Lahore Knowledge Park Company

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021

EY
Building a better working world

EY Ford Rhodes
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the members of Lahore Knowledge Park Company

Report on the Audit of the Financial Statements as at 30 June 2021

Opinion

We have audited the annexed financial statements of Lahore Knowledge Park Company (the Company), which comprise the statement of financial position as at 30 June 2021, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in fund balances and the statement of cash flows together with the notes forming part thereof, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in fund balances and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of excess of income over expenditure, total comprehensive income, the changes in fund balances and its cash flows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate,

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to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in fund balances and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Abdullah Fahad Masood.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Lahore: 06 October 2021

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LAHORE KNOWLEDGE PARK COMPANY
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021	2020
ASSETS		**Rupees**	Rupees
NON CURRENT ASSETS			
Property and equipment	6	**656,341,277**	435,065,938
Long term deposits	7	**2,120,000**	2,120,000
		658,461,277	437,185,938
CURRENT ASSETS			
Loans and advances	8	**65,510,646**	1,825,011
Short term investments	9	**800,529,178**	1,085,006,864
Tax refunds due from Government		**19,746,519**	19,746,519
Cash and bank balances	10	**13,959,600**	41,174,169
		899,745,943	1,147,752,563
		1,558,207,220	1,584,938,501
LIABILITIES			
NON CURRENT LIABILITIES			
Retirement benefits obligation		**19,897,712**	17,241,001
Deferred grant	11	**1,476,136,888**	1,503,471,152
		1,496,034,600	1,520,712,153
CURRENT LIABILITIES			
Trade and other payables	12	**8,450,423**	10,504,151
		1,504,485,023	1,531,216,304
NET ASSETS		**53,722,197**	53,722,197
CONTINGENCIES AND COMMITMENTS	13	**-**	-
Represented by:			
Accumulated surplus		**53,722,197**	53,722,197

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

CHIEF EXECUTIVE | **DIRECTOR**

LAHORE KNOWLEDGE PARK COMPANY
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
INCOME			
Grant related to income recognized	14	**25,888,040**	-
Grant related to assets recognized	14	**1,446,224**	2,647,466
Interest income	15	**61,867,047**	124,440,532
Other income	16	**577,560**	1,367,970
		89,778,871	128,455,968
EXPENDITURE			
Salaries and benefits		**(56,287,083)**	(75,956,386)
Administrative and general expenses	17	**(33,471,298)**	(28,939,409)
Other operating expenses	18	**(20,490)**	-
		(89,778,871)	(104,895,795)
EXCESS OF INCOME OVER EXPENDITURE		-	23,560,173

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

CHIEF EXECUTIVE

DIRECTOR

LAHORE KNOWLEDGE PARK COMPANY
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	Rupees	Rupees
Excess of income over expenditure	-	23,560,173
Other comprehensive income	-	-
Total comprehensive income for the year	-	23,560,173

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

CHIEF EXECUTIVE

DIRECTOR

LAHORE KNOWLEDGE PARK COMPANY
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 30 JUNE 2021

	Accumulated Surplus
	Rupees
Balances as at 01 July 2019	30,162,024
Excess of income over expenditure	23,560,173
Other comprehensive income	-
	23,560,173
Balances as at 30 June 2020	53,722,197
Excess of income over expenditure	-
Other comprehensive income	-
	-
Balances as at 30 June 2021	**53,722,197**

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

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CHIEF EXECUTIVE

DIRECTOR

LAHORE KNOWLEDGE PARK COMPANY
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		**Rupees**	Rupees
Excess of income over expenditure		-	23,560,173
Adjustment for non-cash items:			
- Depreciation	6.1	1,425,734	2,647,466
- Provision for gratuity		2,656,711	2,167,689
- Provision for leave encashment	12.1	1,642,178	1,837,818
- Grant related to income recognized		(25,888,040)	-
- Grant related to assets recognized		(1,446,224)	(2,647,466)
- Loss on disposal of fixed assets		20,490	-
		(21,589,151)	4,005,507
Net cash used before changes in working capital		(21,589,151)	27,565,680
Effect of working capital changes:			
(Increase) / decrease in loans and advances		(63,685,635)	152,265,906
(Decrease) / increase in trade and other payables		(1,957,329)	21,608
		(65,642,964)	152,287,514
Net cash (used in) / generated from operations		(87,232,115)	179,853,194
Tax paid		-	(2,691,056)
Leave encashment paid		(1,738,577)	(2,000,566)
Net cash generated from operating activities		(88,970,692)	175,161,572
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	6.1	(446,613)	(70,180)
Additions to capital work-in-progress	6.2	(222,274,950)	(153,000,197)
Net cash used in investing activities		(222,721,563)	(153,070,377)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant received from Government of Punjab		-	250,000,000
Net cash generated from financing activities		-	250,000,000
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(311,692,255)	272,091,195
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,126,181,033	854,089,838
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	814,488,778	1,126,181,033

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

CHIEF EXECUTIVE

DIRECTOR

LAHORE KNOWLEDGE PARK COMPANY
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1 STATUS AND NATURE OF THE COMPANY

1.1 Lahore Knowledge Park Company ("the Company"), sponsored by Government of the Punjab, was registered in Pakistan on October 24, 2014 as a public company limited by guarantee, and licensed under section 42 of the repealed Companies Ordinance, 1984 (repealed with the enactment of the Companies Act, 2017). The registered office of the Company is situated at 15-Abu Bakar Block, New Garden Town, Main Ferozepur Road, Lahore.

1.2 The primary objective of the Company is to develop, maintain, operate and manage knowledge park(s) at places / areas as required by Government of Punjab, to provide state of the art environment for local and foreign universities, research and development institutions and related businesses by inter alia creating clusters of academia, research and business in order to develop synergies between the three for the optimal result. The Board of Directors, in their meeting dated 02 June 2021, on recommendation of Strategic Plan Committee, has aproved the Company's intention to apply for license under Special Technology Zones Authority Ordinance, 2020 to avail and extend commercial incentives on technology initiatives being established at Lahore Knowledge Park Company.

2 STATEMENT OF COMPLIANCE

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

• International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

• Accounting Standards for Not for Profit Organizations (Accounting standards for NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as notified under the provisions of Companies Act, 2017 ; and

• Provision of and directives issued under the Companies Act, 2017.

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

2.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention except as stated in the respective policies and notes given hereunder.

2.2 Presentation Currency

These financial statements are presented in Pak Rupee, which is the Company's functional currency. Figures have been rounded off to the nearest Rupee, unless otherwise stated.

3 New accounting standards, interpretations and amendments applicable to the financial statements for the year ended 30 June 2021

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective for annual period beginning on 1 July 2020, as listed below. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New Standards, Interpretations and Amendments

IFRS 16	Leases - Covid-19 related rent concessions beyond 30 June 2021
IFRS 9, IAS 39 & IFRS 7	Interest rate benchmark reform — Phase 2

4 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

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

Standard or Interpretation		Effective Date (annual periods beginning on or after)
IFRS 3	- Reference to conceptual framework — (Amendments)	January 01, 2022
IAS 16	- Property, plant and equipment: Proceeds before intended use — (Amendments)	January 01, 2022
IAS 37	- Onerous contracts - costs of fulfilling a contract — (Amendments)	January 01, 2022
IAS 1	- Classification of liabilities as current or non-current — (Amendments)	January 01, 2023
IAS 8	- Definition of accounting estimates — (Amendments)	January 01, 2023
IAS 1 and IFRS Practice Statement 2	- Disclosure of accounting policies — (Amendments)	January 01, 2023
IAS 12	- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — (Amendments)	January 01, 2023
IFRS 10 and IAS 28	- Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments)	January 01, 2023

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2021.

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard		IASB effective Date (annual periods beginning on or after)
IFRS 1	- First-time adoption of IFRS	1 January 2009
IFRS 17	- Insurance Contracts	01 January 2021

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets. However, assumptions and judgments made by management in the application of accounting policies that have significant affect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND EVENTS

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except for the change explained below:

5.1 Impact of Covid-19

In light of ongoing COVID-19 pandemic, the Company has reviewed its exposure to business risks and has not identified any risks that could materially impact the financial performance or position of the Company as at June 30, 2021. Consequently, there is no material impact on the recognition and measurement of assets and liabilities.

5.2 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any identified impairment loss. Depreciation on property and equipment is charged to the statement of income and expenditures using the straight line method so as to write off the historical cost of an asset over its estimated useful life specified in Note 6.

Depreciation on additions to property and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

Normal repairs and maintenance are charged to statement of income and expenditure while major renewals and improvements are capitalized. Gain or loss on disposal of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is taken to statement of income and expenditure.

5.3 Capital work in progress

These are stated at cost less impairment. It consists of expenditures incurred and in respect of fixed assets in the course of their construction and installation. Transfers are made to relevant class of property and equipment as and when assets are available for use.

5.4 Impairment

At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expenses in the statement of income and expenditure.

5.5 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash at bank, and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

5.6 Staff Retirement Benefit

The Company operates an unfunded gratuity scheme for its employees who have completed the qualifying period as defined under the respective scheme. All permanent employees are entitled for gratuity from the date of joining the organization, provided that they have completed six month of their service with the organization. Provision of the gratuity is being calculated as one month gross salary for each completed year of service on proportionate basis.

5.7 Compensated absences

The Company accounts for compensated absences on the basis of un-availed earned leaves balance of each employee at the end of the year.

5.8 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

5.8.1 Financial assets

Financial assets - initial recognition

The Company has adopted IFRS 9 Financial Instruments with effect from 1 July 2018. Accordingly, financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company's financial assets include short term investment and bank balances.

Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at fair value through profit or loss

b) Financial assets at amortized cost (debt instruments)

c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

***a)* Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of income and expenditure. The Company does not have any financial assets designated at fair value through profit and loss.

***b)* Financial assets at amortized cost (debt instruments)**

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Company's financial assets at amortized cost include only short term investment.

***c)* Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of income and expenditure when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Company does not have any financial assets designated at fair value through OCI (equity instruments).

d) **Financial assets at fair value through OCI with recycling of cumulative**

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

• The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of income and expenditure and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. The Company does not have debt instruments recorded at fair value through OCI with recycling of cumulative gains and losses.

Financial assets - Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

• The rights to receive cash flows from the asset have expired; or

• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial assets - Impairment

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of income and expenditure.

5.8.2 Financial liabilities

Financial liabilities - initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include payable to vendor, provision for leave encashment and withholding tax payable

Financial liabilities - subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of income and expenditure.

Financial liabilities - derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income and expenditure.

5.8.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are set off and net amount is reported in the balance sheet if the Company has legal right to set off the transaction and also intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

5.9 Grants

Grants, including the non monetary grants at fair value are recognized when there is reasonable assurance that:

a) the entity will comply with the conditions attaching to them, if any; and

b) the grants will be received.

Grants are recognized as income over the period necessary to match them with the related costs which they are intended to compensate on systematic basis. The grant receivable as compensation for expenses or loss already incurred or for the purpose of giving immediate financial support with no future related costs is recognized as income in the period in which it becomes receivable. Grants related to assets, including non monetary grants at fair value are presented in the balance sheet by setting up the grants as deferred income which is recognized as income on systematic and rational basis over the useful life of the asset.

5.10 Taxation

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for the taxation of the income. However, no provision for taxation has been considered necessary for the year as Company is exempt from tax under Section 2(36) and 100C of the Income Tax Ordinance, 2001.

5.11 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as Lessee

The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short term leases of 12 months or less and leases of low value items, which are expensed in the statement of income and expenditure on a straight-line basis over the lease term.

Right-of-use assets

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

Lease liabilities

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate applicable in the market for such leases.

The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

6 PROPERTY AND EQUIPMENT

	Note	2021 Rupees	2020 Rupees
Operating fixed assets	6.1	3,281,052	4,280,663
Capital work-in-progress	6.2	653,060,225	430,785,275
		656,341,277	435,065,938

6.1 Operating fixed assets

2021		COST				DEPRECIATION				NET BOOK VALUE	
	Note	As at 01 July 2020	Additions	Disposal	As at 30 June 2021	As at 01 July 2020	Charge for the year	Disposal	As at 30 June 2021	As at 30 June 2021	Useful life
		(Rupees)									Years
Land	6.1.1	-	-	-	-	-	-	-	-	-	-
Office equipment		4,251,256	83,086	(97,584)	4,236,758	3,109,996	850,927	(77,094)	3,883,829	352,929	5
Computer and accessories		17,547,229	309,034	(74,000)	17,782,263	17,496,798	70,700	(74,000)	17,493,498	288,765	3
Electrical equipment		3,982,721	-	-	3,982,721	1,545,556	398,272	-	1,943,828	2,038,893	10
Furniture and fixtures		920,837	54,493	-	975,330	296,732	92,538	-	389,270	586,060	10
Vehicle		66,485	-	-	66,485	38,783	13,297	-	52,080	14,405	5
		26,768,528	446,613	(171,584)	27,043,557	22,487,865	1,425,734	(151,094)	23,762,505	3,281,052	

2020	COST				DEPRECIATION				NET BOOK VALUE	
	As at 01 July 2019	Additions	Disposal	As at 30 June 2020	As at 01 July 2019	Charge for the year	Disposal	As at 30 June 2020	As at 30 June 2020	Useful life
	(Rupees)									Years
Land	-	-	-	-	-	-	-	-	-	
Office equipment	4,188,726	62,530	-	4,251,256	2,262,612	847,384	-	3,109,996	1,141,260	5
Computer and accessories	17,539,579	7,650	-	17,547,229	16,200,369	1,296,429	-	17,496,798	50,431	3
Electrical equipment	3,982,721	-	-	3,982,721	1,147,284	398,272	-	1,545,556	2,437,165	10
Furniture and fixtures	920,837	-	-	920,837	204,648	92,084	-	296,732	624,105	10
Vehicle	66,485	-	-	66,485	25,486	13,297	-	38,783	27,702	5
	26,698,348	70,180	-	26,768,528	19,840,399	2,647,466	-	22,487,865	4,280,663	

6.1.1 The Lahore Knowledge Park Company has been given possession of a piece of land measuring 6,826 Kanals situated at Rakh Dera Chal by Government of Punjab (GoP) through Higher Education Department (HED) of GoP from which total 560 Kanal is transferred to Pakistan Kidney and Liver Institute (PKLI) on direction of Chief Minister of Punjab. In accordance with Notification of Colonies Department of GOP dated 03 December 2012, this land had been handed over to HED free of cost and title of such land would remain in the name of GOP. Further, in accordance with terms and conditions of such notification, such land cannot be utilized for any other purpose and will revert back to Colonies Department along with superstructure when no longer required for said purpose. Construction is also required to complete in accordance with terms and conditions imposed by Colonies Department. The management of the Company believes that HED would not charge any amount against such land in subsequent years and it would be able to meet terms and conditions imposed by Colonies Department, hence, in accordance with objectives and accounting policies of the Company, this land has been recognized as donated land at nil value.

6.1.2 The cost of fully depreciated assets which are still in use as at 30 June 2021 is Rs. 17,842,850 (2020: Rs. 17,197,090).

6.2 Capital work-in-progress

	Note	Balances as at 01 July 2020	Additions during the year	Transfers	Impairment	Balance as at 30 June 2021
		2021				
		(Rupees)				
Consultancy fee		**51,719,603**	-	-	-	**51,719,603**
Payment to TEPA		**1,000,000**	-	-	-	**1,000,000**
Barbed wire & boundary	6.2.1	**7,218,000**	-	-	-	**7,218,000**
Construction of entrance gates, security road, boundary wall and watching tower	6.2.2	**370,847,672**	**221,217,220**	-	-	**592,064,892**
Electrical Poles		-	**1,057,730**			**1,057,730**
		430,785,275	**222,274,950**	-	-	**653,060,225**

	Balances as at 01 July 2019	Additions during the year	Transfers	Impairment	Balance as at 30 June 2020
	2020				
	(Rupees)				
Consultancy fee	51,719,603	-	-	-	51,719,603
Payment to TEPA	1,000,000	-	-	-	1,000,000
Barbed wire & boundary	7,218,000	-	-	-	7,218,000
Construction of entrance gates, security road, boundary wall and watching tower	216,999,803	153,847,869	-	-	370,847,672
	276,937,406	153,847,869	-	-	430,785,275

6.2.1 This relates to payment made to Communication and Works Department by Higher Education Department for installation of barbed wire on the boundary walls around the site of Lahore Knowledge Park and has been treated as grant in kind.

6.2.2 Payment made to IDAP (Infrastructure Development Authority of Punjab), amounting to Rs. 656.30 million for construction of entrance gate, boundary walls, watch towers and security roads at Lahore Knowledge Park site out of which Rs. 64.24 million is still advance and Rs. 10.30 million is paid as IDAP service fee. An amount of Rs. 592.06 million has been transferred to capital work in progress from advances till 30 June 2021 on the basis of completion of work, which represents 78.84% (2020: 54.09%) of total contract price.

7 LONG TERM DEPOSITS

This consists of security deposits against rented premises and fuel cards.

	Note	2021 Rupees	2020 Rupees
8 LOANS AND ADVANCES			
Advances - considered good - unsecured			
- To staff		**1,270,646**	767,281
- To Construction Supervisor - IDAP	6.2.2	**64,240,000**	-
- To LESCO		-	1,057,730
		65,510,646	1,825,011
9 SHORT TERM INVESTMENTS			
Term deposits	9.1	**800,529,178**	1,085,006,864

9.1 These represent investment in term deposits certificates maintained with The Bank of Punjab (related party). These term deposit certificates have maturity date latest by 23 July 2021 and carry interest rates ranging from 6.60% to 6.70% per annum (2020: 7.40% to 12.50%).

	Note	2021 Rupees	2020 Rupees
10 CASH AND BANK BALANCES			
Cash in hand		**34,340**	11
Cash at bank			
- Current account		**13,925,260**	41,174,158
		13,959,600	41,174,169
10.1 CASH AND CASH EQUIVALENTS			
- Cash & bank balances		**13,959,600**	41,174,169
- Short term investments		**800,529,178**	1,085,006,864
		814,488,778	1,126,181,033

		Note	2021	2020
			Rupees	Rupees
11	**DEFERRED GRANT**			
	Grant related to income deferred	11.1	819,795,611	1,068,405,214
	Grant related to assets deferred	11.2	656,341,277	435,065,938
			1,476,136,888	1,503,471,152

11.1 GRANT RELATED TO INCOME DEFERRED

	2021	2020
Balance as at 01 July	1,068,405,214	1,222,323,263
Add: Received / receivable during the year	-	-
Less: Transferred to grant related to assets deferred	(222,721,563)	(153,918,049)
Less: Recognized as income in current year	(25,888,040)	-
Balance as at 30 June	819,795,611	1,068,405,214

11.2 GRANT RELATED TO ASSETS DEFERRED

	2021	2020
Balance as at 01 July	435,065,938	283,795,355
Add: Additions during the year		
- Operating fixed assets	446,613	70,180
- Capital work-in-progress	222,274,950	153,847,869
	222,721,563	153,918,049
Less: Grant related to assets recognized		
- Against depreciation of operating fixed assets	(1,425,734)	(2,647,466)
- Against write off of operating fixed asset	(20,490)	-
	(1,446,224)	(2,647,466)
Balance as at 30 June	656,341,277	435,065,938

		Note	2021	2020
			Rupees	Rupees
12	**TRADE AND OTHER PAYABLES**			
	Payable to vendors		3,419,321	6,101,936
	Accrued expenses		4,157,421	3,432,135
	Provision for leave encashment	12.1	873,681	970,080
			8,450,423	10,504,151

12.1 Provision for leave encashment

	2021	2020
Balance as at 01 July	970,080	1,132,828
Add: Allocation for the year	1,642,178	1,837,818
Less: Amount paid during the year	(1,738,577)	(2,000,566)
Balance as at 30 June	873,681	970,080

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There are no contingencies to report at the year end (2020: Nil).

13.2 Commitments

13.2.1 As at year end the Company's commitments related to contracts amount to Rs. 201,073,053 (2020: Rs. 421,153,663).

		Note	2021	2020
			Rupees	Rupees
14	**GRANT**			
	Grant related to income recognized	11.1	25,888,040	-
	Grant related to assets recognized	11.2	1,446,224	2,647,466
			27,334,264	2,647,466

15 INTEREST INCOME

This represents income generated from the investment in term deposit certificates with The Bank of Punjab (Related Party)

16 OTHER INCOME

	2021 Rupees	2020 Rupees
Tender fee	**4,000**	6,000
Write back of liability	**499,560**	1,361,970
Other income	**74,000**	-
	577,560	1,367,970

17 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2021 Rupees	2020 Rupees
Travelling and conveyance		**1,129,421**	1,062,819
Utilities		**1,585,286**	1,178,569
Repair and maintenance		**1,224,957**	481,290
Advertisement and promotion		**86,663**	25,900
Rent, rates and taxes		**10,781,100**	10,781,100
Tax consultancy fee		**520,000**	479,700
Printing and stationery		**243,769**	161,497
Legal and professional		**1,349,169**	983,215
Director Fee		**2,250,000**	-
Auditors' remuneration		**900,000**	775,000
Entertainment expenses		**172,148**	105,338
Depreciation	6.1	**1,425,734**	2,647,466
Security charges		**11,567,303**	9,938,055
Fuel expense		**144,070**	254,992
Other expenses		**91,678**	64,468
		33,471,298	28,939,409

18 OTHER OPERATING EXPENSES

Asset disposed	**20,490**	-

19 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

19.1 Financial risk management objectives

The Company finances its operations through funds provided by Government of Punjab. The Board provides principles for overall risk management, as well as policies covering specific areas such as interest rate risk, credit risk and investment of excess liquidity. Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

19.2 Financial risk factors

The Company is not exposed to any significant financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

19.2.1 Credit risk

Credit risk represents that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from balances with security deposits, banks, short term investments, loans and advances and interest accrued.

(i) Exposure to credit risk

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

	2021 Rupees	2020 Rupees
Loans and advances	**1,270,646**	767,281
Short term investments	**800,529,178**	1,085,006,864
Bank balance	**13,925,260**	41,174,158
	815,725,084	1,126,948,303

The credit risk on liquid funds is limited because the counter party is a bank with reasonably high credit rating.

(ii) Credit quality

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit rating or to historical information about counterparty default rate:

	Rating Agency	Rating: Short term	Rating: Long term	2021 Rupees	2020 Rupees
The Bank of Punjab					
-Bank balance	PACRA	A1+	AA	13,925,260	41,174,158
-Term deposit certificates	PACRA	A1+	AA	800,529,178	1,085,006,864

These balances are linked to a sovereign entity, who can print the currency which is routinely held by central bank and other major local financial institutions, which qualitatively indicate that historical credit loss information should be minimally affected by current conditions and reasonable and supportable forecasts. As at the reporting date, the sovereign entity has never defaulted on any of its securities. Therefore, the Company has not recorded any ECLs at the end of the reporting period. Credit risk from balances with financial institutions is managed by the Company in accordance with the Company's policy. The deposits are kept with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's management on a quarterly basis, and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. Being low risk instruments, the Company had assessed an allowance based on 12-month ECLs. Based upon above mentioned high external credit ratings, ECLs relating to bank balances, accrued income and investments of the Company rounds to zero.

19.2.2 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The cash requirement of the company is currently being met through grant from the Government of Punjab and profit receipt on TDRs therefore the company is not exposed to liquidity risk.

The following are the contractual maturities of financial liabilities as at 30 June:

	2021		
	Maturity up to one year	**Maturity after one year**	**Total**
	Rupees	**Rupees**	**Rupees**
Trade and other payables	**8,450,423**	**-**	**8,450,423**

	2020		
	Maturity up to one year	Maturity after one year	Total
	Rupees	Rupees	Rupees
Trade and other payables	10,504,151	-	10,504,151

19.2.3 Market Risk

(i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transaction in foreign currencies. The Company is not exposed to currency risk since it does not incur any international transactions.

(ii) Interest rate risk

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

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2021	2020
Fixed rate instruments	**Rupees**	Rupees
Financial assets		
Bank balances - operational account	**13,925,260**	41,174,158
Short term investments	**800,529,178**	1,085,006,864
	814,454,438	1,126,181,022

19.2.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at each reporting date.

19.2.5 Classification of financial instruments

	2021 Rupees	2020 Rupees
ASSETS		
NON CURRENT ASSETS		
Security deposits	**2,120,000**	2,120,000
CURRENT ASSETS		
Loans and advances	**1,270,646**	767,281
Short term investments	**800,529,178**	1,085,006,864
Cash and bank balances	**13,925,260**	41,174,158
	817,845,084	1,129,068,303
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	**8,450,423**	10,504,151
	8,450,423	10,504,151

20 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, Chief Executive, Directors and Executives. The Company in the normal course of business carries out transactions with various related parties. Amount payable to related party is disclosed in note 12. Remuneration of Chief Executive, Directors and Executives is disclosed in note 21. Other significant transactions with related parties are as follows:

	2021			
	Infrastructure Development Authority of Punjab (IDAP)	**Lahore Electricity Supply Company limited (LESCO)**	**Director General Public Relations**	**The Bank of Punjab**
20.1 Basis of relationship	**Under Common Control**	**Under Common Control**	**Under Common Control**	**Under Common Control**
	---------- (Rupees) ----------			
Transactions during the year				
Investments made	-	-	-	-
Profits earned	-	-	-	**61,867,047**
Capitalization made	**221,217,220**	-	-	-
Advertisement expense paid	-	-	**86,663**	-
Advance made for relocation of electricity polls	-	-	-	-
	221,217,220	-	**86,663**	**61,867,047**

	2020			
	Infrastructure Development Authority of Punjab (IDAP)	Lahore Electricity Supply Company limited (LESCO)	Director General Public Relations	The Bank of Punjab
Basis of relationship	Under Common Control	Under Common Control	Under Common Control	Under Common Control
	---------- (Rupees) ----------			
Transactions during the year				
Investments made	-	-	-	47,730,891
Profits earned	-	-	-	72,470,138
Capitalization made	153,847,869	-	-	-
Advertisement expense paid	-	-	508,000	-
Advance made for relocation of electricity polls	-	1,057,730	-	-
	153,847,869	1,057,730	508,000	120,201,029

21 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND KEY MANAGEMENT PERSONNEL

		2021		
		Chief Executive	Directors	Executives
		(Rupees)		
Managerial remuneration and allowances	21.1	-	-	40,430,040
Leave encashment		-	-	1,329,207
Gratuity		-	-	3,353,170
Meeting Fee	21.2	-	2,250,000	-
		-	2,250,000	45,112,417
Number of person(s)		1	11	9

	2020		
	Chief Executive	Directors	Executives
	(Rupees)		
Managerial remuneration and allowances	-	-	44,037,696
Leave encashment	-	-	2,373,679
Gratuity	-	-	3,960,321
	-	-	72,240,019
Number of person(s)	1	7	13

21.1 Chief Executive and Directors of the Company are not drawing any salary.

21.2 With effect from 1st February 2021, fee amounting PKR 50,000/- per meeting attended is paid to 5 Non-executive Directors.

22 NUMBER OF EMPLOYEES

	2021	2020
	(No. of persons)	
Total employees at year end	26	29
Average employees	26	33

23 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 30th Sep, 2021

CHIEF EXECUTIVE

DIRECTOR