,420	(120,000)	805,372	527,357	158,860	(116,333)	569,884	235,488	20-33
Capital work in process	-	16,934,500	-	16,934,500	-	-	-	-	16,934,500	
TOTAL	27,436,321	29,231,856	(3,576,911)	53,091,266	21,231,290	4,539,295	(2,846,475)	22,924,110	30,167,156	

As at June 30, 2011

Particulars	COST				DEPRECIATION				Net book value as at June 30, 2011	Annual rate of depreciation (%)
	As at July 01, 2010	Additions	Disposals	As at June 30, 2011	As at July 01, 2010	For the year	On disposals / adjustments	As at June 30, 2011		
(Rupees)										
Vehicles	12,837,412	135,218	-	12,972,630	6,455,785	2,573,921	-	9,029,706	3,942,924	20
Furniture and equipment	1,704,383	-	-	1,704,383	583,407	340,878	-	924,285	780,098	20
Computer and accessories	12,024,456	86,300	(68,400)	12,042,356	9,391,472	1,426,870	(68,400)	10,749,942	1,292,414	33.33
Communication equipment	938,652	12,000	(233,700)	716,952	535,594	198,464	(206,701)	527,357	189,595	20-33
TOTAL	27,504,903	233,518	(302,100)	27,436,321	16,966,258	4,540,133	(275,101)	21,231,290	6,205,031	

4.1 Capital work in process represents the amount paid for import of Toyota Land Cruiser Prado. The vehicle has been subsequently received by the Company on August 16, 2012.

5 INTANGIBLE ASSETS
AS AT JUNE 30, 2012

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

As at June 30, 2011

Particulars	COST			AMORTIZATION				Net book value as at June 30, 2011	Annual rate of amortization (%)	
	As at July 01, 2010	Additions	Disposals	As at June 30, 2011	As at July 01, 2010	For the year	On disposals / adjustments			As at June 30, 2011
------(Rupees)-----										
Digital Maps	7,500,000	-	-	7,500,000	4,625,000	1,500,000	-	6,125,000	1,375,000	20
Software's	6,114,589	-	-	6,114,589	1,808,503	1,857,525	-	3,666,028	2,448,561	33.33
TOTAL	13,614,589	-	-	13,614,589	6,433,503	3,357,525	-	9,791,028	3,823,561	

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	Note	2012	2011
		(Rupees)	
6 ADVANCES, DEPOSITS AND PREPAYMENTS			
Advances to employees and contractors-Considered good		688,220	438,362
Prepayments		5,651,327	7,187,954
Security deposits		74,500	72,000
		<u>6,414,047</u>	<u>7,698,316</u>

7 OTHER RECEIVABLES

Other receivables-unsecured considered good	7.1	<u>1,243,992</u>	<u>2,039,392</u>
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- 7.1 This includes balance amounting to Rs. 1,013,955 (2011: Rs. 1,801,065) incurred on behalf of National Information Communication Technologies Research and Development Fund Company, an associated entity. This is interest free and recoverable on demand. The maximum exposure against this receivable is the carrying amount.

	Note	2012	2011
		(Rupees)	
8 CASH AND BANK BALANCES			
Cash in hand		21,907	34,681
Cash at bank - local currency deposit account	8.1	<u>100,590,962</u>	<u>509,046,246</u>
		<u>100,612,869</u>	<u>509,080,927</u>

- 8.1 Local currency deposit account carry interest 10% (2011: 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.

		2012	2011
		(Rupees)	
9 DEFERRED GRANT			
Balance at beginning of the year		10,028,592	17,719,731
Transferred from fund balance		28,501,420	206,519
Less: Depreciation/amortization charged during the year		<u>(7,348,821)</u>	<u>(7,897,658)</u>
Balance at end of the year		<u>31,181,191</u>	<u>10,028,592</u>

- 9.1 Up to year end, the Company has utilized Rs.69.85 million (2011: Rs.41.35 million) out of grant received for capital expenditure.

		2012	2011
		(Rupees)	
10 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Payable to suppliers		10,622,742	6,241,254
Accrued liabilities		2,957,807	1,387,721
Payable to gratuity fund	10.1.1	<u>(3,551,106)</u>	<u>11,523</u>
Other liabilities		1,852,599	1,108,119
		<u>11,882,042</u>	<u>8,748,617</u>

10.1 Charge for the year is as follows:

Current service cost	5,951,264	5,850,105
Interest cost	2,225,645	483,491
Actuarial (gain)	<u>(3,732,276)</u>	<u>(1,232,144)</u>
	<u>4,444,633</u>	<u>5,101,452</u>

10.1.1 The movement in liability is as follows:

Balance at beginning of the year	11,523	3,177,720
Charge for the year	4,444,633	5,101,452
Benefits paid	<u>(8,007,262)</u>	<u>(8,267,649)</u>
Balance at end of the year	<u>(3,551,106)</u>	<u>11,523</u>

10.1.2 The movement in the defined benefit obligation is as follows:

Present value of obligation at beginning of the year	11,523	3,177,720
Current service cost	5,951,264	5,850,105
Interest cost	2,225,645	483,491
Benefits paid	<u>(8,007,262)</u>	<u>(8,267,649)</u>
Actuarial gains	<u>(3,732,276)</u>	<u>(1,232,144)</u>
Present value of obligation at end of the year	<u>(3,551,106)</u>	<u>11,523</u>

M. J. M.

10.1.3 The principal actuarial assumptions used were as follows:

Actuarial Valuation of the plan was carried out as at June 30, 2012 from an independent Valuer using Projected Unit Credit Method on following assumptions:

Discount rate	13% per annum	12% per annum
Expected rate of eligible salary increase in future years	12 % per annum	11 % per annum
Average expected remaining working lifetime of employees	4 Years	3 Years

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

The Deputy Commissioner, Inland Revenue has issued order for the tax year 2011 u/s 122(1) (5) of the Income Tax Ordinance 2001 on June 27, 2012 and has raised a demand of Rs. 1,373.514 million by treating the grant as taxable income. The Company has filed an appeal on June 29, 2012. The management firmly believes that the matter will be resolved in favor of the Company.

11.2 Commitments

	Note	2012 (Rupees)	2011
Subsidy grant disbursements	14	<u>12,722,963,692</u>	<u>7,747,045,669</u>
Technical auditors	15	<u>38,597,556</u>	<u>71,792,779</u>

12 PROFIT ON BANK DEPOSIT AND OTHER RECEIPTS

Profit on deposit account-NBP	12.1	59,921,853	30,106,160
Gain on disposal of property and equipment		145,353	7,800
Miscellaneous receipts	12.2	<u>12,828,418</u>	<u>329,201</u>
		<u>72,895,624</u>	<u>30,443,161</u>

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

12.2 This includes amount of Rs. 10,666,418 (2011: Nil) against liquid damages recovered on part of vendors.

13 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2012 (Rupees)	2011
Salaries and benefits	13.1	93,626,880	71,192,901
Legal and professional charges		10,323,971	5,497,798
Rent		9,002,400	9,002,400
Office supplies		1,623,917	1,402,003
Communication charges		2,306,944	2,670,033
Entertainment		617,692	217,564
Traveling		7,226,125	3,709,869
Printing and stationery		764,769	444,800
Vehicle fuel expenses		4,939,501	3,390,574
Repairs and maintenance		1,129,682	1,481,235
Advertisement		28,280,736	17,581,839
Depreciation		4,539,295	4,540,133
Amortization of intangible asset		2,809,526	3,357,525
Auditors' remuneration		140,000	140,000
Insurance expense		602,491	289,784
Bank charges		32,414	30,353
		<u>167,966,343</u>	<u>124,948,811</u>

13.1 Salaries and benefits include Rs.4,444,633 (2011: Rs.5,101,452) and Rs. 5,739,838 (2011: Nil) charged in respect of staff gratuity and bonuses respectively.

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14 SUBSIDY GRANT DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Amounts in Pak Rupees

SR	PROJECT /LOT	ALLOTTED TO	CONTRACT DATE	TOTAL SUBSIDY AS PER CONTRACT	SUBSIDY PAYMENTS			BALANCE COMMITMENT	BANK GUARANTEE	MILESTONES ACHIEVED
					PAYMENT TILL JUNE 30, 2011	PAID DURING THE YEAR	TOTAL			
A) RURAL TELECOM & E-SERVICES-RT&S										
1	Malakand	Telenor Pakistan (Private) Limited (Telenor)	October 4, 2007	310,148,725	62,029,745	-	62,029,745	248,118,980	124,059,490	Mobilization Adv
2	Sukkur	Pakistan Mobile Communications Limited (PMCL)	January 15, 2008	112,300,000	112,300,000	-	112,300,000	-	44,920,000	Completed
3	DG Khan	Warid Telecom (Private) Limited (Warid)	February 7, 2008	91,000,000	72,800,000	-	72,800,000	18,200,000	36,400,000	up to 3rd
4	Pishin	Pakistan Telecommunication Company Limited (PTCL)	May 29, 2008	175,000,000	175,000,000	-	175,000,000	-	70,000,000	Completed
5	Manshra	Pakistan Telecommunication Company Limited (PTCL)	June 24, 2008	300,000,000	120,000,000	-	120,000,000	180,000,000	120,000,000	up to 2nd
6	Dadu	Pakistan Telecommunication Company Limited (PTCL)	July 25, 2008	250,000,000	250,000,000	-	250,000,000	-	100,000,000	Completed
7	Bahawalpur	Telenor Pakistan (Private) Limited (Telenor)	September 22, 2008	248,381,865	248,381,865	-	248,381,865	-	99,352,746	Completed
8	Mirpur Khas	Telenor Pakistan (Private) Limited (Telenor)	March 13, 2009	930,000,000	930,000,000	-	930,000,000	-	372,000,000	Completed
9	Larkana	Pakistan Telecommunication Company Limited (PTCL)	May 17, 2009	228,000,000	136,800,000	-	136,800,000	91,200,000	91,200,000	up to 2nd
10	Nasirabad	CM Pak Limited	July 28, 2009	1,572,745,714	629,098,285	-	629,098,285	943,647,429	629,098,286	up to 1st
11	Mastung	Pakistan Telecommunication Company Limited (PTCL)	June 5, 2012	3,156,000,000	-	-	-	3,156,000,000	1,262,400,000	
TOTAL				7,373,576,304	2,736,409,895	-	2,736,409,895	4,637,166,409	2,949,430,522	
B) OPTICAL FIBER CABLE- OFC										
1	Sindh-Pacakage	Wateen Telecom	February 11, 2009	449,000,000	351,248,210	-	351,248,210	97,751,790	179,600,000	up to 3rd
2	Balochistan Package-1	Wateen Telecom	May 17, 2009	374,000,000	149,600,000	-	149,600,000	224,400,000	149,600,000	up to 1st
3	Balochistan Package-2	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	1,200,000,000	720,000,000	-	720,000,000	480,000,000	480,000,000	up to 2nd
4	Balochistan- Punjab Package-3	Wateen Telecom	November 24, 2009	986,000,000	394,400,000	-	394,400,000	591,600,000	394,400,000	up to 1st
5	Balochistan- Punjab Package-5	Pakistan Telecommunication Company Limited (PTCL)	May 17, 2010	1,498,000,000	898,800,000	-	898,800,000	599,200,000	599,200,000	up to 2nd
6	Balochistan-Package-4	Wateen Telecom	July 13, 2011	1,975,000,000	-	395,000,000	395,000,000	1,580,000,000	790,000,000	Mobilization Adv.
TOTAL				6,482,000,000	2,514,048,210	395,000,000	2,909,048,210	3,572,951,790	2,592,800,000	
C) BROADBAND										
1	FTR	Pakistan Telecommunication Company Limited (PTCL)	April 27, 2009	1,191,620,000	476,648,000	-	476,648,000	714,972,000	476,648,000	up to 1st
2	FTR-1	Wateen Telecom	April 27, 2009	239,140,000	95,656,000	-	95,656,000	143,484,000	95,656,000	up to 1st
3	MTR	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	1,161,044,000	232,208,800	202,890,800	435,099,600	725,944,400	464,417,600	up to 1st
4	STR-1	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	549,555,618	387,291,979	-	387,291,979	162,263,639	219,822,300	up to 3rd
5	MTR	World Call Telecom	July 28, 2009	785,721,250	314,288,500	314,288,500	628,577,000	157,144,250	314,288,500	up to 2nd
6	HTR	Pakistan Telecommunication Company Limited (PTCL)	November 24, 2009	211,591,697	104,329,412	-	104,329,412	107,262,285	84,636,679	up to 3rd
7	HTR	Wateen Telecom	November 24, 2009	54,799,000	43,839,200	10,959,800	54,799,000	-	21,919,600	up to 4th
8	GTR	Pakistan Telecommunication Company Limited (PTCL)	March 22, 2010	394,283,250	78,856,650	150,706,300	229,562,950	164,720,300	157,714,000	up to 2nd
9	GTR	World Call Telecom	March 30, 2010	481,415,250	96,283,050	288,849,150	385,132,200	96,283,050	192,566,100	up to 3rd
10	GTR	Wateen Telecom	April 13, 2010	244,869,250	48,973,850	48,973,850	97,947,700	146,921,550	97,947,700	Mobilization Adv.
11	CTR	Wateen Telecom	April 28, 2010	524,717,500	104,943,500	-	104,943,500	419,774,000	209,887,000	Mobilization Adv.
12	CTR	Pakistan Telecommunication Company Limited (PTCL)	April 28, 2010	512,772,000	102,554,400	-	102,554,400	410,217,600	205,108,800	Mobilization Adv.
13	STR-V	Pakistan Telecommunication Company Limited (PTCL)	May 8, 2012	1,206,175,000	-	-	-	1,206,175,000	482,470,000	
TOTAL				7,557,703,815	2,085,873,341	1,016,668,400	3,102,541,741	4,455,162,074	3,023,082,279	
D) SPECIAL PROJECTS- TELECENTERS										
1	Broadband Meera Beghwal	NAYATEL- Broadband for MCT Meera Bhagwal	March 15, 2010	9,210,918	9,210,918	-	9,210,918	-	3,684,368	Completed
2	Broadband MCT Sites	PTCL- Broadband for Pilot MCT Sites	March 16, 2010	34,873,934	27,899,147	-	27,899,147	6,974,787	18,563,850	up to 3rd
3	Broadband MCT Sites	World Call- Broadband for Pilot MCT Sites	March 31, 2010	5,944,157	5,646,948	297,209	5,944,157	-	2,377,663	up to 3rd
TOTAL				50,029,009	42,757,013	297,209	43,054,222	6,974,787	24,625,881	
E) SPECIAL PROJECTS- OTHER ICT SERVICES										
1	Rawalpindi / Sukkur / Kohat	Alshifa Trust- ICT for Disabled- Up gradation / Establishment of Computerized Low Vision rehabilitation centre	July 8, 2008	24,716,660	24,716,660	-	24,716,660	-	25,026,900	Completed
2	Rawalpindi / Islamabad	Pakistan Foundation Fighting Blindness-PFFB - ICT for Disabled- Up gradation of Audio World & Access Internet Cafe(IT Help & Audio World Programmes)	September 15, 2008	6,494,118	6,494,118	-	6,494,118	-	-	Completed
3	Rawalpindi / Karachi/Multan	Oranier Technologies Pvt Ltd- Telemedicine Project	October 14, 2011	59,657,214	-	8,948,582	8,948,582	50,708,632	-	Mobilization Adv.
4	Petaro	Cadet College Petaro- Model ICT Labs	April 2, 2011	23,690,883	-	23,690,883	23,690,883	-	-	Completed
TOTAL				114,558,875	31,210,778	32,639,465	63,850,243	50,708,632	25,026,900	
GRAND TOTAL				21,577,868,003	7,410,299,237	1,444,605,074	8,854,904,311	12,722,963,692	8,614,965,582	

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14.1 SUBSIDY GRANT DISBURSEMENTS-continued

COMPARATIVE NOTE FOR THE YEAR ENDED JUNE 30, 2011

Amounts in Pak Rupees

SR	PROJECT /LOT	ALLOTTED TO	CONTRACT DATE	TOTAL SUBSIDY AS PER CONTRACT	SUBSIDY PAYMENTS			BALANCE COMMITMENT	BANK GUARANTEE	MILESTONES ACHIEVED
					PAYMENT TILL JUNE 30, 2010	PAID DURING THE YEAR	TOTAL			
A) RURAL TELECOM & E-SERVICES-RTGS										
1	Malakand	Telenor Pakistan (Private) Limited (Telenor)	October 4, 2007	310,148,725	62,029,745	-	62,029,745	248,118,980	124,059,490	Mobilization Adv.
2	Sukkur	Pakistan Mobile Communications Limited (PMCL)	January 15, 2008	112,300,000	112,300,000	-	112,300,000	-	44,920,000	Completed
3	DG Khan	Warid Telecom (Private) Limited (Warid)	February 7, 2008	91,000,000	72,800,000	-	72,800,000	18,200,000	36,400,000	up to 3rd
4	Pishin	Pakistan Telecommunication Company Limited (PTCL)	May 29, 2008	175,000,000	175,000,000	-	175,000,000	-	70,000,000	Completed
5	Manshehra	Pakistan Telecommunication Company Limited (PTCL)	June 24, 2008	300,000,000	120,000,000	-	120,000,000	180,000,000	120,000,000	up to 1st
6	Dadu	Pakistan Telecommunication Company Limited (PTCL)	July 25, 2008	250,000,000	250,000,000	-	250,000,000	-	100,000,000	Completed
7	Bahawalpur	Telenor Pakistan (Private) Limited (Telenor)	September 22, 2008	248,381,865	248,381,865	-	248,381,865	-	99,352,746	Completed
8	Mirpur Khas	Telenor Pakistan (Private) Limited (Telenor)	March 13, 2009	930,000,000	558,000,000	372,000,000	930,000,000	-	372,000,000	Completed
9	Larkana	Pakistan Telecommunication Company Limited (PTCL)	May 17, 2009	228,000,000	136,800,000	-	136,800,000	91,200,000	91,200,000	up to 2nd
10	Nasirabad	CM Pak Limited	July 28, 2009	1,572,745,714	314,549,143	314,549,142	629,098,285	943,647,429	629,098,286	up to 1st
TOTAL				4,217,576,304	2,049,860,753	686,549,142	2,736,409,895	1,481,166,409	1,687,030,522	
B) OPTICAL FIBER CABLE- OFC										
1	Sindh-Package	Wateen Telecom	February 11, 2009	449,000,000	179,600,000	171,648,210	351,248,210	97,751,790	179,600,000	up to 3rd
2	Balochistan Package-1	Wateen Telecom	May 17, 2009	374,000,000	149,600,000	-	149,600,000	224,400,000	149,600,000	up to 1st
3	Balochistan Package-2	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	1,200,000,000	240,000,000	480,000,000	720,000,000	480,000,000	480,000,000	up to 2nd
4	Balochistan- Punjab Package-3	Wateen Telecom	November 24, 2009	986,000,000	197,200,000	197,200,000	394,400,000	591,600,000	394,400,000	up to 1st
5	Balochistan- Punjab Package-5	Pakistan Telecommunication Company Limited (PTCL)	May 17, 2010	1,498,000,000	-	898,800,000	898,800,000	599,200,000	599,200,000	up to 2nd
TOTAL				4,507,000,000	766,400,000	1,747,648,210	2,514,048,210	1,992,951,790	1,802,800,000	
C) BROADBAND										
1	FTR	Pakistan Telecommunication Company Limited (PTCL)	April 27, 2009	1,191,620,000	238,324,000	238,324,000	476,648,000	714,972,000	476,648,000	up to 1st
2	FTR-1	Wateen Telecom	April 27, 2009	239,140,000	47,828,000	47,828,000	95,656,000	143,484,000	95,656,000	up to 1st
3	MTR	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	1,161,044,000	232,208,800	-	232,208,800	928,835,200	464,417,600	Mobilization Adv.
4	STR-1	Pakistan Telecommunication Company Limited (PTCL)	June 25, 2009	549,555,618	109,911,124	277,380,855	387,291,979	162,263,639	219,822,300	up to 3rd
5	MTR	World Call Telecom	July 28, 2009	785,721,250	157,144,250	157,144,250	314,288,500	471,432,750	314,288,500	up to 1st
6	HTR	Pakistan Telecommunication Company Limited (PTCL)	November 24, 2009	211,591,697	42,318,339	62,011,073	104,329,412	107,262,285	84,636,679	up to 3rd
7	HTR	Wateen Telecom	November 24, 2009	54,799,000	10,959,800	32,879,400	43,839,200	10,959,800	21,919,600	up to 3rd
8	GTR	Pakistan Telecommunication Company Limited (PTCL)	March 22, 2010	394,283,250	78,856,650	-	78,856,650	315,426,600	157,714,000	Mobilization Adv.
9	GTR	World Call Telecom	March 30, 2010	481,415,250	96,283,050	-	96,283,050	385,132,200	192,566,100	Mobilization Adv.
10	GTR	Wateen Telecom	April 13, 2010	244,869,250	48,973,850	-	48,973,850	195,895,400	97,947,700	Mobilization Adv.
11	CTR	Wateen Telecom	April 28, 2010	524,717,500	-	104,943,500	104,943,500	419,774,000	209,887,000	Mobilization Adv.
12	CTR	Pakistan Telecommunication Company Limited (PTCL)	April 28, 2010	512,772,000	-	102,554,400	102,554,400	410,217,600	205,108,800	Mobilization Adv.
TOTAL				6,351,528,815	1,062,807,863	1,023,065,478	2,085,873,341	4,265,655,474	2,540,612,279	
D) SPECIAL PROJECTS- TELECENTERS										
1	Broadband Mera Beghwal	NAYATEL- Broadband for MCT Meera Bhagwal	March 15, 2010	9,210,918	1,842,183	7,368,735	9,210,918	-	3,684,368	Completed
2	Broadband MCT Sites	PTCL- Broadband for Pilot MCT Sites	March 16, 2010	34,873,934	9,281,912	18,617,235	27,899,147	6,974,787	18,563,850	up to 3rd
3	Broadband MCT Sites	World Call- Broadband for Pilot MCT Sites	March 31, 2010	5,944,157	1,188,831	4,458,117	5,646,948	297,209	2,377,663	up to 3rd
TOTAL				50,029,009	12,312,926	30,444,087	42,757,013	7,271,996	24,625,881	
E) SPECIAL PROJECTS-OTHER ICT SERVICES										
1	Rawalpindi / Sukkur / Kohat	Alshifa Trust- ICT for Disabled- Up gradation / Establishment of Computerized Low Vision rehabilitation centre	July 8, 2008	24,716,660	24,716,660	-	24,716,660	-	25,026,900	Completed
2	Rawalpindi / Islamabad	Pakistan Foundation Fighting Blindness-PFFB - ICT for Disabled- Up gradation of Audio World & Access Internet Cafes (IT Help & Audio World Programmes)	September 15, 2008	6,494,118	6,494,118	-	6,494,118	-	-	Completed
TOTAL				31,210,778	31,210,778	-	31,210,778	-	25,026,900	
GRAND TOTAL				15,157,344,906	3,922,592,320	3,487,706,917	7,410,299,237	7,747,045,669	6,080,095,582	

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15 PAYMENTS FOR TECHNICAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2012

SR	PROJECT /LOT	ALLOTTED TO	CONTRACT DATE	TOTAL COST AS PER CONTRACT	Amounts in Pak Rupees			BALANCE COMMITMENT	MILESTONES ACHIEVED
					PAYMENT TILL JUNE 30, 2011	PAID DURING THE YEAR	TOTAL		
A) RURAL TELECOM & E-SERVICES-RTeS									
1	Malakand	Telecom Services & Consultants (Private) Limited- Tel-e-Com	August 2, 2008	5,000,000	5,000,000	-	5,000,000	-	Contract Closed
2	DG Khan	Telecom Services & Consultants (Private) Limited- Tel-e-Com	January 1, 2009	12,594,400	12,594,400	-	12,594,400	-	Completed
3	Sukkur	Optiwave Technologies (Pvt.) Ltd.	January 1, 2009	11,327,700	11,327,700	-	11,327,700	-	Completed
4	Bahawalpur	Telecom Services & Consultants (Private) Limited- Tel-e-Com	March 26, 2009	8,975,000	8,975,000	-	8,975,000	-	Completed
5	Dadu	Myson Engineering	April 15, 2009	6,400,000	6,400,000	-	6,400,000	-	Completed
6	Pishin	Myson Engineering	April 15, 2009	6,700,000	6,700,000	-	6,700,000	-	Completed
7	Mansehra	Optiwave Technologies (Pvt.) Ltd.	December 9, 2009	5,264,040	3,509,360	1,754,680	5,264,040	-	up to 2nd, Contract Closed
8	MirpurKhas	Telecom Services & Consultants (Private) Limited- Tel-e-Com	December 30, 2009	3,375,000	3,375,000	-	3,375,000	-	Completed
9	Nasirabad	Technology at Work	February 8, 2010	4,642,650	928,530	-	928,530	-	up to 1st
TOTAL				64,278,790	58,809,990	1,754,680	60,564,670	3,714,120	
B) OPTICAL FIBER CABLE- OFC									
1	Sindh-Pacakage	Technology at Work	September 29, 2009	7,280,075	4,368,045	-	4,368,045	2,912,030	up to 3rd
2	Balochistan Package-1	Technology at Work	March 17, 2010	4,911,975	982,395	-	982,395	3,929,580	up to 1st
3	Balochistan Package-2	Shaukat Hayat Javed	May 21, 2010	5,891,000	2,356,400	-	2,356,400	3,534,600	up to 2nd
4	Balochistan- Punjab Package-3	Teralight Limited	September 27, 2010	835,858	835,858	-	835,858	-	up to 1st, Contract Closed
5	Balochistan- Punjab Package-5	Telecom Engineering & Consultancy House (Pvt) Limited- TEACH	May 19, 2011	2,850,000	1,482,000	-	1,482,000	1,368,000	up to 2nd
TOTAL				21,768,908	10,024,698	-	10,024,698	11,744,210	
C) BROADBAND									
1	STR-1	BIDCON	July 27, 2010	8,200,000	4,100,000	-	4,100,000	4,100,000	up to 3rd
2	HTR-PTCL	People Logic	July 27, 2010	4,151,360	1,660,544	830,272	2,490,816	1,660,544	up to 3rd
3	HTR-Wateen	People Logic	July 27, 2010	1,779,154	1,067,493	355,831	1,423,324	355,830	up to 4th
4	MTR-World call	Emerging Systems	July 27, 2010	7,336,740	1,467,348	1,467,348	2,934,696	4,402,044	up to 2nd
5	MTR-PTCL	Emerging Systems	July 27, 2010	11,005,110	-	2,201,022	2,201,022	8,804,088	up to 1st
5	CTR	Optiwave Technologies (Pvt.) Ltd.	August 5, 2011	1,780,027	-	1,780,027	1,780,027	-	Mob. Adv. Contract Closed
4	GTR-WorldCall	Technology at Work	August 5, 2011	3,578,175	-	2,146,905	2,146,905	1,431,270	upto 3rd
5	GTR-Wateen	Technology at Work	August 5, 2011	1,590,300	-	318,060	318,060	1,272,240	up to 1st
6	GTR-PTCL	Technology at Work	August 5, 2011	2,783,025	-	1,669,815	1,669,815	1,113,210	Upto 2nd
TOTAL				42,203,891	8,295,385	10,769,280	19,064,665	23,139,226	
GRAND TOTAL				128,251,589	77,130,073	12,523,960	89,654,033	38,597,556	

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15.1 PAYMENTS FOR TECHNICAL AUDIT-Continued

COMPARATIVE NOTE FOR THE YEAR ENDED JUNE 30,2011

SR	PROJECT /LOT	ALLOTTED TO	CONTRACT DATE	TOTAL COST AS PER CONTRACT	Amounts in Pak Rupees			BALANCE COMMITMENT	MILESTONES ACHIEVED
					PAYMENT TILL JUNE 30, 2010	PAID DURING THE year	TOTAL		
A) RURAL TELECOM & E-SERVICES-RTes									
1	Malakand	Telecom Services & Consultants (Private) Limited- Tel-e-Com	August 2, 2008	28,550,000	5,000,000	-	5,000,000	23,550,000	up to 1st
2	DG Khan	Telecom Services & Consultants (Private) Limited- Tel-e-Com	January 1, 2009	12,594,398	7,556,640	5,037,760	12,594,400	(2)	Completed
3	Sukkur	Optiwave Technologies (Pvt.) Ltd.	January 1, 2009	11,327,700	11,327,700	-	11,327,700	-	Completed
4	Bahawalpur	Telecom Services & Consultants (Private) Limited- Tel-e-Com	March 26, 2009	8,975,000	8,975,000	-	8,975,000	-	Completed
5	Dadu	Myson Engineering	April 15, 2009	6,400,000	5,120,000	1,280,000	6,400,000	-	Completed
6	Pishin	Myson Engineering	April 15, 2009	6,700,000	5,360,000	1,340,000	6,700,000	-	Completed
7	Mansehra	Optiwave Technologies (Pvt.) Ltd.	December 9, 2009	8,773,400	1,754,680	1,754,680	3,509,360	5,264,040	up to 2nd
8	MirpurKhas	Telecom Services & Consultants (Private) Limited- Tel-e-Com	December 30, 2009	3,375,000	2,025,000	1,350,000	3,375,000	-	Completed
9	Nasirabad	Technology at Work	February 8, 2010	4,642,650	-	928,530	928,530	3,714,120	up to 1st
TOTAL				91,338,148	47,119,020	11,690,970	58,809,990	32,528,158	
B) OPTICAL FIBER CABLE- OFC									
1	Sindh-Pacakage	Technology at Work	September 29, 2009	7,280,075	1,456,015	2,912,030	4,368,045	2,912,030	up to 3rd
2	Balochistan Package-1	Technology at Work	March 17, 2010	4,911,975	982,395	-	982,395	3,929,580	up to 1st
3	Balochistan Package-2	Shaukat Hayat Javed	May 21, 2010	5,891,000	-	2,356,400	2,356,400	3,534,600	up to 2nd
4	Balochistan- Punjab Package-3	Teralight Limited	September 27, 2010	4,179,290	-	835,858	835,858	3,343,432	up to 1st
5	Balochistan- Punjab Package-5	Telecom Engineering & Consultancy House (Pvt) Limited- TEACH	May 19, 2011	2,850,000	-	1,482,000	1,482,000	1,368,000	up to 2nd
TOTAL				25,112,340	2,438,410	7,586,288	10,024,698	15,087,642	
C) BROADBAND									
1	STR-1	BIDCON	July 27, 2010	8,200,000	-	4,100,000	4,100,000	4,100,000	up to 3rd
2	HTR-PTCL	People Logic	July 27, 2010	4,151,360	-	1,660,544	1,660,544	2,490,816	up to 2nd
3	HTR-Waten	People Logic	July 27, 2010	1,779,154	-	1,067,493	1,067,493	711,661	up to 3rd
4	MTR-World call & PTCL	Emerging Systems	July 27, 2010	18,341,850	-	1,467,348	1,467,348	16,874,502	up to 1st
TOTAL				32,472,364	-	8,295,385	8,295,385	24,176,979	
GRAND TOTAL				148,922,852	49,557,430	27,572,643	77,130,073	71,792,779	

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16 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk.

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

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

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

16.1 Credit risk

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

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

Description	2012	2011
	(Rupees)	
	Maturity up to one year	
Deposits	74,500	72,000
Other receivables	1,243,992	2,039,392
Accrued profit on bank deposit	29,504,483	29,480,808
Bank balance	100,612,869	509,080,927

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

16.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Further, the Company is fully funded by the Ministry of Information Technology, Government of Pakistan.

The following is the contractual maturities of financial liabilities:

Description	2012	2011
	(Rupees)	
	Maturity up to one year	
Payable to suppliers	10,622,742	6,241,254
Accrued liabilities	2,957,807	1,387,721
Payable to gratuity fund	(3,551,106)	11,523
Other liabilities	1,852,599	1,108,119

16.3 Market Risk

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

a) Interest rate risk

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

b) Currency risk

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

16.4 Capital risk management

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

16.5 Fair values of financial assets and liabilities

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

17 **TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

The Company is governed by the Ministry of Information Technology, Government of Pakistan (GoP). Therefore, all departments and agencies controlled by the GoP ("State-controlled entities") are related parties of the Company. Other related parties include directors, members, key management personnel, USF Employees' Gratuity Fund and entities under common directorship. Remuneration to the chief executive is disclosed in note 18 to these financial statements. Balance with related party is disclosed in note 7.1 to these financial statements.

Significant transactions with State-controlled entities are as follows:

	2012	2011
	(Rupees)	
<u>State-controlled entities</u>		
Grant received during the year	<u>1,159,751,000</u>	<u>4,146,000,000</u>
<u>Associate due to common directorship</u>		
Subsidy grant disbursement-PTCL	<u>353,597,100</u>	<u>2,449,687,563</u>
Expenses incurred on behalf of associates	<u>1,013,955</u>	<u>1,801,065</u>
<u>USF Employees' Gratuity Fund</u>		
Contributions paid by the Company	<u>8,007,262</u>	<u>8,267,649</u>

18 **REMUNERATION OF CHIEF EXECUTIVE OFFICER**

Gross salary:		
Managerial remuneration	7,842,742	8,250,000
Allowances	<u>4,765,645</u>	<u>4,950,000</u>
Total	<u>12,608,387</u>	<u>13,200,000</u>

Chief Executive Officer is also provided company maintained vehicle. Expense on account of fuel and driver salary for the current year is amounting to Rs.729,930. Further Chief Executive Officer is also entitled to gratuity.

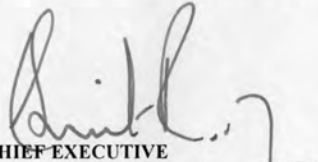
19 **GENERAL**

19.1 The Company's income is exempt from levy of tax under Clause 59 of Part I of Second Schedule to the Income Tax Ordinance, 2001. The Commissioner Inland Revenue, Regional Tax Office, Islamabad vide Order No. 510 dated June 28, 2010 had granted the Company conditional approval for exemption under section 2(36) of the Income Tax Ordinance, 2001 up to June 30, 2011. Subsequently, on 29 June 2011, the Commissioner Inland Revenue withdrew the aforesaid exemption. The Company has filed an appeal against such withdrawal of approval. Tax year 2010 has been selected for audit by Income Tax authorities. Tax Audit is still in process.


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

20 **DATE OF AUTHORIZATION FOR ISSUE**

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


CHIEF EXECUTIVE

14 FEB 2013


DIRECTOR