



# ANNUAL REPORT

UNIVERSAL SERVICE PROVISION

— 2015 —

# CONTENTS

**04**

CHAIRMAN'S  
MESSAGE

**06**

OVERVIEW

**08**

COMMUNITY ACCESS

**10** 1MALAYSIA INTERNET CENTRE

**14** MINI 1MALAYSIA INTERNET CENTRE

**16** NEXT GENERATION 1MALAYSIA INTERNET CENTRE

**18** MINI COMMUNITY BROADBAND CENTRE

**19** COMMUNITY BROADBAND LIBRARY

**20** COMMUNITY WIFI

**22** TELEPHONY

## MALAYSIAN COMMUNICATIONS AND MULTIMEDIA COMMISSION

MCMC Tower 1, Jalan Impact, Cyber 6, 63000 Cyberjaya, Selangor Darul Ehsan

T +60 3 8688 8000 F +60 3 8688 1000

[mcmc.gov.my](http://mcmc.gov.my)

**24**  
CELLULAR COVERAGE  
EXPANSION

26 TIME 3

27 TIME 3 EXTENSION

**28**  
MOBILE BROADBAND  
COVERAGE  
EXPANSION

30 3G

31 LTE

**32**  
FIXED BROADBAND  
COVERAGE EXPANSION

34 RURAL BROADBAND

35 SUBURBAN BROADBAND

**36**  
CORE NETWORK  
DEVELOPMENT

38 FIBRE OPTIC NETWORK  
EXPANSION

39 1MALAYSIA PEOPLE'S  
CABLE SYSTEM

**40**  
BROADBAND USAGE  
SUPPORT PROGRAMME

42 SMART DEVICE WITH  
INTERNET PACKAGE

43 1MALAYSIA NETBOOK

**44**  
USP FUND

**50**  
STATEMENT OF  
ACCOUNTS

# CHAIRMAN'S MESSAGE

To date, numerous communication infrastructure development projects have been implemented throughout the country, especially in rural areas. These projects are meant to provide the accessibility of communication as well as improve the quality of communication services in line with the country's vision to become a Smart Nation by the year 2020. It is not an easy task, yet it is not impossible to be realized.

To ensure this vision is achieved, various initiatives are currently being implemented which include upgrading of broadband access infrastructure and community projects under the Universal Service Provision (USP) Programme.

Initiatives under the USP Programme have undeniably brought great changes not only in bridging the digital divide between urban and rural areas, but also among the privileged and underprivileged groups.

If statistically viewed through the national broadband penetration and cellular subscription rate, a significant positive improvement can be seen. As of Q4 2015, the broadband penetration rate per 100 households has increased to 77.3% compared to the year 2013 which was at 67.1%, while cellular penetration rate per 100 populations has reached 143.8% compared to 143.6% in 2013. Although the contribution of the USP programme if extracted by these statistical figures, might form a small value, it has brought an enormous meaning to the communities who need it the most.

2015 has shown a more advanced approach being implemented under the USP programme. Among the new initiatives that have been implemented are Mini 1Malaysia Internet Centre (Mini PIIM) and Next Generation 1Malaysia Internet Centre (NextGen PIIM). The expansion of mobile broadband 3G and LTE are also actively being carried out in underserved areas throughout the country.

To cater the high demand for fixed broadband and high-speed mobile broadband in rural and suburban communities, several key initiatives associated with high-capacity core network have been implemented which are Rural Broadband (RBB), Suburban Broadband (SUBB), Fibre Optic Network Expansion and 1Malaysia People's Cable System (SKRIM).

When viewed as a whole, the implementation of the USP programme covers right from the provision of fixed and mobile broadband to the provision of high-capacity core network infrastructure. Initiatives involving collective access such as the 1Malaysia Internet Centre (PIIM) and Community WiFi (WK) are still continuing since these initiatives are already well known in bringing many valuable benefits to the local communities.

Such initiatives undeniably have their own unique challenges and hardships; however, all the efforts given showed a clear picture that we are on the right track in realizing the nation's dream.

May we always stay spirited, prevail any challenges and obstacles that lie ahead because every difficulty will make us more inspired to pursue our dreams.

Thank you.

The implementation of the USP programme covers right from the provision of fixed and mobile broadband to provision of high-capacity core network infrastructure

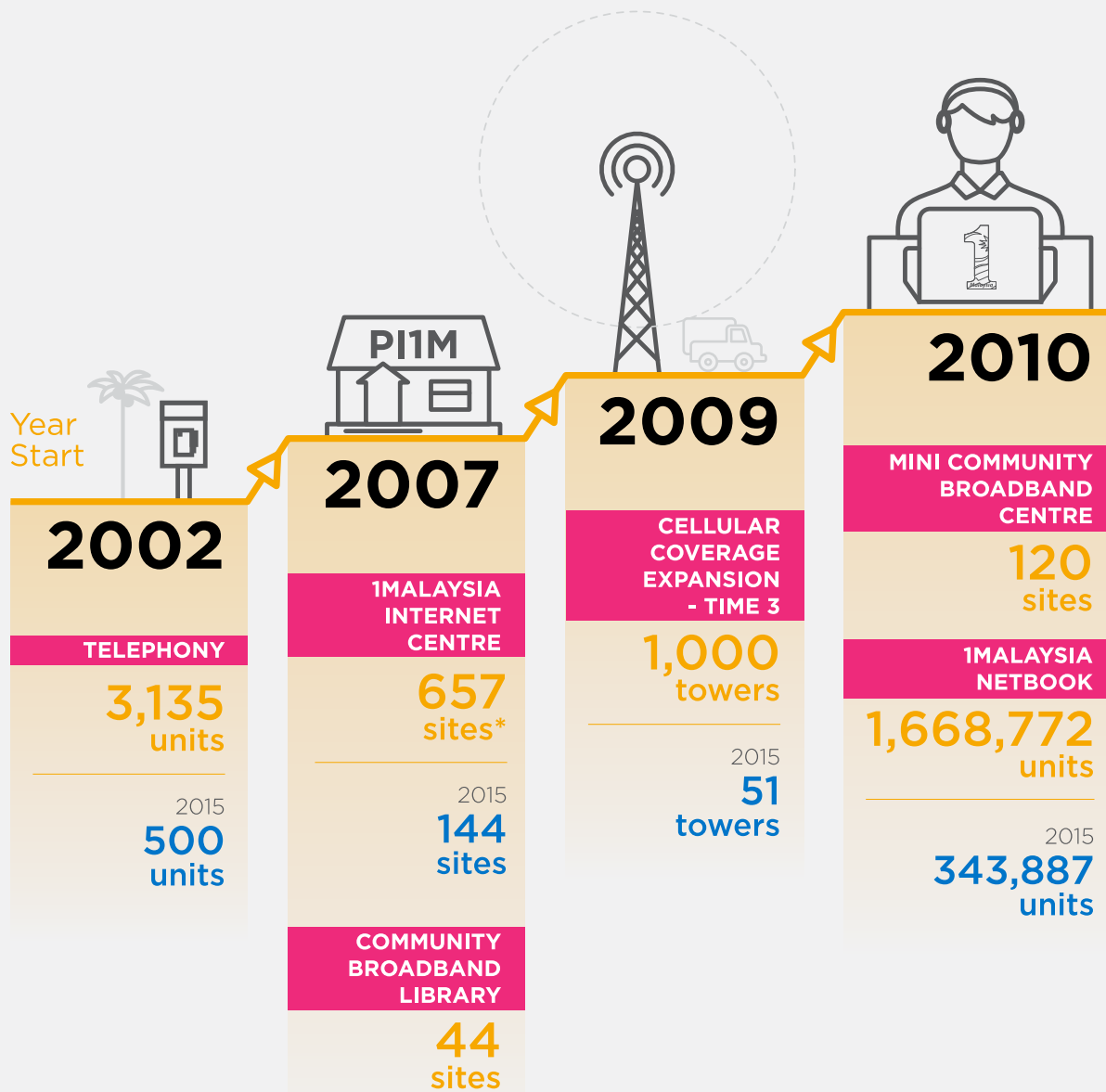


## DATO' SRI DR. HALIM BIN SHAFIE

**CHAIRMAN**

Malaysian Communications and Multimedia Commission

# OVERVIEW

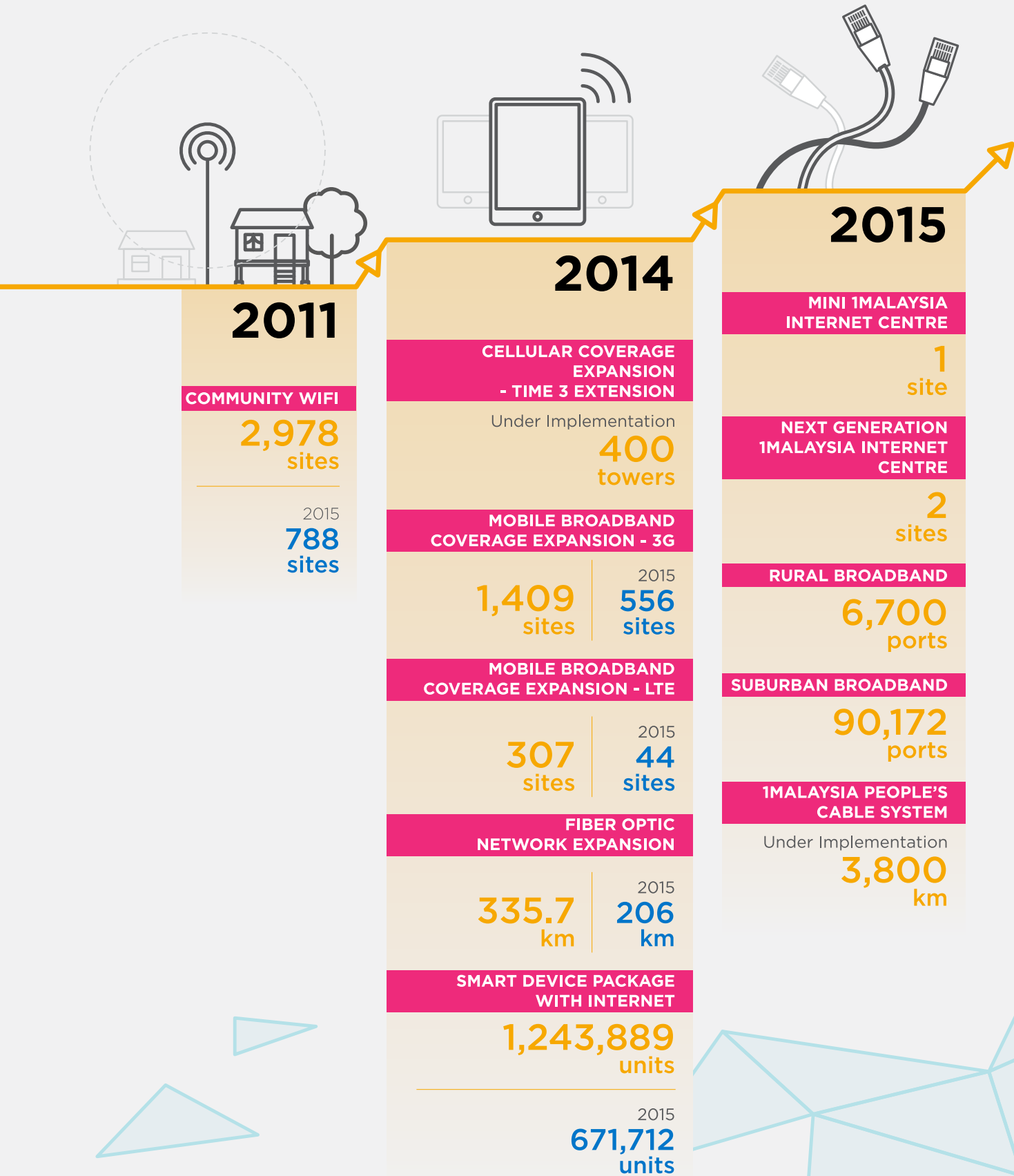


Figures are as at 31<sup>st</sup> December 2015

\* Inclusive of Mini 1Malaysia Internet Centre and Next Generation 1Malaysia Internet Centre

Total USP Initiatives

17



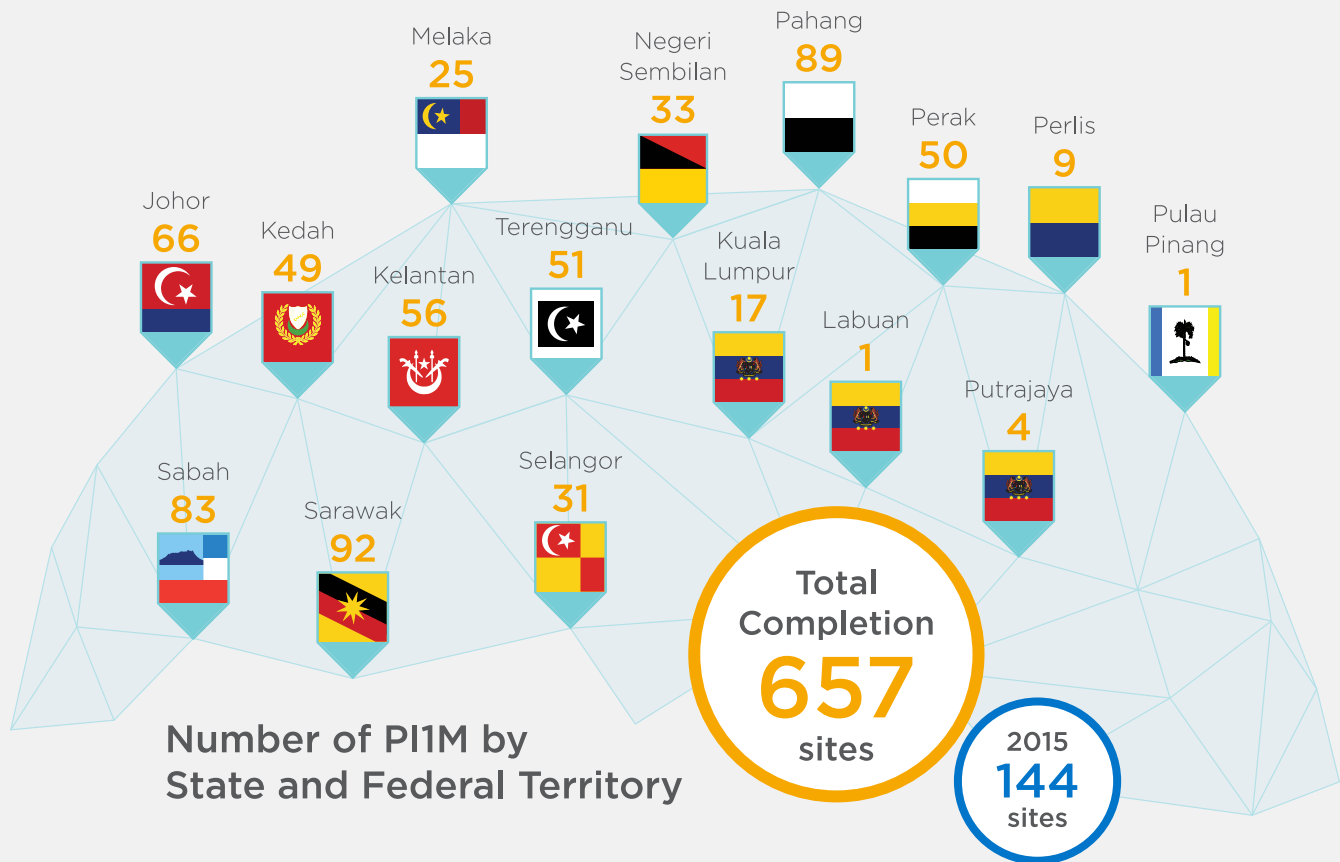


# COMMUNITY ACCESS





# 1MALAYSIA INTERNET CENTRE



1Malaysia Internet Centre (PIIM) has now reached 8 years of implementation where it brought many social and economic impacts to the communities, particularly to the rural communities. This is exactly what the Commission expects on the implementation of PIIM which provides broadband access services focusing underserved areas such as rural areas.

The Commission constantly strives to improve the implementation of PIIM from time to time such as in 2013 where we began introducing PIIM in urban areas focusing underserved groups within the community that includes the disabled and the communities who reside in People's Housing Project (PPR).



+ Visually impaired people browsing the internet using special devices



Other than providing broadband access services, PIIM also offers ICT and entrepreneurship trainings to registered users. These trainings are conducted by PIIM's Manager or Assistant Manager and offered for free to all registered users.

Other services provided by PIIM include printing, laminating, photocopying and scanning with minimal charges.

Success stories inspired from PIIM's users have somewhat proven the effectiveness of PIIM and made PIIM even more popular among the local communities.

As of 31<sup>st</sup> December 2015, a total of 657 PIIMs have been implemented and operational nationwide with 52 PIIMs implemented in the urban areas.

For the year 2015, a total of 144 PIIMs have been successfully implemented, 46 of which were implemented in urban areas.



The implementation of PIIM has brought many social and economic impacts to the communities.

# PI1M EVOLUTION

2007

2009

2012



## FOCUS

Underserved areas

USP COMMUNICATION  
CENTRE

PILOT PHASE  
12 sites

COMMUNITY BROADBAND  
CENTRE

1MALAYSIA INTERNET  
CENTRE (PI1M)

Rebranding with  
1Malaysia concept



### OPERATING HOURS

Open daily

**9.00am -  
6.00pm**

(except public holiday)



### MEMBERSHIP FEE

**RM5.00**

### USAGE CHARGES

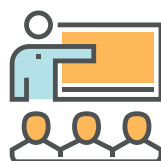
**RM1.00**  
per hour (member)

**RM2.00**  
per hour (non-member)



### OTHER SERVICES

- + Printing
- + Photocopying
- + Scanning
- + Laminating



### FREE SERVICES

- + ICT Training
- + Entrepreneurship Training
- + ICT Awareness Programme

2013

2015



**FOCUS**

Underserved groups

**URBAN PIIM**

**PILOT PHASE**

Located in People's Housing Project (PPR) Kerinchi and Seri Pantai, Kuala Lumpur.

**FOCUS**

Remote areas with low population density with less than 800 people per square kilometre.

**MINI PIIM**

**PILOT PHASE**

Located in Kg. Mat Daling, Jerantut, Pahang.

**NEXT GENERATION PIIM**

**PILOT PHASE**

Located in Institut Kemahiran Belia Negara and Kemaman District Office which include special functions such as Disaster Command Centre and Innovation Centre.

## MINI 1MALAYSIA INTERNET CENTRE

Mini 1Malaysia Internet Centre (Mini PIIM) is a new concept of 1Malaysia Internet Centre (PIIM) which was first introduced in 2015. Mini PIIM is relatively a PIIM on a smaller scale premise with an area of only 300 to 500 square feet. The implementation of Mini PIIM focusing at underserved areas which has low population density of less than 800 persons per square kilometre.

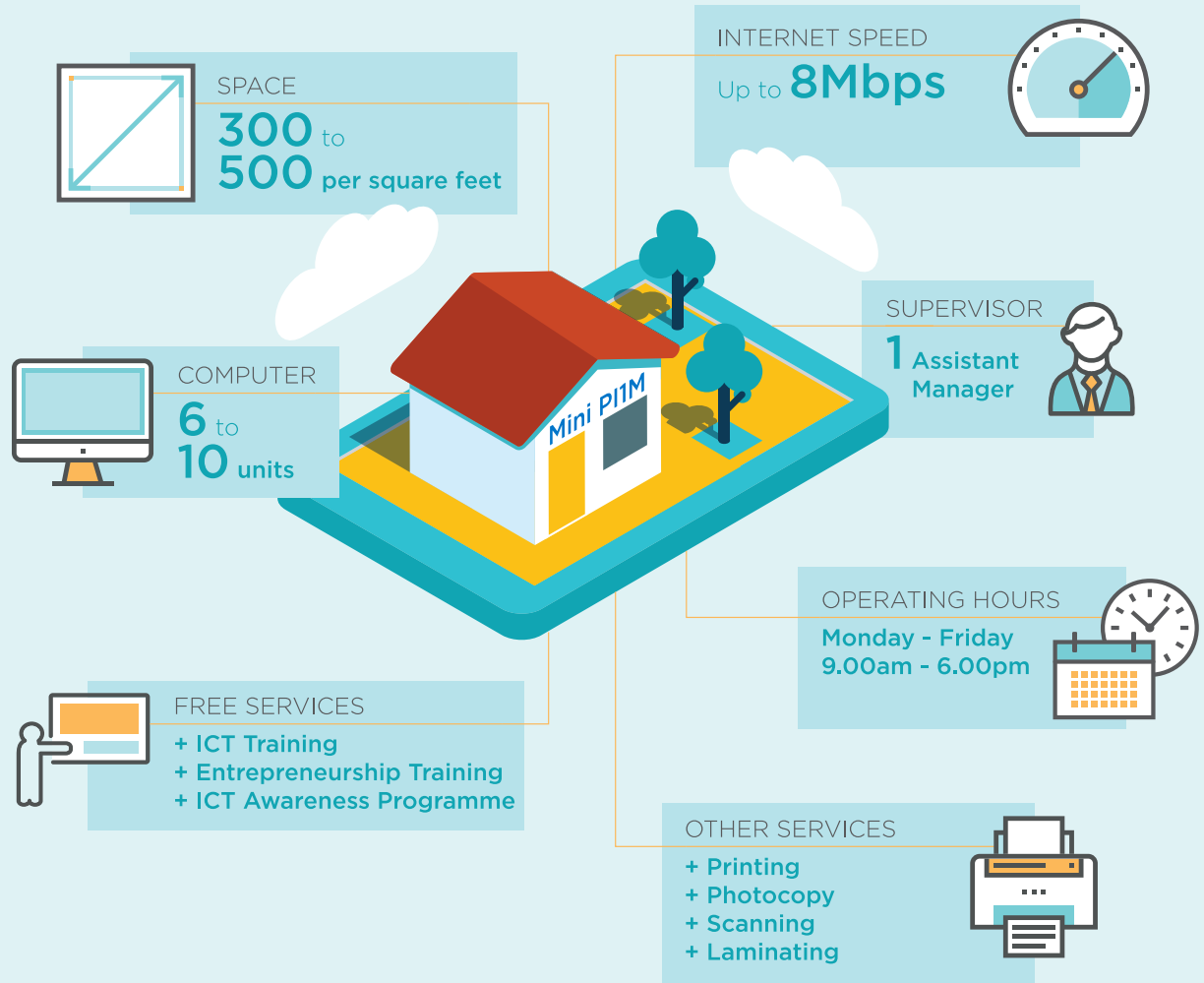
Mini PIIM is equipped with 6 to 10 computers with internet speed of up to 8Mbps. Similarly to PIIM, Mini PIIM offered ICT and entrepreneurship trainings for free as well as other services such as printing, photocopying and scanning. Mini PIIM is managed by an Assistant Manager, operating from Monday to Friday, starting at 9am to 6pm.

The Commission believes Mini PIIM could give exposure on ICT knowledge to rural communities as well as create opportunities for online businesses. This can indirectly stimulate the socio-economic development of local communities.

For Pilot Phase, 1 Mini PIIM located in Kampung Mat Daling, Jerantut, Pahang has been implemented and fully operational in May 2015. The existence of this Mini PIIM enables nearby communities such as Kampung Tanah Pindah, Kampung Pulau Besar, Kampung Kuala Semena and Kampung Machang Merah to enjoy the available services.









+ Mini PIIM Kampung Mat Daling  
Jerantut, Pahang



# NEXT GENERATION 1MALAYSIA INTERNET CENTRE

Next Generation 1Malaysia Internet Centre (NextGen PIIM) is another new concept of 1Malaysia Internet Centre (PIIM) which was introduced in 2015. NextGen PIIM is designed as a community access centre with more advanced features and special facilities tailored to the local communities.

For Pilot Phase, 2 NextGen PIIMs have been implemented in Kemaman district known as Kemaman Innovation Centre (KIC) located at Institut Kemahiran Belia Negara (IKBN) Kemasik and Kemaman Command Centre (KCC) located in Kemaman District Office. NextGen PIIMs has 12 computers with internet speed up to 50Mbps, runs by a Manager and an Assistant Manager, provides other services such as printing, photocopying and laminating. Apart from providing similar services like PIIM, KIC and KCC have their own special functions.

<p>INTERNET SPEED</p>  <p>Up to <b>50Mbps</b></p>	<p>COMPUTER</p>  <p><b>12</b> units</p>	<p>SUPERVISOR</p>  <p><b>1 Manager</b> &amp; <b>1 Assistant Manager</b></p>
<p>FREE SERVICES</p>  <p>+ ICT Training + Entrepreneurship Training + ICT Awareness Programme</p>	<p>OTHER SERVICES</p>  <p>+ Printing + Photocopy + Scanning + Laminating</p>	<p>SPECIAL FUNCTIONS</p>  <p>+ Innovation Centre at KIC + Disaster Command Centre at KCC</p>



### KEMAMAN INNOVATION CENTRE (KIC)

KIC is a local innovation centre in the East Coast of Malaysia in relation to TM Innovation Exchange (TMIX) in Kuala Lumpur. This centre aims to identify hidden talents in youths, inspire and motivate them through programmes related to entrepreneurship, advanced ICT training and many others.

Besides that, KIC has organised Hackathon, a competition of mobile application design in 24 hours. The competition prioritised ideas that can bring a big impact to the local communities. This will indirectly inculcate the local community to utilize their ICT knowledge and skills with entrepreneurship to improve their socio-economic level.

### KEMAMAN COMMAND CENTRE (KCC)

KCC was implemented following the flood disaster which had struck our country. KCC acts as a disaster operation centre, that is equipped with a Flood Management System that covers updates on pre-flood, during and post-flood.



+ Kemaman Innovation Centre (KIC)  
Institut Kemahiran Belia Negara (IKBN) Kemasik,  
Kemaman, Terengganu

Through this system, registered users will be able to receive information from time to time such as the water level information and the safety precautions whenever a disaster struck. The system also assists in the rescue operation and the distribution of aid to flood victims. With this system, the local community is able to make an early preparation; hence, it will reduce the losses to be incurred as a result of the flood disaster.

Both NextGen PIIM are also part of the Smart Community initiatives implemented by the Commission.



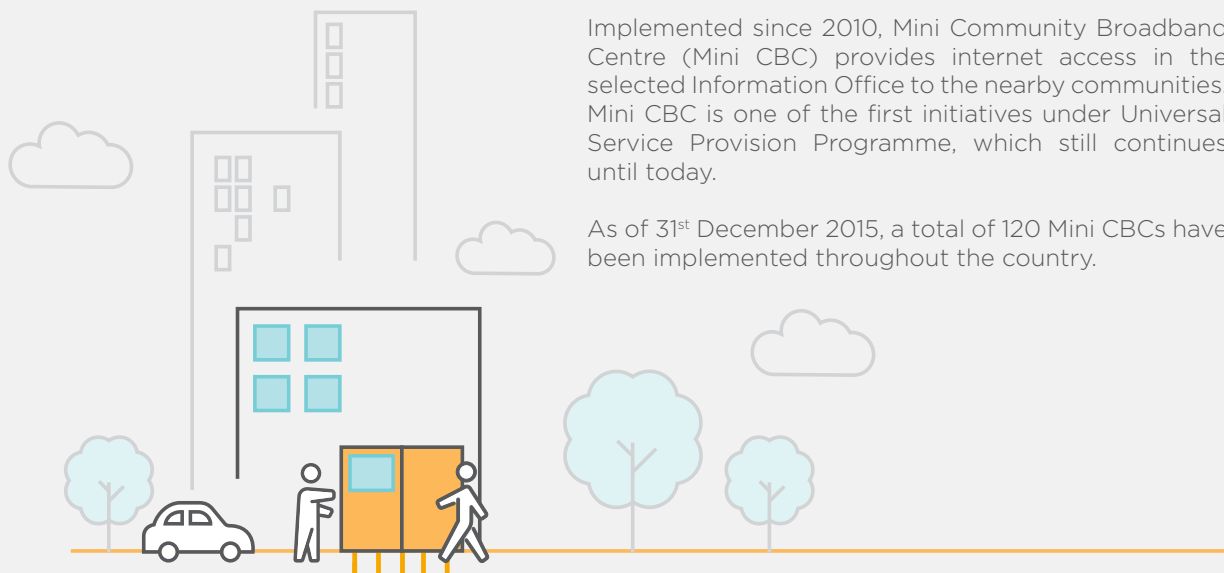
+ Kemaman Command Centre (KCC)  
Pejabat Daerah Kemaman,  
Kemaman, Terengganu



# MINI COMMUNITY BROADBAND CENTRE

Implemented since 2010, Mini Community Broadband Centre (Mini CBC) provides internet access in the selected Information Office to the nearby communities. Mini CBC is one of the first initiatives under Universal Service Provision Programme, which still continues until today.

As of 31<sup>st</sup> December 2015, a total of 120 Mini CBCs have been implemented throughout the country.



## Number of Mini CBC by State



Total Completion  
**120**  
sites



# COMMUNITY BROADBAND LIBRARY

Community Broadband Library (CBL) is an initiative which has been implemented since 2007 to provide internet access in the selected state libraries. CBL is operated by a supervisor who is responsible for managing the daily operations and promoting the facilities provided in the CBL.

Implementation of CBL had once reached 99 CBLs in 2014; however, to meet the demands of broadband access from the surrounding community, a number of CBLs have been upgraded to Pusat Internet 1Malaysia within the areas.

As of 31<sup>st</sup> December 2015, a total of 44 CBLs are in operation across the country.

## Number of CBL by State



Total Completion  
**44**  
sites



# COMMUNITY WIFI

Community WiFi (WK) initiative provides free internet access through WiFi hotspots in underserved areas nationwide since its introduction in 2011.

Beginning 2013, the implementation of WK has been enhanced using Hub & Spoke approach. Through this approach, 3 WiFi hotspots (as Spoke) are connected to 1Malaysia Internet Centre (PIIM) which locates the cache server (the Hub) and acts as the WK central management together with monitoring service managed by the Manager or Assistant Manager of PIIM.

The Hub & Spoke approach has been chosen because it will optimise the bandwidth usage and is seen to be more effective in providing stability and better internet speed to WK users.

As of 31<sup>st</sup> December 2015, a total of 2,978 WKs have been implemented throughout the country. Of these, 788 WKs have been implemented in 2015.

The Hub & Spoke approach is seen to be more effective in providing stability and better internet speed to WK users.

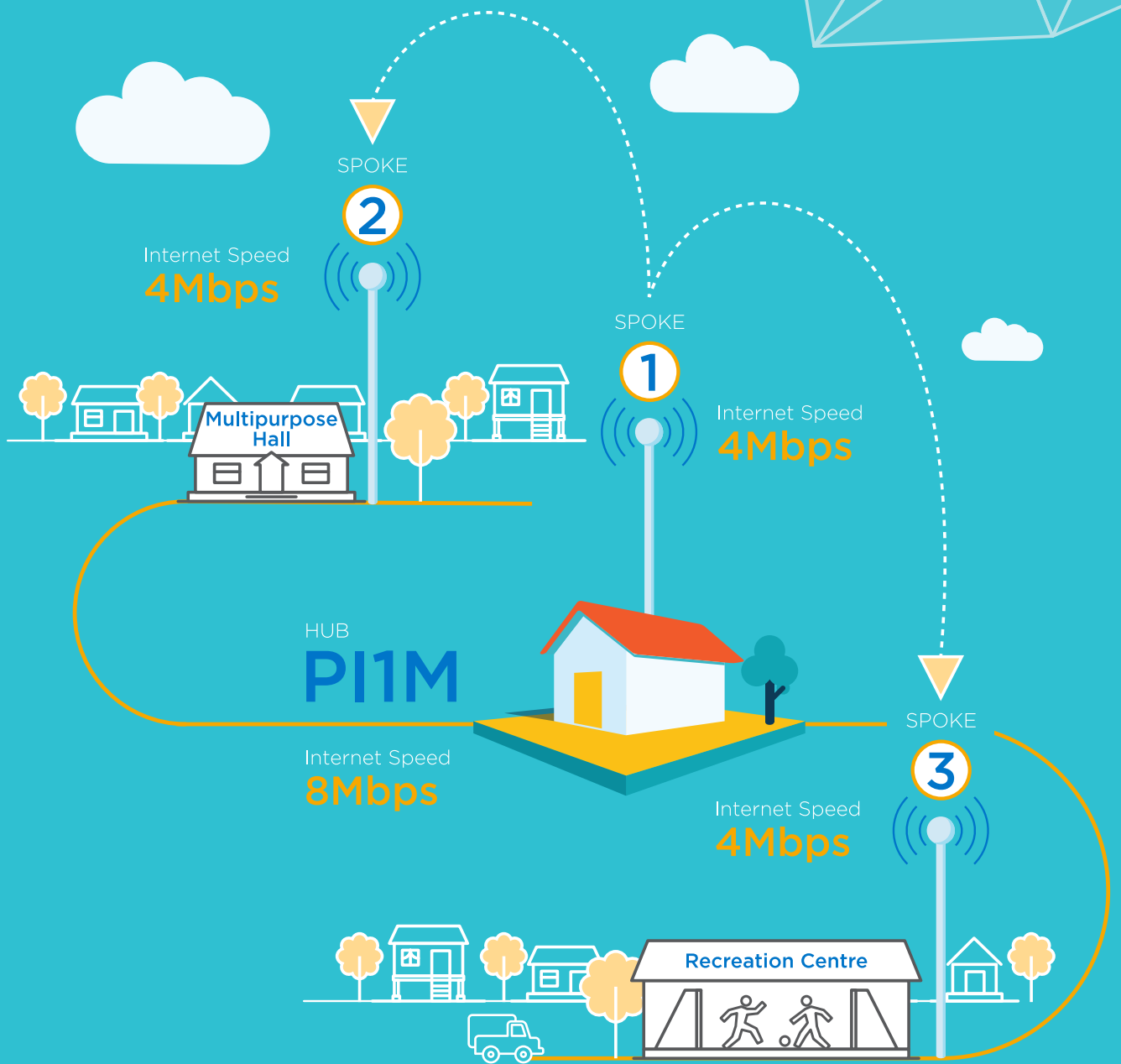
## Number of WK by State and Federal Territory

 Johor	160	 Pahang	199	 Selangor	66
 Kedah	372	 Perak	206	 Terengganu	139
 Kelantan	162	 Perlis	56	 Kuala Lumpur	144
 Melaka	20	 Sabah	618	 Labuan	18
 Negeri Sembilan	104	 Sarawak	694	 Putrajaya	20

2015  
788  
sites

Total  
Completion  
**2,978**  
sites

# HUB & SPOKE CONCEPT



 <b>LOCATION</b> <ul style="list-style-type: none"><li>+ Common area</li><li>+ Densely populated</li><li>+ Easily accessible</li></ul>	 <b>SPOKE DISTANCE</b> <p>Within <b>3km</b> from Hub</p>	 <b>WIFI COVERAGE</b> <p><b>250m</b></p>
---	---	---

# TELEPHONY



Telephony is the first ever initiative implemented in 2002 under the Universal Service Provision (USP). This initiative provides collective telecommunication access through the installation of public payphones in underserved areas, particularly in areas where the fixed telephony (PSTN) subscriber penetration rate is 20% below the national penetration rate.

Although public payphones are no longer popular nowadays, this service is still needed as a telecommunication medium in some rural areas.

As of 31<sup>st</sup> December 2015, a total of 3,135 public payphones have been installed throughout the country.

## Number of Public Payphones by State









# CELLULAR COVERAGE EXPANSION

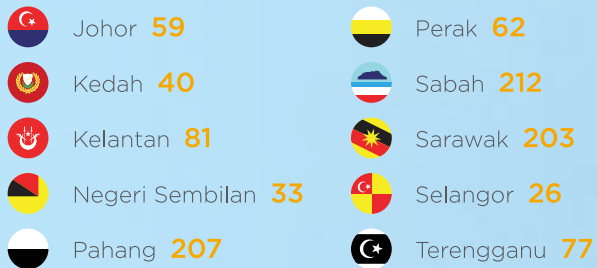
## TIME 3

Cellular Coverage Expansion - Time 3 initiative involves the construction of communication tower infrastructure and installation of electronic equipment providing 2G and 3G mobile services.

Implementation of this initiative focuses on areas with poor cellular coverage or no cellular coverage nationwide.

Until 31<sup>st</sup> December 2015, a total of 1,000 towers have been implemented nationwide. Of these, 51 towers were completed in 2015.

### Number of Towers by State



Total  
Completion  
**1,000**  
towers

2015  
**51**  
towers

## TIME 3 EXTENSION

Cellular Coverage Expansion - Time 3 Extension is a continuation of previous Time 3 initiative where an additional of 1,000 communication towers are planned to be built across the country. The implementation of Time 3 Extension focuses on the same areas as Time 3 which is in the areas with poor cellular coverage or no cellular coverage nationwide.

Time 3 Extension implementation is using the Radio Access Network Sharing approach or known as RAN Sharing. This approach is used to encourage the sharing of networks

by multiple service providers to provide cellular and mobile broadband services, while saving the initial investment cost of network construction, speed-up the construction of the network and attract more consumers to use cellular and mobile broadband services.

As at 31<sup>st</sup> December 2015, a total of 400 towers are still under implementation and are expected to be completed in stages by year 2016. The remaining 600 towers will be implemented in stages by mid-2016.





A woman wearing a red hijab and a red top is pointing at a tablet held by a young girl in a white shirt. A toddler in a striped shirt stands next to the girl. They are outdoors in a sunny, urban setting with trees and buildings in the background. The image is overlaid with a pink banner at the top and light blue geometric shapes.

# MOBILE BROADBAND COVERAGE EXPANSION

# 3G

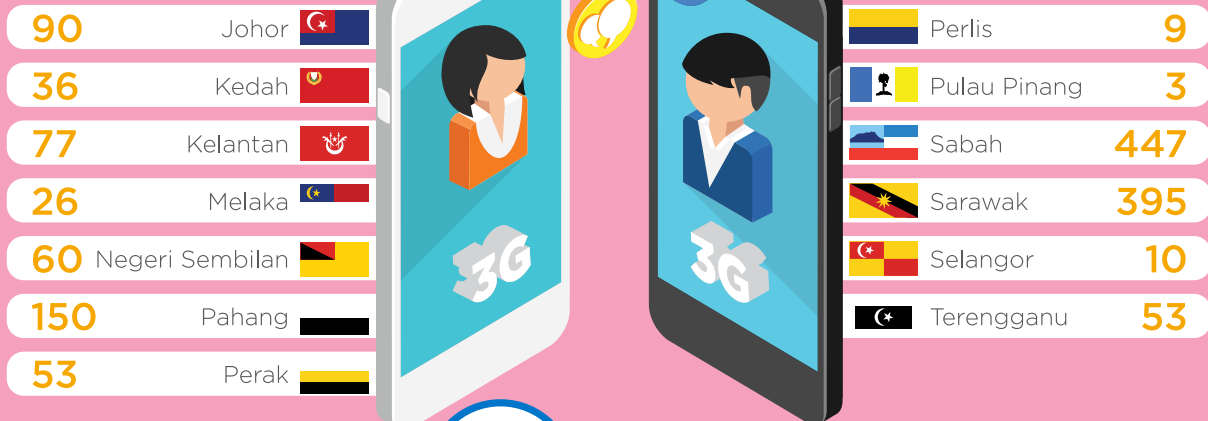
Mobile Broadband Coverage Expansion – 3G is an initiative designed to upgrade the existing 2G service to 3G service and to expand the 3G service coverage to underserved areas.

With the implementation of this initiative, the Commission expects the use of mobile broadband services will grow and increase the national broadband penetration rate to a higher level.

As at 31<sup>st</sup> December 2015, a total of 1,409 locations were upgraded to 3G services nationwide. Of these, a total of 556 locations were carried out in 2015.



## Number of 3G Mobile Broadband Coverage Sites by State



2015  
**556**  
sites

Total  
Completion  
**1,409**  
sites

# LTE



## Number of LTE Mobile Broadband Coverage Sites by State

	Johor	18
	Kedah	64
	Kelantan	35
	Melaka	14
	Negeri Sembilan	7
	Pahang	42
	Perak	5
	Sabah	48
	Sarawak	39
	Selangor	20
	Terengganu	15

Total  
Completion  
**307**  
sites

2015  
**44**  
sites

Mobile Broadband Coverage Expansion - LTE is an initiative that provides high speed mobile broadband by using Long Term Evolution (LTE) technology on the 850 MHz frequency band.

Implementation of this initiative focuses on underserved areas or in locations that do not have access to high speed fixed broadband.

As at 31<sup>st</sup> December 2015, a total of 307 locations of LTE coverage has been implemented throughout the country. Of these, a total of 44 locations of LTE coverage have been implemented in 2015.

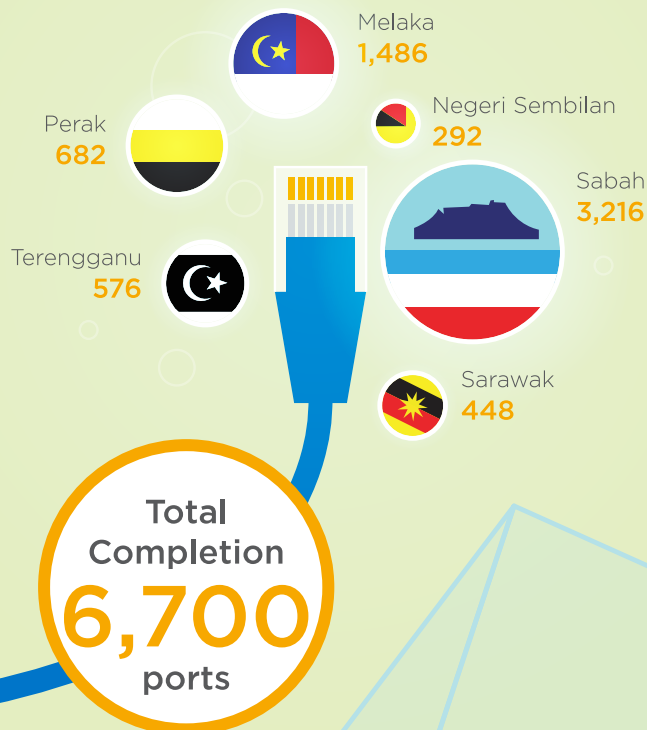








# FIXED BROADBAND EXPANSION

# RURAL BROADBAND



 **FOCUS**  
Rural areas

**BROADBAND SPEED**  
Up to **4Mbps** 

To boost the national broadband penetration rate, the Commission has introduced another new initiative known as the Rural Broadband (RBB). The main objective of this initiative is to provide broadband infrastructure with speed up to 4Mbps in underserved areas within rural locality.

The initiative has been implemented by upgrading the core network that connects the

exchanges to the cabinet and to the residences or premises. As such, the broadband services with speed up to 4Mbps can be provided on a commercial basis to users.

As at 31st December 2015, a total of 6,700 ports have been implemented throughout the country.

# SUBURBAN BROADBAND

Suburban Broadband (SUBB) is one of the initiatives that has been announced in 11<sup>th</sup> Malaysian Plan to achieve the target of broadband accessibility by 2020.

SUBB initiative involves the upgrading of exchanges, the core network and the cabinet to provide broadband services with speed of up to 20Mbps.













The objective of SUBB initiative is to provide broadband infrastructure with speed up to 20Mbps in underserved areas in suburban and rural areas.

As of 31<sup>st</sup> December 2015, a total of 90,172 ports have been implemented throughout the country.

A total of 420,000 ports from 421 exchanges across the country have been allocated to be implemented within 5 years starting in 2015.



### Number of Ports by State

 Johor <b>21,284</b>	 Perak <b>13,616</b>
 Kedah <b>800</b>	 Pulau Pinang <b>3,248</b>
 Kelantan <b>4,704</b>	 Sabah <b>720</b>
 Melaka <b>7,616</b>	 Sarawak <b>1,896</b>
 Negeri Sembilan <b>2,992</b>	 Selangor <b>23,120</b>
 Pahang <b>7,936</b>	 Terengganu <b>2,240</b>

TOTAL PORTS ALLOCATED


**420,00** ports

**421** exchanges




FOCUS

**Suburban and rural areas**



BROADBAND SPEED

Up to **20Mbps**



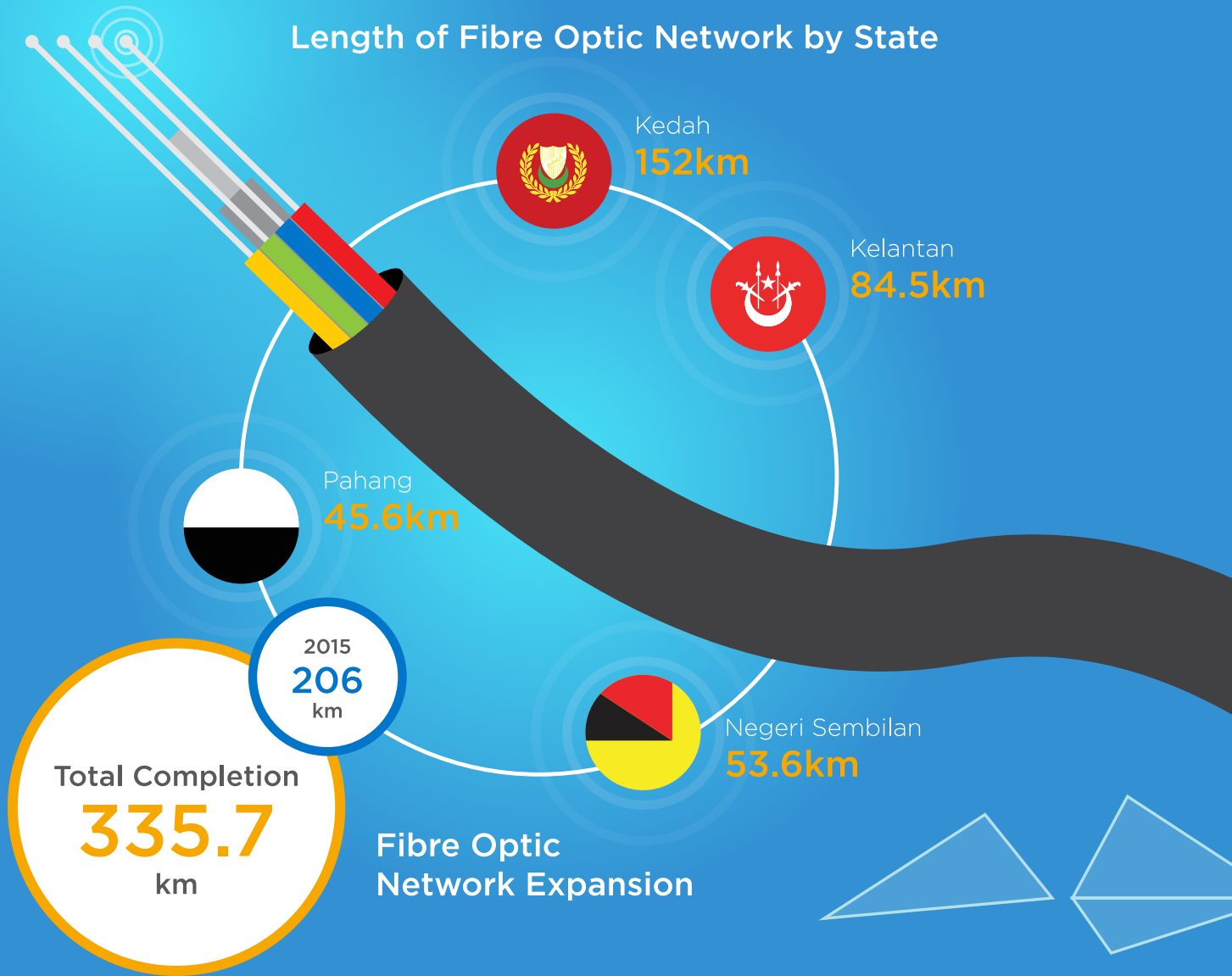


A yellow combine harvester is shown in a field of harvested crops. The harvester's complex machinery, including the auger and threshing components, is visible in the foreground. The background shows a vast field under a clear sky, with some trees and utility poles in the distance. A blue rectangular text box is overlaid on the upper right portion of the image, containing the text 'CORE NETWORK DEVELOPMENT'. The text is in white, uppercase letters. There are also several light blue geometric shapes (triangles and polygons) scattered across the image, some overlapping the text box and the background.

# CORE NETWORK DEVELOPMENT

# FIBRE OPTIC NETWORK EXPANSION

## Length of Fibre Optic Network by State



## Fibre Optic Network Expansion

To accommodate the demand for high-speed mobile broadband, the core network capacity needs to be upgraded to enable the provision of high-speed mobile broadband. Thus, since 2014, the Commission has implemented an initiative called the Fibre Optic Network Expansion where the existing core networks that connect the communications tower will be upgraded to fibre optics.

The upgrading of core networks will enable 3G and 4G broadband services to be provided. As at 31<sup>st</sup> December 2015, over 335.7 kilometres of fibre optic networks have been rolled out across the country. Of the total, 206 kilometres of fibre optic networks were implemented in 2015.

# 1MALAYSIA PEOPLE'S CABLE SYSTEM

1Malaysia People's Cable System (SKRIM) is one of the initiatives that was announced by the YAB Prime Minister in the 2014 Budget and began its implementation in 2015 through a public-private partnership (PPP) between the Commission and Telekom Malaysia Berhad.

The objective of SKRIM initiative is to connect Peninsular, Sabah and Sarawak with submarine fibre optic cable network bringing 4 terabits per second capacity with a total distance of approximately 3,800 kilometres.


In 2015, the implementation of SKRIM involves network route design study, work permits and surveys.

SKRIM which is expected to be fully completed in 2017 is believed to increase the usage and efficiency of the national broadband network.









# BROADBAND USAGE SUPPORT PROGRAMME

# SMART DEVICE WITH INTERNET PACKAGE

Mobile broadband services would be useless if a user does not have the right device for access. Therefore, the Commission has launched Smart Devices with Internet Package since 2014. This initiative offers smart device with a lower price compared to recommended retail price along with the internet subscription for a year.

The Commission hopes the usage of smart devices will increase as well as enables the users to enjoy the services and applications offered online.

As at 31<sup>st</sup> December 2015, a total of 1,243,889 units of smart devices have been activated across the country. Of these, a total of 671,712 units of smart devices were activated in 2015.

## Number of Smart Devices Activated by State and Federal Territory

	Johor	120,816
	Kedah	68,977
	Kelantan	46,246
	Melaka	46,969
	Negeri Sembilan	64,669
	Pahang	84,287
	Perak	91,701
	Perlis	35,990
	Pulau Pinang	64,917
	Sabah	160,054
	Sarawak	142,054
	Selangor	167,039
	Terengganu	57,379
	Kuala Lumpur	92,791

2015  
**671,712**  
units

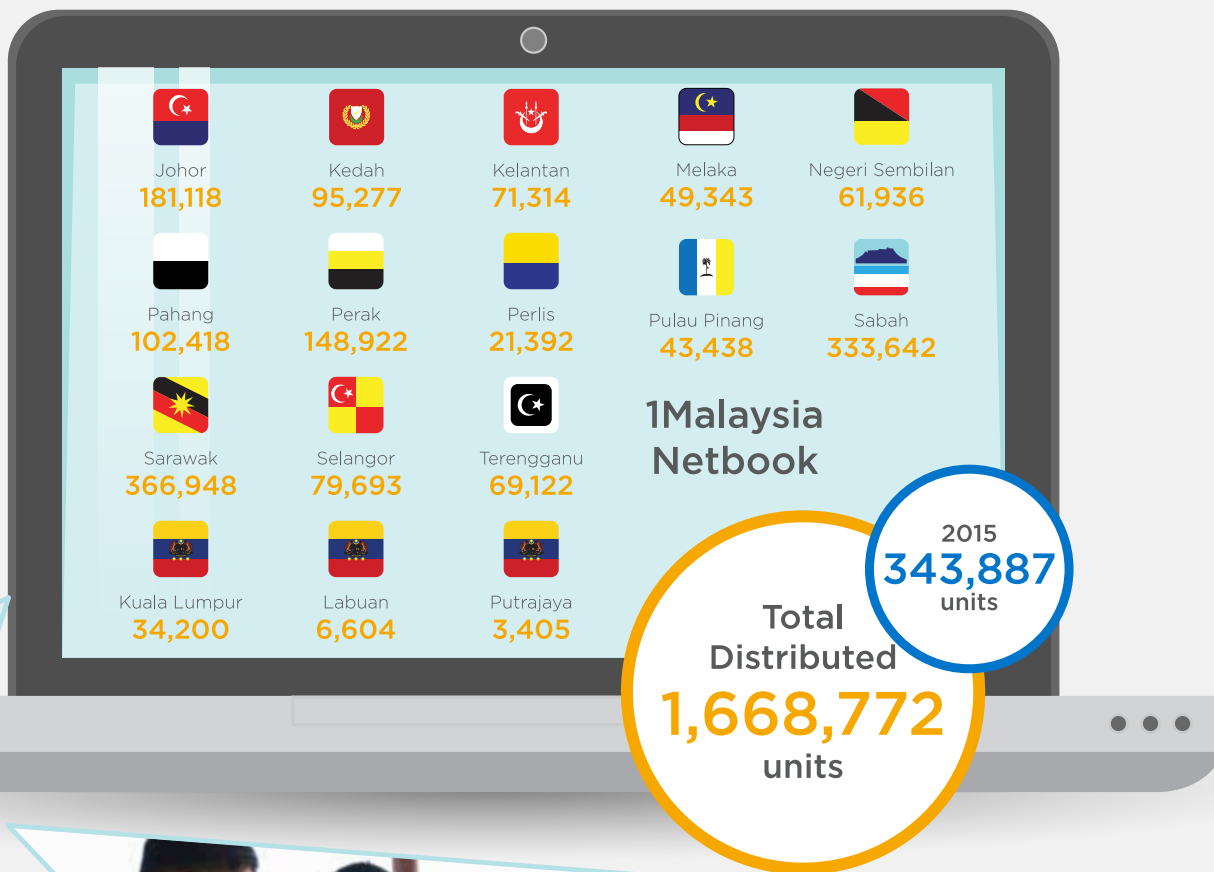
Total Completion  
**1,243,889**  
units

# 1MALAYSIA NETBOOK

A total of 1.6 million units 1Malaysia Netbook were distributed to the qualified students nationwide since it was first implemented in 2010. The provision of 1Malaysia Netbook (N1M) has been beneficial to the recipients, especially in their learning process and improving their ICT knowledge.

As of 31<sup>st</sup> December 2015, a total of 1,668,772 netbooks were distributed throughout the country. Of these, 343,887 netbooks were distributed in 2015.

## Number of Netbooks Distributed by State and Federal Territory





USP FUND



# USP FUND

The Universal Service Provision Fund (USP Fund) was established under Section 204 of the Communications and Multimedia Act 1998.

The USP Fund is created solely for the implementation of network facilities, network services and applications services in underserved areas and communities. Project claims in the form of Capital Expenditure (CAPEX) and Operational Expenditure (OPEX)

from the USP Fund are disbursed to the designated service providers upon approval from the Commission.

Contribution to the Fund by licensees is based on three factors as stipulated by the Communications and Multimedia (Universal Service Provision) Regulations 2002 (the USP Regulations). They are:



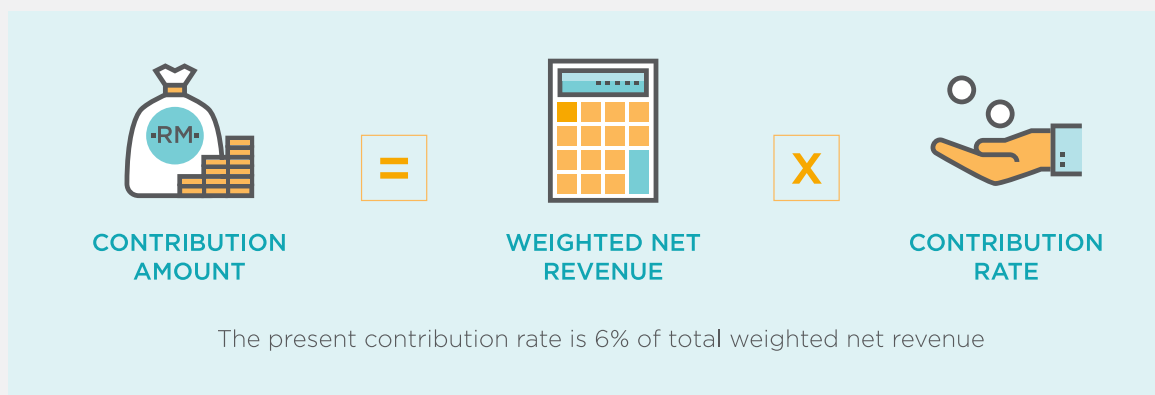
### Calculation of Contribution to USP Fund by Licensees (Pursuant to Regulation 27 of the USP Regulations)

Regulation 27 of the USP Regulations requires all licensees (Except for Content Applications Services Provider (CASP) license holder), whose weighted net revenue derived from the designated services exceeds minimum revenue threshold of RM2 million in a calendar year to contribute 6% of the weighted net revenue to the USP Fund.

Designated Services	Weightage Factor	
	Up to 31 December 2003	From 1 January 2004
<b>Regulated under the Communications and Multimedia (Rates) Rules 2002</b>		
1 Local call	0	0
2 National call	1	0
3 Rental on exchange lines (residential and business)	0	0
4 Operator assisted call	1	0
5 Directory assistance service	0	0
6 Connection Service	0	0
7 Reconnection Service	0	0
8 Internet access communication charge	0	0
9 Internet access charge	0	0
10 Audiotext hosting service	1	0
<b>Not regulated under the Communications and Multimedia (Rates) Rules 2002</b>		
11 International call	1	1
12 Call termination service provided to foreign network facilities provider, foreign network services provider and/or foreign applications services provider	1	1
13 Freephone service	1	1
14 ISDN	1	1
15 Cellular mobile service	0.5	1
16 International roaming service	0.5	1
17 IP telephony	1	1
18 Leased lines	1	1
19 Such other activities subject to an individual or class license	0	1

**Table C of the USP Regulations**

The contribution to the USP Fund is calculated based on the submitted return of the net revenue from designated services by all licensees. This is an annual obligation and licensees are required to submit the return and their audited financial statements of the previous calendar year by 30th June of each year. The format of the return is detailed in the USP Regulations. Upon computing the weighted net revenue, the amount of contribution is as follows:



### Contribution Formula

## USP FUND COLLECTION

A total of RM1.79 billion was recognised as income for the USP Fund for 2015. This is based on the Return of Net Revenue submitted by licensees for the revenue earned in this calendar year as well interest income and after taking into account impairment loss.

The major contributors to the USP Fund in 2015 are the following licensees:

No.	Name of Licensee
1	Celcom Mobile Sdn Bhd
2	Celcom Networks Sdn Bhd
3	DiGi Telecommunications Sdn Bhd
4	Maxis Broadband Sdn Bhd
5	Maxis Mobile Services Sdn Bhd
6	Telekom Malaysia Berhad
7	U Mobile Sdn Bhd

**Major Contributors to the USP Fund in 2015**



## DISBURSEMENT

Regulation 20 and 20A of the Regulations provide the mechanism for the designated service provider to submit their claims for the cost of USP projects. In addition, Regulation 12 of the USP Regulations allows for the disbursement of advance payment towards the capital cost of implementation of USP projects.

Total payment amounting to RM1.39 billion was paid to various designated service providers in 2015 for the implementation of USP projects such as Clawback Scheme, Cellular Coverage Expansion, 1Malaysia Internet Centre, Community WiFi and Community Broadband Libraries.

In summary, the table below shows the contribution (in accordance to the notifications issued) and disbursement (including accruals payable) from 2003 to 2015:

Year	Contribution (RM'000)	Disbursement (RM'000)
2003	811,945	10,639
2004	512,114	23,592
2005	697,298	44,304
2006	800,845	22,788
2007	896,769	59,318
2008	1,011,645	153,843
2009	992,633	47,684
2010	1,210,377	263,882
2011	1,429,000	896,550
2012	1,445,017	1,421,298
2013	1,454,664	1,497,032
2014	1,486,357	729,905
2015	1,786,599	1,394,479

**The Contribution and Disbursement form 2003 to 2015**

# STATEMENT OF ACCOUNTS





# Statement of Financial Position

## as at 31 December 2015

	Note	2015 RM'000	2014 RM'000 Restated	2013 RM'000 Restated
<b>Assets</b>				
<b>Non-current asset</b>				
Deferred tax assets	3	1,945	1,971	-
<b>Current assets</b>				
Other investments	4	6,640,000	6,150,000	4,050,000
Contributions and other receivables	5	1,891,586	1,600,357	1,251,539
Cash and cash equivalents	6	1,128,766	950,913	2,390,377
<b>Total current assets</b>		<b>9,660,352</b>	<b>8,701,270</b>	<b>7,691,916</b>
<b>Total assets</b>		<b>9,662,297</b>	<b>8,703,241</b>	<b>7,691,916</b>
<b>Current liabilities</b>				
Other payables	7	1,117,676	295,777	241,186
Current tax liabilities		99,414	260,335	38,992
		1,217,090	556,112	280,178
		8,445,207	8,147,129	7,411,738
<b>Represented by:</b>				
Accumulated fund	8	8,445,207	8,147,129	7,411,738

The notes on pages 56 to 72 are an integral part of these financial statements.

## Statement of Income and Expenditure for the year ended 31 December 2015

	Note	2015 RM'000	2014 RM'000
<b>Income</b>			
Contributions		1,498,237	1,486,357
Interest income		288,362	244,276
Other income		-	26
		<u>1,786,599</u>	<u>1,730,659</u>
<b>Expenditure</b>			
Claims by USP service providers		(1,394,479)	(729,905)
Impairment loss written back/(recognised) on contribution receivables, net	13.4	7,469	(6,997)
Bad debts expenses		(2,069)	-
Other expenses		(2)	(2)
		<u>(1,399,081)</u>	<u>(736,904)</u>
<b>Excess of income over expenditure before tax</b>			
		397,518	993,755
Tax expense	10	(99,440)	(258,364)
		<u>298,078</u>	<u>735,391</u>
<b>Excess of income over expenditure after tax</b>			
	8	<u>298,078</u>	<u>735,391</u>

The notes on pages 56 to 72 are an integral part of these financial statements.

## Statement of Total Recognised Gains and Losses for the year ended 31 December 2015

There were no recognised gains and losses other than the excess of income over expenditure after tax for the current financial year of RM298.08 million and the previous financial year of RM735.39 million as disclosed in Note 8 to the financial statements.

The notes on pages 56 to 72 are an integral part of these financial statements.

## Statement of Cash Flows

### for the year ended 31 December 2015

	Note	2015 RM'000	2014 RM'000 Restated
<b>Cash flows from operating activities</b>			
Excess of income over expenditure before tax		397,518	993,755
Adjustment for:			
Interest income		(288,362)	(244,276)
Operating profit before changes in working capital		109,156	749,479
Changes in working capital:			
Contributions		(298,921)	(327,978)
Other payables		821,899	54,591
Cash generated from operations		632,134	476,092
Tax paid		(260,335)	(38,992)
<b>Net cash generated from operating activities</b>		<b>371,799</b>	<b>437,100</b>
<b>Cash flows from investing activity</b>			
Interest received		296,054	223,436
Reinvestment in other investments		(490,000)	(2,100,000)
<b>Net cash used in investing activities</b>		<b>(193,946)</b>	<b>(1,876,564)</b>
Net increase/(decrease) in cash and cash equivalents		177,853	(1,439,464)
Cash and cash equivalents at 1 January		950,913	2,390,377
<b>Cash and cash equivalents at 31 December</b>	6	<b>1,128,766</b>	<b>950,913</b>

The notes on pages 56 to 72 are an integral part of these financial statements.

# Notes to the Financial Statements

## Principal activities

The principal activities of the Universal Service Provision Fund (“Fund”) are to promote the widespread availability and usage of network services and/or application services throughout Malaysia by encouraging the installation of network facilities and the provision for network service and/or applications services in underserved areas or for underserved groups within the community.

The Fund was established under Section 204 of the Communications and Multimedia Act 1998 and is regulated by the Communications and Multimedia (Universal Service Provision) Regulations 2002. The Fund commenced its operations in September 2002. The Fund is managed by the key management personnel of the Malaysian Communications and Multimedia Commission (“Commission”) in accordance to the aforesaid regulations.

The address of the principal place of business is as follows:

## Principal place of business

Malaysian Communications and Multimedia Commission  
MCMC Tower 1, Jalan Impact Cyber 6  
63000 Cyberjaya  
Selangor Darul Ehsan

These financial statements were approved by the Commission’s Members on 4 October 2016.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Fund:

### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016***

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*



## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)***

- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017***

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*

#### ***MFRSs, Interpretations and amendments effective for a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

## Notes to the Financial Statements

### 1. Basis of preparation (continued)

#### (a) Statement of compliance (continued)

The Fund plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, Amendments to MFRS 5, Amendments to MFRS 10, MFRS 12 and MFRS 128, Amendments to MFRS 11, Amendments to MFRS 116, Amendments to MFRS 138, Amendments to MFRS 141, Amendments to MFRS 119, Amendments to MFRS 127 and Amendments to MFRS 134 which are not applicable to the Fund.
- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Fund except as stated below:

#### **MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Fund is currently assessing the financial impact that may arise from the adoption of MFRS 15.

#### **MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Fund is currently assessing the financial impact that may arise from the adoption of MFRS 9.

## Notes to the Financial Statements

### 1. Basis of preparation (continued)

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

#### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Fund’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

### 2. Significant accounting policies

#### (a) Financial instruments

##### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provision of the instrument.

A financial instrument is recognised initially, at its fair value plus, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (a) Financial instruments (continued)

##### (ii) Financial instruments categories and subsequent measurements

The Fund categorises financial instruments as follows:

##### ***Financial assets***

##### ***Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see Note 2(d)).

##### ***Financial liabilities***

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

##### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the statement of income and expenditure.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of income and expenditure.

#### (b) Contributions and other receivables

Contributions and other receivables are categorised and measured as loans and receivables in accordance with policy Note 2(a)(ii).

**2. Significant accounting policies (continued)****(c) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Fund in the management of their short term commitments.

**(d) Impairment****Financial assets**

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in the statement of income and expenditure and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income and expenditure, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the statement of income and expenditure.

**(e) Recognition of income and expenditure****(i) Contribution from licensees**

Contributions are recognised on the accrual basis on the licensees' annual Return of Net Revenue ("RONR") Statement stated at 6% on weighted net revenue. Licensees whose weighted net revenue is below RM2 million are not required to contribute.

Potential contributions from licensees who did not submit their annual RONR Statement are recognised based on preceding year's RONR. If either of these is not available, revenue is not recognised due to the material uncertainty relating to the amount of contributions payable by the said licensees.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (e) Recognition of income and expenditure (continued)

##### (ii) Claims by USP service providers

Claims made by the Universal Service Providers (“USP”) for the expenditure of the service providers in their projects to implement and provide access to basic telephony, public payphone services and internet access in the designated service target areas.

It is recognised as expenditure when the documents in support of the claims are submitted by the service providers.

##### (iii) Interest income

Interest income is recognised as it accrues using the effective interest method in the statement of income and expenditure.

#### (f) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in statement of income and expenditure.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Notes to the Financial Statements

**2. Significant accounting policies (continued)****(g) Fair value measurement**

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Fund uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Fund recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

**3. Deferred tax asset**

Recognised deferred tax assets (net)

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Provisions	1,945	1,971
	<u>1,945</u>	<u>1,971</u>

Movement in temporary differences during the year

	<b>At</b>	<b>Recognised</b>	<b>At</b>	<b>Recognised</b>	<b>At</b>
	<b>1.1.2014</b>	<b>in income and</b>	<b>31.12.2014/</b>	<b>in income and</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>expenditure</b>	<b>1.1.2015</b>	<b>expenditure</b>	<b>RM'000</b>
		<b>(Note 10)</b>	<b>RM'000</b>	<b>(Note 10)</b>	
		<b>RM'000</b>		<b>RM'000</b>	
Provisions	-	1,971	1,971	(26)	1,945

## Notes to the Financial Statements

### 4. Other investments

	2015 RM'000	2014 RM'000 Restated	2013 RM'000 Restated
Deposits with licensed banks			
- original maturities of more than 3 months	6,640,000	6,150,000	4,050,000

### 5. Contributions and other receivables

	2015 RM'000	2014 RM'000
Contributions	1,799,346	1,500,425
Interest income receivables	92,240	99,932
	1,891,586	1,600,357

### 6. Cash and cash equivalents

	2015 RM'000	2014 RM'000 Restated	2013 RM'000 Restated
Bank balances	12,424	1,432	3,700
Deposits with licensed banks			
- original maturities of less than 3 months	1,116,342	949,481	2,386,677
	1,128,766	950,913	2,390,377

### 7. Other payables

	2015 RM'000	2014 RM'000
USP service providers	1,117,676	295,777



## Notes to the Financial Statements

**8. Accumulated fund**

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Accumulated surplus brought forward	8,147,129	7,411,738
Excess of income over expenditure after tax	298,078	735,391
Accumulated surplus carried forward	<u>8,445,207</u>	<u>8,147,129</u>

**9. Audit fee**

Audit fee of RM50,000 (2014: RM40,000) is borne by the Malaysian Communications and Multimedia Commission.

**10. Tax expense**

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax expense		
- Current year	99,414	260,335
Deferred tax expense		
- Origination and reversal of temporary differences	26	(1,971)
Total income tax expense	<u>99,440</u>	<u>258,364</u>

**Reconciliation of tax expense**

Excess of income over expenditure before tax	<u>397,518</u>	<u>993,755</u>
First RM 400,000	-	92
Remaining tax at statutory tax rate of 26%	-	258,272
First RM 1,000,000	235	-
Remaining tax at statutory tax rate of 25%	99,130	-
Non-taxable income	76	-
	<u>99,440</u>	<u>258,364</u>

**11. Employee information**

Key management personnel and staff costs are borne by the Malaysian Communications and Multimedia Commission.

## Notes to the Financial Statements

### 12. Commitment

	2015 RM'000	2014 RM'000
<b>Costs for the implementation of the Universal Service Provision</b>		
Approved but not awarded	4,073,000	4,073,000
Awarded but not provided for	3,533,705	2,446,159

### 13. Financial instruments

#### 13.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (“L&R”); and
- (b) Financial liabilities measured at amortised cost (“FL”)

	Carrying amount RM'000	L&R/ (FL) RM'000
<b>2015</b>		
<b>Financial assets</b>		
Other investments	6,640,000	6,640,000
Contributions and other receivables	1,891,586	1,891,586
Cash and cash equivalents	1,128,766	1,128,766
<b>Financial liabilities</b>		
Other payables	(1,117,676)	(1,117,676)
<b>2014, Restated</b>		
<b>Financial assets</b>		
Other investments	6,150,000	6,150,000
Contributions and other receivables	1,600,357	1,600,357
Cash and cash equivalents	950,913	950,913
<b>Financial liabilities</b>		
Other payables	(295,777)	(295,777)

**13. Financial instruments (continued)****13.2 Net gains arising from financial instruments**

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Net gains on:		
Loans and receivables	293,762	237,279

**13.3 Financial risk management**

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

- Credit risk
- Liquidity risk
- Interest rate risk

**13.4 Credit risk**

Credit risk is the risk of a financial loss to the Fund if a service provider or counterparty to a financial instrument fails to meet its contractual obligations. The Fund's exposure to credit risk arises principally from its contributions and other receivables and deposits placed with licensed banks.

**Contributions and other receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from contributions and other receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values.

Receivables are not considered past due when the billings have not been issued and unpaid billings which are within the credit period of 30 and 180 days respectively for the first and second payment from notification date.

A significant portion of these receivables are major licensees that have been transacting with the Fund in the past. The Fund uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 365 days, which are deemed to have higher credit risk, are monitored individually.

## Notes to the Financial Statements

### 13. Financial instruments (continued)

#### 13.4 Credit risk (continued)

##### *Impairment losses*

The ageing of contributions receivables as at the end of the reporting period was as follows:

	<b>Gross RM'000</b>	<b>Individual impairment RM'000</b>	<b>Net RM'000</b>
<b>2015</b>			
Not past due	1,768,230	(179)	1,768,051
Past due 1 - 90 days	21,222	-	21,222
Past due 91 - 365 days	10,136	(92)	10,044
Past due more than 365 days	25,700	(25,671)	29
	<u>1,825,288</u>	<u>(25,942)</u>	<u>1,799,346</u>
<b>2014</b>			
Not past due	634,308	-	634,308
Past due 1 - 90 days	863,067	-	863,067
Past due 91 - 365 days	3,385	(335)	3,050
Past due more than 365 days	38,556	(38,556)	-
	<u>1,539,316</u>	<u>(38,891)</u>	<u>1,500,425</u>

## Notes to the Financial Statements

**13. Financial instruments (continued)****13.4 Credit risk (continued)**

No allowance for impairment losses of contributions receivables has been made for the remaining past due receivables as the Fund monitors the results and repayments of these service providers regularly and is confident of the ability of these service providers to repay the balances owing.

The movements in the allowance for impairment losses of contributions receivables during the financial year were:

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
At 1 January	38,891	41,753
Impairment loss recognised	3,385	13,994
Impairment loss reversed	(10,854)	(6,997)
Bad debts written off	(5,480)	(9,859)
At 31 December	25,942	38,891

The allowance account in respect of contributions receivables is used to record impairment losses. Unless the Fund is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the allowance directly.

**Deposits placed with licensed banks**

*Risk management objectives, policies and processes for managing the risk*

Deposits are allowed to be placed only with licensed financial institutions.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Fund has only placed deposits with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position. The Fund has no significant concentration of credit risk other than the placements with licensed banks.

## Notes to the Financial Statements

### 13. Financial instruments (continued)

#### 13.5 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's exposure to liquidity risk arises principally from its other payables.

The Fund maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

#### *Maturity analysis*

The financial liabilities of the Fund does not bear any contractual interest and hence, the contractual cash flows approximate the carrying amounts.

#### 13.6 Interest rate risk

The Fund is exposed to interest rate risk on the fixed deposits placements. The Fund does not transact in any interest rate swaps.

#### *Effective interest rates and repricing analysis*

In respect of interest-earning financial assets, the following table indicates their average effective interest rates at the reporting date and the periods in which they mature.

	2015 RM'000			2014 RM'000 Restated		
<b>Fixed rate instruments</b>						
Financial assets						
Deposits with licensed banks	7,756,342			7,099,481		
	2015			2014 Restated		
	Effective interest rate %	Within 1 year RM'000	1 - 5 year RM'000	Effective interest rate %	Within 1 year RM'000	1 - 5 year RM'000
<b>Fixed rate instrument</b>						
Deposits with licensed banks	3.80	7,756,342	-	3.60	7,099,481	-

#### *Fair value sensitivity analysis for fixed rate instruments*

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect the statement of income and expenditure.

**13. Financial instruments (continued)****13.7 Fair value of financial instruments**

The carrying amounts of other investments, cash and cash equivalents, contributions and other receivables and other payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

**14. Related parties****Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Fund if the Fund has the ability, directly or indirectly, to control or to jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Fund and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Fund either directly or indirectly. The key management personnel include all the Members of the Commission, and senior management of the Commission.

The Fund has related party relationship with Members and key management personnel of the Commission.

**Transactions with key management personnel**

There are no transactions with key management personnel during the financial year. As disclosed in Note 11, remuneration of key management personnel is paid by Malaysian Communications and Multimedia Commission ("MCMC").

**Other related party transactions**

There are no other related party transactions during the financial year.

## 15. Comparative figures

### (i) Reclassification of cash and cash equivalents

During the financial year, the Fund reclassified its fixed deposits with licensed banks that have maturity of more than three months to other investments in accordance to the guidance set out in FRSIC Consensus 22, *Classification of Fixed Deposits and Similar Instruments as Cash and Cash Equivalents*. In previous financial year, all deposits with licensed banks that have maturity of more than three months were classified as cash and cash equivalents.

This was applied retrospectively and the effect is as follows:

#### 15.1 Statement of financial position

	31.12.2014		1.1.2014	
	As previously stated RM'000	As restated RM'000	As previously stated RM'000	As restated RM'000
<b>Current assets</b>				
Other investments	-	6,150,000	-	4,050,000
Cash and cash equivalents	7,100,913	950,913	6,440,377	2,390,377

#### 15.2 Statement of cash flows for the year ended 31 December 2014

	As previously stated RM'000	As restated RM'000
Cash and cash equivalents at 1 January	6,440,377	2,390,377
Cash and cash equivalents at 31 December	7,100,913	950,913



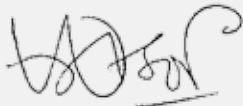
## Statement by the Members of the Malaysian Communications and Multimedia Commission

We, **Dato' Sri Dr. Halim Shafie** and **Datuk Watson Peters**, being two of the Members of the Malaysian Communications and Multimedia Commission which is responsible for the Universal Service Provision Fund, do hereby state that in the opinion of the Members of the Commission, the financial statements set out on pages 52 to 72 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Fund as of 31 December 2015 and of its income and expenditure and cash flows for the financial year then ended.

Signed on behalf of the Members of the Malaysian Communications and Multimedia Commission:



**Dato' Sri Dr. Halim Shafie**



**Datuk Watson Peters**

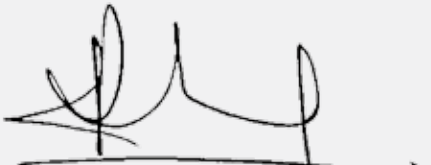
Selangor,

Date: 4 October 2016

# Statutory Declaration

I, **Tengku Zaib Raja Ahmad**, the officer primarily responsible for the financial management of Universal Service Provision Fund, do solemnly and sincerely declare that the financial statements set out on pages 52 to 72 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Selangor on 4 October 2016.



**Tengku Zaib Raja Ahmad**

Before me:



No. 69A, Jalan SS21/37  
Damansara Utama (Up Town)  
47400 Petaling Jaya, Selangor D.E



**KPMG (Firm No. AF 0758)**  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388  
Fax +60 (3) 7721 3399  
Internet [www.kpmg.com.my](http://www.kpmg.com.my)

## Independent Auditors' Report to the Members of the Malaysian Communications and Multimedia Commission on the Universal Service Provision Fund

We have audited the financial statements of Universal Service Provision Fund ("Fund"), which comprise the statement of financial position as at 31 December 2015, and the statements of income and expenditure, total recognised gains and losses and cash flows of the Fund for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 52 to 72.

### *Management of the Commission's Responsibility for the Financial Statements*

The Management of the Malaysian Communications and Multimedia Commission ("Commission") is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Management of the Commission is also responsible for such internal control as the Management of the Commission determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those 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 material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Commission's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management of the Commission, as well as evaluating the overall presentation of the financial statements.

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, the financial statements give a true and fair view of the financial position of the Fund as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Other Matters**

This report is made solely to the members of the Commission, as a body, in accordance with Regulation 36(2) of the Communications and Multimedia (Universal Services Provision) Regulations 2002 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to be 'KPMG' with a stylized flourish at the end.

**KPMG**

Firm Number: AF 0758  
Chartered Accountants

Petaling Jaya,

Date: 4 October 2016

