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LAHORE KNOWLEDGE PARK COMPANY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2018

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 2018

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 2018, the related income and expenditure account, statement of comprehensive income, statement of changes in fund balances and 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 related income and expenditure account, 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 2018 and of the surplus, 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.

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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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 income and expenditure account, 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
Chartered Accountants
Lahore: 14 November 2019

LAHORE KNOWLEDGE PARK COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	73,943,418	71,898,262
Long term deposits	7	2,120,000	2,576,850
		76,063,418	74,475,112
CURRENT ASSETS			
Loans and advances	8	373,948,072	9,286,069
Interest accrued		1,258,903	2,953,425
Tax refunds due from Government		9,908,171	2,702,631
Grant receivable		250,000,000	-
Short term investments	9	850,000,000	1,350,000,000
Cash and bank balances	10	47,727,905	20,032,476
		1,532,843,051	1,384,974,601
		1,608,906,469	1,459,449,713
LIABILITIES			
NON CURRENT LIABILITIES			
Retirement benefits obligation	11	11,525,093	2,123,000
Deferred grant		1,559,293,900	1,416,119,702
		1,570,818,993	1,418,242,702
CURRENT LIABILITIES			
Trade and other payables	12	7,925,452	11,044,987
Provision for taxation		-	9,135,441
		7,925,452	20,180,428
		1,578,744,445	1,438,423,130
Contingencies and commitments	13	-	-
NET ASSETS		30,162,024	21,026,583
Represented by:			
Accumulated surplus		30,162,024	21,026,583
		30,162,024	21,026,583

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

LAHORE KNOWLEDGE PARK COMPANY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Rupees	2017 Rupees
INCOME			
Grant related to income recognized	14	106,899,717	144,149,094
Grant related to assets recognized	14	7,144,085	38,129,710
Interest income	15	70,322,940	29,469,164
Other Income	16	87,450	581,860
		184,454,192	212,329,828
EXPENDITURE			
Salaries and benefits		(127,474,106)	(86,034,314)
Administrative and general expenses	17	(56,957,606)	(63,670,542)
Other operating expenses	18	(22,480)	(32,573,948)
		(184,454,192)	(182,278,804)
SURPLUS BEFORE TAX		-	30,051,024
Taxation	19	9,135,441	(9,135,441)
SURPLUS FOR THE YEAR		9,135,441	20,915,583

The annexed notes from 1 to 24 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

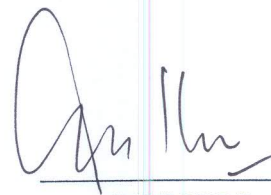
LAHORE KNOWLEDGE PARK COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	<u>2018</u> Rupees	<u>2017</u> Rupees
Surplus for the year	9,135,441	20,915,583
Other comprehensive income	-	-
Total comprehensive income for the year	<u>9,135,441</u>	<u>20,915,583</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

LAHORE KNOWLEDGE PARK COMPANY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 30 JUNE 2018

	Accumulated Surplus ---- Rupees ----
Balances as at 01 July 2016	111,000
Surplus for the year	20,915,583
Other comprehensive income	-
	20,915,583
Balances as at 30 June 2017	21,026,583
Surplus for the year	9,135,441
Other comprehensive income	-
	9,135,441
Balances as at 30 June 2018	30,162,024

The annexed notes from 1 to 24 form an integral part of these financial statements.

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CHIEF EXECUTIVE



DIRECTOR

LAHORE KNOWLEDGE PARK COMPANY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of income over expenditure		-	30,051,024
Adjustment for non-cash items:			
- Depreciation	6.1	7,121,605	5,555,762
- Provision for gratuity		9,402,093	2,123,000
- Provision for leave encashment		5,053,455	2,303,465
- Grant related to income recognized		(106,899,717)	(144,149,094)
- Grant related to assets recognized		(7,144,085)	(38,129,710)
- Loss on disposal of fixed assets		22,480	
- Impairment of capital work-in-progress		-	32,573,948
		(92,444,169)	(139,722,629)
Net cash used before changes in working capital		(92,444,169)	(109,671,605)
Effect of working capital changes:			
Increase in loans and advances		(364,662,003)	(9,286,069)
Decrease in interest accrued		1,694,522	(2,953,425)
Decrease in trade and other payables		(2,535,354)	(17,021,816)
		(365,502,835)	(29,261,310)
Net cash used in operations		(457,947,004)	(138,932,915)
Tax paid		(7,205,540)	(2,659,110)
Leave encashment paid		(5,637,636)	(333,065)
Net cash used in operating activities		(470,790,180)	(141,925,090)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(971,241)	(25,464,991)
Additions to capital work in progress		(1,000,000)	(4,830,819)
Disposal of/ (Investment in) term deposits		500,000,000	(1,350,000,000)
Long term deposits		456,850	(1,226,850)
Net cash used in investing activities		498,485,609	(1,381,522,660)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant received from Government of Punjab - net		-	829,202,000
Net cash generated from financing activities		-	829,202,000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		27,695,429	(694,245,750)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		20,032,476	714,278,226
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	47,727,905	20,032,476

The annexed notes from 1 to 24 form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

LAHORE KNOWLEDGE PARK COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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 Companies Ordinance, 1984. The registered office of the Company is at 15-Abu Bakar Block, New Garden Town, Main Ferozpur 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.
- 1.3 The Government of Punjab is facing litigation involving writ petitions filed in Lahore High Court, suo moto notice by Supreme Court of Pakistan and NAB inquiries against formation and operation of 56 state owned companies of Punjab, which also include Lahore Knowledge Park Company. The Company was formulated under Companies Ordinance 1984 and has been carrying operational activities in accordance with the requirements of the Ordinance/Act and applicable state laws and has sufficient funds to meet its financial obligations for the foreseeable future. Based on its assessment of the status of the case and investigation, the Company does not expect any unfavorable outcome of this matter either in terms of financial loss or impacting the going concern status. Therefore, these financial statements have been prepared on going concern assumption.

2 SIGNIFICANT EVENTS OR TRANSACTIONS DURING THE YEAR

During the year engineering design of Lahore Knowledge Park has been successfully completed after topographic survey, geo-technical investigation and environmental impact assessment for the construction of Boundary Wall, Security Road and Watch Towers as Package-I.

The Package-I is being executed by the Infrastructure Development Authority of the Punjab (IDAP) and a payment of Rs. 370 million has been made in advance for this purpose.

3 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 Standards) issued by the International Accounting Standards Board (IASB) as notified under the 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, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. As a result, the Company has changed its accounting framework accordingly. This change in accounting framework has not resulted in significant changes to the amounts recognized in these financial statements or the comparative information except some additional disclosures being made as required under the Companies Act, 2017.

3.1 Basis of Measurement

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

3.2 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.

947v

3.3 New accounting standards, interpretations and amendments applicable to the financial statements for the year ended 30 June 2018

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

New Standards, Interpretations and Amendments

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

- IAS 12 - Income Taxes- Recognition of Deferred Tax Assets for Unrealized losses (Amendments)
- IFRS 7 - Financial Instruments: Disclosures – Disclosure Initiative- (Amendments)

Improvements to Accounting Standards issued by the IASB in December 2014

- IFRS 12 - Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on the financial statements

3.4 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 2 - Share-based payments Classification and Measurement of Share-based Payments Transactions (Amendment)	01 January 2018
IFRS 10 - Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale of Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) (Amendments)	Not yet finalized 01 January 2017
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRS 15 - Revenue from Contracts with Customers	01 July 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
IFRS 9 - Financial Instruments: Classification and Measurement	01 July 2018
IFRS 16 - Leases	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures — (Amendments)	01 January 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
IAS 19 - Plan Amendment, Curtailment or Settlement — (Amendments)	01 January 2019
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 16 - Leases	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 15 and IFRS 16 for which management is in the process of assessing the impact.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. 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

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

647v

Standard	IASB effective Date (annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts IFRS 17 - Insurance Contracts	01 January 2016 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

4

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.

5

SIGNIFICANT ACCOUNTING POLICIES

5.1

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 income and expenditure accounts 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 income and expenditure account 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 income and expenditure account.

5.2

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 property and equipment category as and when assets are available for use.

5.3

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 income and expenditure account.

5.4

Investment - Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity and are initially measured at cost, being the fair value of consideration paid.

Subsequently these are measured at amortized cost using the effective yield method. Any premium paid or discount availed on acquisition of held to maturity investments is deferred and included in the income for the period on a straight line basis over the term of investment.

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5.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet date at the book value which approximates their fair value. For the purpose of cash flow statement, cash and cash equivalents comprises of cash in hand, cash at bank and short term investments having maturity at less than three months from the year end.

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

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual notes associated with each item.

5.9 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.

5.10 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.

5.11 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 100C of the Income Tax Ordinance, 2001.

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Operating fixed assets
Capital work-in-progress

Note	2018 Rupees	2017 Rupees
6.1	14,005,815	20,178,659
6.2	59,937,603	51,719,603
	73,943,418	71,898,262

Operating fixed assets

2018									
COST				DEPRECIATION			NET BOOK VALUE		
As at 01 July 2017	Additions	Disposal / Write off	As at 30 June 2018	Accumulated as at 01 July 2017	Change for the year	Disposal / Write off	Accumulated as at 30 June 2018	As at 30 June 2018	Useful life Years
-	-	-	-	-	-	-	-	-	
3,948,652	268,703	(30,654)	4,186,701	626,511	806,528	(8,174)	1,424,865	2,761,836	5
17,241,592	297,987	-	17,539,579	4,562,945	5,828,933	-	10,391,878	7,147,701	3
3,982,721	-	-	3,982,721	350,740	398,272	-	749,012	3,233,709	10
582,771	338,066	-	920,837	36,881	75,683	-	112,564	808,273	10
-	66,485	-	66,485	-	12,189	-	12,189	54,296	3
25,755,736	971,241	(30,654)	26,696,323	5,577,077	7,121,605	(8,174)	12,690,508	14,005,815	
2017									
COST				DEPRECIATION			NET BOOK VALUE		
As at 01 July 2016	Additions	Disposal	As at 30 June 2017	Accumulated as at 01 July 2016	Change for the year	Disposal	Accumulated as at 30 June 2017	As at 30 June 2017	Useful life Years
-	-	-	-	-	-	-	-	-	
43,875	3,904,777	-	3,948,652	721	625,790	-	626,511	3,322,141	5
246,870	16,994,722	-	17,241,592	20,594	4,542,351	-	4,562,945	12,678,647	3
-	3,982,721	-	3,982,721	-	350,740	-	350,740	3,631,981	10
-	582,771	-	582,771	-	36,881	-	36,881	545,890	10
290,745	25,464,991	-	25,755,736	21,315	5,555,762	-	5,577,077	20,178,659	

The Lahore Knowledge Park Company has been given possession of a piece of land measuring 6,826 Kanals situated at Rakh Deera Chai by Government of Punjab (GOP) through Higher Education Department (HED) of GOP. 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 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.

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6.2 Capital work-in-progress

Note	2018				
	Balances as at 01 July 2017	Additions during the year	Transfers	Impairment	Balance as at 30 June 2018
			(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
	<u>51,719,603</u>	<u>8,218,000</u>	<u>-</u>	<u>-</u>	<u>59,937,603</u>
2017					
	Balances as at 01 July 2016	Additions during the year	Transfers	Impairment	Balance as at 30 June 2017
			(Rupees)		
Consultancy fee	60,570,420	4,830,819	-	(13,681,636)	51,719,603
Security services	14,095,332	-	-	(14,095,332)	-
Advertisement	4,489,168	-	-	(4,489,168)	-
Salaries and benefits	307,812	-	-	(307,812)	-
	<u>79,462,732</u>	<u>4,830,819</u>	<u>-</u>	<u>(32,573,948)</u>	<u>51,719,603</u>

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

7 LONG TERM DEPOSITS

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

8 LOANS AND ADVANCES

Advances - considered good - unsecured

- To staff

- To Construction Supervisor

- To Landlord

- To consultants

Note	2018 Rupees	2017 Rupees
	681,072	-
8.1	370,000,000	-
	3,267,000	-
	-	9,286,069
	<u>373,948,072</u>	<u>9,286,069</u>

8.1 This represents advance paid to Infrastructure Development Authority of Punjab for construction at Lahore Knowledge Park site.

9 SHORT TERM INVESTMENTS

Term deposits

Note	2018 Rupees	2017 Rupees
9.1	<u>850,000,000</u>	<u>1,350,000,000</u>

9.1 These represent investment in term deposit certificates maintained with The Bank of Punjab. These term deposit certificates have maturity date latest by 23 July 2018 and carry interest rates ranging from 5.50% to 5.95% per annum (2017: 5.60% to 5.80%).

10 CASH AND BANK BALANCES

Cash in hand

Cash at bank

- Current account

Note	2018 Rupees	2017 Rupees
	19,113	72,776
	47,708,792	19,959,700
	<u>47,727,905</u>	<u>20,032,476</u>

11 DEFERRED GRANT

Grant related to income deferred

Grant related to assets deferred

11.1	1,485,350,482	1,344,221,440
11.2	73,943,418	71,898,262
	<u>1,559,293,900</u>	<u>1,416,119,702</u>

11.1 GRANT RELATED TO INCOME DEFERRED

Balance as at 01 July

Add: Received / receivable during the year

Less: Transferred to grant related to assets deferred

Less: Recognized as income in current year

11.1.1	1,344,221,440	689,464,344
	250,000,000	798,906,190
	(1,971,241)	-
	(106,899,717)	(144,149,094)
	<u>1,485,350,482</u>	<u>1,344,221,440</u>

Balance as at 30 June

11.1.1 This represents cheque received but not encashed as at 30 June 2018 and hence recorded as receivable.

11.2 GRANT RELATED TO ASSETS DEFERRED

Balance as at 01 July

Add: Additions during the year

- Operating fixed assets

- Capital work-in-progress (TEPA)

- Grant received in kind (Barbed wire)

	71,898,262	79,732,162
	971,241	25,464,991
	1,000,000	4,830,819
	7,218,000	-

Less: Grant related to assets recognized

- Against depreciation of operating fixed assets

- Against impairment of capital work-in-progress

- Against write off of operating fixed asset

(7,121,605)	(5,555,762)
-	(32,573,948)
(22,480)	-
<u>(7,144,085)</u>	<u>(38,129,710)</u>
<u>73,943,418</u>	<u>71,898,262</u>

Balance as at 30 June

	Note	2018 Rupees	2017 Rupees
12 TRADE AND OTHER PAYABLES			
Payable to vendors		4,262,977	2,924,292
Accrued expenses		2,276,240	2,784,351
Provision for leave encashment	12.1	1,386,219	1,970,400
Payable to related party		-	3,149,660
Withholding tax payable		16	216,284
		<u>7,925,452</u>	<u>11,044,987</u>
12.1 Provision for leave encashment			
Balance as at 01 July		1,970,400	-
Add: Allocation for the year		5,053,455	2,303,465
Less: Amount paid during the year		(5,637,636)	(333,065)
Balance as at 30 June		<u>1,386,219</u>	<u>1,970,400</u>
13 CONTINGENCIES AND COMMITMENTS			
13.1 Contingencies			
There are no contingencies to report at the year end (2017: Nil).			
13.2 Commitments			
13.2.1 As at year end the Company's commitments related to services contracts amount to Rs. 487,377,945 (2017: Rs. 106,377,945).			
13.2.2 Operating lease commitments - Company as lessee			
The Company has entered into operating lease agreements for office building. This lease has life of 3 years cancellable at the option of lessee with two months notice.			
Future minimum lease rentals payable under operating lease as at 30 June are as follows:			
	Note	2018 Rupees	2017 Rupees
Not later than one year		9,882,675	8,984,250
Later than one year and not later than five years		-	8,984,250
Later than five years		-	-
		<u>9,882,675</u>	<u>17,968,500</u>
14 GRANT			
Grant related to income recognized	11.1	106,899,717	144,149,094
Grant related to assets recognized	11.2	7,144,085	38,129,710
		<u>114,043,802</u>	<u>182,278,804</u>
15 INTEREST INCOME			
This represents income generated from the investment in term deposit certificates.			
16 OTHER INCOME			
Tender fee		87,000	552,500
Other Income		450	-
Scrap sale		-	29,360
		<u>87,450</u>	<u>581,860</u>
17 ADMINISTRATIVE AND GENERAL EXPENSES			
Travelling and conveyance		4,974,565	7,260,880
Utilities		3,452,802	3,184,231
Repairs and maintenance		1,941,243	1,513,676
Advertisement and promotion		2,458,406	14,618,811
Rent, rates and taxes		8,984,250	8,167,500
Consultancy fee		9,774,569	3,529,260
Printing and stationery		843,058	1,508,421
Marketing and promotions		1,380,898	266,402
Legal and professional		244,839	763,926
Auditors' remuneration		775,000	700,000
Entertainment expenses		786,342	1,194,848
Depreciation	6.1	7,121,605	5,555,762
Security charges		13,918,142	13,829,454
Fuel expense		153,037	439,515
Other expenses		145,370	1,131,926
Bank charges		3,480	5,930
		<u>56,957,606</u>	<u>63,670,542</u>
18 OTHER OPERATING EXPENSES			
Asset written off		22,480	-
Impairment of capital work-in-progress		-	32,573,948
		<u>22,480</u>	<u>32,573,948</u>

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19 TAXATION

Current tax for the year
Prior year tax adjustment

2018 Rupees	2017 Rupees
-	9,135,441
(9,135,441)	-
<u>(9,135,441)</u>	<u>9,135,441</u>

20 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

20.1 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.

20.2 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.

20.2.1 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:

	2018 Rupees	2017 Rupees
Security deposit	2,120,000	2,576,850
Loans and advances	681,072	-
Interest accrued	1,258,903	2,953,425
Short term investments	850,000,000	1,350,000,000
Bank balances	47,708,792	19,959,700
	<u>901,768,767</u>	<u>1,375,489,975</u>

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		2018 Rupees	2017 Rupees
		Short term	Long term		
The Bank of Punjab					
-Bank Balance	PACRA	A1+	AA	47,708,792	19,959,700
-Term deposit receipt	PACRA	A1+	AA	850,000,000	1,350,000,000

20.2.2 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 therefore the company is not exposed to liquidity risk.

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

	2018		
	Maturity up to one year Rupees	Maturity after one year Rupees	Total Rupees
Trade and other payables	<u>7,925,436</u>	<u>-</u>	<u>7,925,436</u>
	2017		
	Maturity up to one year Rupees	Maturity after one year Rupees	Total Rupees
Trade and other payables	<u>10,828,703</u>	<u>-</u>	<u>10,828,703</u>

20.2.3 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:

697

	2018 Rupees	2017 Rupees
Fixed rate instruments		
Financial assets		
Bank balances - operational account	47,708,792	19,959,700
Short term investments	850,000,000	1,350,000,000
	<u>897,708,792</u>	<u>1,369,959,700</u>
20.2.4 Fair value of financial instruments		
Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. 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.		
20.2.5 Classification of financial instruments	2018 Rupees	2017 Rupees
ASSETS		
NON CURRENT ASSETS		
Security deposits	2,120,000	2,576,850
CURRENT ASSETS		
Loans and advances	681,072	-
Interest accrued	1,258,903	2,953,425
Short term investments	850,000,000	1,350,000,000
Cash and bank balances	47,708,792	19,959,700
	<u>901,768,767</u>	<u>1,375,489,975</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	7,925,436	10,828,703
	<u>7,925,436</u>	<u>10,828,703</u>

21 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 22. Other significant transactions with related parties are as follows:

	2018			
	Traffic Engineering & Transport Planning Agency	Infrastructure Development Authority of Punjab	Director General Public Relations	The Bank of Punjab
	Under Common Control	Under Common Control	Under Common Control	Under Common Control
21.1 Basis of relationship				
Transactions during the year	(Rupees)			
Investments made	-	-	-	850,000,000
Profits earned	-	-	-	70,322,940
Advertisement expense paid	-	-	3,163,158	-
Advance made for construction	-	370,000,000	-	-
Payment made for NOC	1,000,000	-	-	-
	<u>1,000,000</u>	<u>370,000,000</u>	<u>3,163,158</u>	<u>920,322,940</u>

	2017		
	Government of Punjab	Director General Public Relations	The Bank of Punjab
	Under Common Control	Under Common Control	Under Common Control
Basis of relationship			
Transactions during the year	(Rupees)		
Grants received	829,202,000	-	-
Investments made	-	-	1,350,000,000
Profits earned	-	-	29,469,164
Advertisement expense paid	-	9,344,148	-
	<u>829,202,000</u>	<u>9,344,148</u>	<u>1,379,469,164</u>

22 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND KEY MANAGEMENT PERSONNEL

	2018		
	Chief Executive	Directors	Executives
	(Rupees)		
Managerial remuneration	11,630,940	-	43,327,243
Leave encashment	323,342	-	1,796,390
Gratuity	-	-	7,728,326
Allowances	5,600,004	-	14,308,846
	<u>17,554,286</u>	<u>-</u>	<u>67,160,805</u>
Number of person(s)	<u>1</u>	<u>11</u>	<u>14</u>

Managerial remuneration and allowances

Number of person(s)

22.1 Directors of the Company are not drawing any salary.

22.2 No fee was paid to directors for attending meetings.

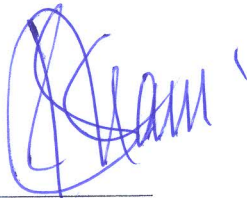
23 NUMBER OF EMPLOYEES

Total employees at year end

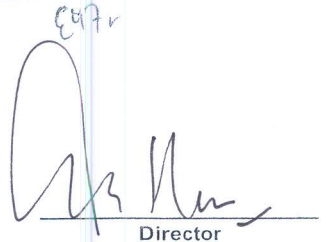
Average employees

24 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on Nov 13, 2019



Chief Executive



Director

Chief Executive	2017	
	Directors	Executives
	(Rupees)	
4,987,545	-	60,339,934
1	11	21

	2018	2017
	(No. of persons)	
Total employees at year end	42	45
Average employees	45	41