

Lahore Biennale Foundation

Financial statements for the year ended
30 June 2017



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Independent auditors' report to Board of Directors

Opinion

We have audited the financial statements of **Lahore Biennale Foundation** ("the **Foundation**"), which comprise the statement of financial position as at 30 June 2017 and the income and expenditure account, statement of changes in accumulated fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, the balance sheet of the Foundation as at 30 June 2017 and of its income and expenditure account, the statement of changes in accumulated fund and its cash flows for the year then ended in accordance with approved accounting standard for Not for Profit Organization as applicable in Pakistan.

Basis for opinion

We conducted our audit in accordance with the 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 Foundation 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 those charged with governance for the financial statements

The management of the Foundation is responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting standard for Not for Profit Organization as applicable in Pakistan, and for such internal control as the management of the Foundation determine 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, the management of the Foundation is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation'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 Foundation 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.



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We communicate with those charged with governance 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.

Lahore

Date: 27 February 2018

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Lahore Biennale Foundation

(A Foundation registered under Societies Registration Act, XXI of 1860)

Balance Sheet

As at 30 June 2017

	Note	2017 Rupees	2016 Rupees
Assets			
<u>Non-current assets</u>			
Equipment	4	2,133,013	1,750,837
Long term advances		150,000	150,000
		2,283,013	1,900,837
<u>Current assets</u>			
Advance and other receivables	5	41,943	41,485
Cash & bank balances	6	176,075	3,989,801
		218,018	4,031,286
		2,501,031	5,932,123
<u>Current liabilities</u>			
Accrued liabilities		170,000	240,977
Provision for tax - net	7	553,062	589,664
		723,062	830,641
Contingencies and commitments	8	-	-
Net assets		1,777,969	5,101,482
Represented by funds:			
Accumulated funds		1,777,969	5,101,482

The annexed notes from 1 to 16 form an integral part of these financial statements.

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Lahore


Chairman


Director

Lahore Biennale Foundation

(A Foundation registered under Societies Registration Act, XXI of 1860)

Income and Expenditure Account

For the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
Income	9	14,853,020	15,643,652
<u>Expenditure</u>			
Projects expenses	10	(12,669,216)	(9,347,910)
Administrative expenses	11	(5,538,115)	(7,103,791)
Bank charges		(38,330)	(21,290)
Other income	12	69,128	144,795
Deficit before taxation		(3,323,513)	(684,544)
Taxation	7	-	-
Deficit after taxation		(3,323,513)	(684,544)

The annexed notes from 1 to 16 form an integral part of these financial statements.

Kamran

Lahore

Chairman

Director

Lahore Biennale Foundation

(A Foundation registered under Societies Registration Act, XXI of 1860)

Cash Flow Statement

For the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
<u>Cash flow from operating activities</u>			
Deficit before taxation		(3,323,513)	(684,544)
Adjustments for:			
Depreciation on equipment	4	260,766	160,518
Profit on bank deposits	12	(69,128)	(143,195)
Bank charges		38,330	21,290
Exchange gain	12	-	(1,600)
		229,968	37,013
Deficit before working capital changes		(3,093,545)	(647,531)
<u>Effect on cash flow due to changes in current assets and current liabilities</u>			
(Increase) / Decrease in current assets:			
Advances and other receivables		(458)	7,458,515
Decrease in current liabilities:			
Accrued liabilities		(70,977)	(6,560,302)
Cash (used in) / generated from operations		(3,164,980)	250,682
Taxes paid		(36,602)	(724,621)
Bank charges paid		(38,330)	(21,290)
Long term advances		-	(150,000)
Net cash used in operating activities		(3,239,912)	(645,229)
<u>Cash flow from Investing activities</u>			
Capital expenditure incurred		(642,942)	(595,070)
Profit on bank deposits received		69,128	143,195
Net cash used in investing activities		(573,814)	(451,875)
<u>Cash flow from Financing activities</u>			
		-	-
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		(3,813,726)	(1,097,104)
Cash and cash equivalents at beginning of the year		3,989,801	5,086,905
Cash and cash equivalents at end of the year		176,075	3,989,801

The annexed notes from 1 to 16 form an integral part of these financial statements.

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Chairman



Director

Lahore

Lahore Biennale Foundation

(A Foundation registered under Societies Registration Act, XXI of 1860)

Statement of Changes in Accumulated Funds

For the year ended 30 June 2017

	<u>Accumulated Funds Rupees</u>
Balance as at 30 June 2015	5,786,026
Deficit for the year	(684,544)
Balance as at 30 June 2016	<u>5,101,482</u>
Deficit for the year	(3,323,513)
Balance as at 30 June 2017	<u><u>1,777,969</u></u>

The annexed notes from 1 to 16 form an integral part of these financial statements.

Kamran

Lahore Biennale Foundation

(A Foundation registered under Societies Registration Act, XXI of 1860)

Notes to the Financial Statements

For the year ended 30 June 2017

1 Reporting entity

Lahore Biennale Foundation ("the Foundation") was incorporated on 28 March 2014 as a Foundation registered under Societies Registration Act, 1860 as a non-profit organization. The registered office of the Foundation is situated at 101 Habitat Flats, Jail Road, Lahore. The main objective of the Foundation is to promote public engagement with the Arts and their related fields, including but not limited to fine arts, architecture, design, literature, visual and performing arts, and to help restore the role of the Arts in the national discourse.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Accounting Standards for Not for Profit Organizations (NPOs) and Accounting and Financial Reporting Standards for Small Sized Entities (AFRS for SSE) as issued by the Institute of Chartered Accountants of Pakistan.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Foundation's functional currency and has been rounded to the nearest Rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Foundation's financials statements or where judgements were exercised in application of accounting policies are as follows:

	Note
- Useful life and residual value	2.4.1
- Provision for doubtful debts	2.4.2
- Provisions and contingencies	2.4.3
- Impairment	2.4.4
- Taxation	2.4.5

2.4.1 Useful life and residual value

The Foundation reviews the useful lives and residual value of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.4.2 Provision against trade debts, advances and other receivables

The Foundation reviews the recoverability of its trade debts and other receivables to assess impairment and provision required there against on annual basis.

2.4.3 Provision and contingencies

Estimates of the amount of provisions recognized are based on current legal and constructive requirements. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

2.4.4 Impairment

The management of the Foundation reviews carrying amounts of its assets including receivables and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.4.5 Taxation

The Foundation takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Foundation's view differs from the view taken by the income tax department at the assessment stage and the Foundation considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

3.1 Equipment

Equipment of the Foundation are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to property and equipment comprises acquisition and other directly attributable costs.

Depreciation charge is based on straight line method whereby the cost of an asset is written off to income and expenditure account at the rates prescribed in note 4 to these financial statements. Depreciation on additions and deletions is charged on the month in which the addition / deletion is made.

Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred.

Gain / loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognized in income and expenditure account.

3.2 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents mainly comprise cash and bank balances which are stated in the balance sheet at cost.

3.3 Creditors, accrued and other liabilities

Liabilities for creditors, accrued and other liabilities are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.4 Provisions and contingencies

Provisions are recognized in the balance sheet when the Foundation has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate. Where the outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.5 Impairment losses

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

Non financial assets

The carrying amount of the Foundation's non-financial assets, are reviewed at each balance sheet to determine whether there is any indication of impairment loss. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss if any.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash flows of other assets of cash generating units.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit and loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged.

3.6 Recognition of cost/ expenditure

Costs and expenditure are recognised as an expense, at historical cost, during the period in which they are incurred, and not in a subsequent period. Expenditure linked to performance-based (restricted) contributions are recognised to the extent that the Foundation or any other nominated recipient of the contribution has provided the specified service or work or incurred the specified expenditure.

3.7 Financial instruments

Financial assets and liabilities are recognized when the Foundation becomes a party to contractual provisions of the instrument and de-recognized when the Foundation loses control of contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and liabilities are included in income and expenditure account for the year.

3.8 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.9 Foreign currency translations

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at exchange rates prevailing on the balance sheet date. All exchange differences are charged to income and expenditure account.

3.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income and expenditure account, except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity respectively

Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Foundation recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.11 Trade debts and other receivables

Trade debts and other receivables are stated at their nominal value as reduced by appropriate allowance for doubtful debts. Bad debts are written off as and when identified.

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3.12 Income recognition

Restricted revenue

Restricted revenue is based on agreements, contracts, or other understanding, where the conditions for receipt of the funds are linked to a performance, of a service or other process. The Foundation earns the revenue through compliance with the conditions that have been laid down and meeting the envisaged obligations. Revenue is recognised in the income and expenditure account when there is reasonable assurance that the contribution will be received, and the conditions stipulated for its receipt have been complied with.

Unrestricted revenue

Revenue from general unrestricted resources is recognised when the amount of revenue can be measured reliably, or when it is probable that the economic benefits associated with the transaction will flow to the Foundation, that is, at the time when no significant uncertainty exists with regard to the amount of the consideration that will be derived from the sources of unrestricted income.

Profit on bank deposits is recognized on accrual basis.

4 Equipment

	Generator and other electrical equipment	Computers	Office equipment	Furniture and fittings	Total
	----- Rupees -----				
30 June 2017					
Cost					
Balance as at 01 July 2016	1,320,890	109,500	342,340	176,230	1,948,960
Additions during the year	-	85,010	283,170	274,762	642,942
Balance as at 30 June 2017	1,320,890	194,510	625,510	450,992	2,591,902
Depreciation					
Balance as at 01 July 2016	165,106	21,962	5,179	5,876	198,123
Charge for the year	132,089	45,480	53,657	29,540	260,766
Balance as at 30 June 2017	297,195	67,442	58,836	35,416	458,889
Net book value at 30 June 2017	1,023,695	127,068	566,674	415,576	2,133,013
30 June 2016					
Cost					
Balance as at 01 July 2015	1,320,890	33,000	-	-	1,353,890
Additions during the year	-	76,500	342,340	176,230	595,070
Balance as at 30 June 2016	1,320,890	109,500	342,340	176,230	1,948,960
Depreciation					
Balance as at 01 July 2015	33,022	4,583	-	-	37,605
Charge for the year	132,084	17,379	5,179	5,876	160,518
Balance as at 30 June 2016	165,106	21,962	5,179	5,876	198,123
Net book value at 30 June 2016	1,155,784	87,538	337,161	170,354	1,750,837
Depreciation rate %	10%	33.33%	10%	10%	

		2017 Rupees	2016 Rupees
5	Advance and other receivables		
	Advance for expenses	31,943	41,485
	Advance to employee against salary	10,000	-
		<u>41,943</u>	<u>41,485</u>
		2017 Rupees	2016 Rupees
6	Cash and bank balances		
	Cash in hand	71,916	60,857
	Cash at banks:		
	Deposit accounts - local currency	104,159	3,928,944
		<u>176,075</u>	<u>3,989,801</u>
	6.1 These carry mark-up at the rates ranging from 3.78 % to 3.80 % per annum on day end balances (2016: 6.60 % to 7.10 % per annum).		
7	Provision for tax - net		
	Opening Balance	589,664	1,314,285
	Provision for tax	-	-
	Less: Advance tax	(36,602)	(724,621)
	Balance at end of the year	<u>553,062</u>	<u>589,664</u>
8	Contingencies and Commitments		
	There are no contingencies and commitments at the reporting date.		
9	Income		
	Sponsorships for projects	3,544,520	4,420,000
	Annual Donations	11,100,000	10,990,000
	Reimbursements	208,500	233,652
		<u>14,853,020</u>	<u>15,643,652</u>

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		2017	2016
	Note	Rupees	Rupees
10 Projects Expenses			
Salaries, wages and other benefits		7,329,899	4,966,404
Advertisement and publicity		1,073,948	68,128
Administrative services		71,000	437,333
Consultancy and management services		7,500	500,000
Depreciation on equipment	4	132,089	132,084
Entertainment expenses		306,140	914,464
Event management services		393,247	676,350
Freight and forwarding		16,155	14,860
Office supplies		71,663	236,270
Rent, rates and taxes		-	47,511
Fees and subscriptions		40,247	-
Travelling and conveyance		2,700,803	681,776
Utilities		-	331,926
Printing and stationery		491,425	7,200
Professional charges		-	205,294
Other expenses		35,100	128,310
		<u>12,669,216</u>	<u>9,347,910</u>
11 Administrative expenses			
Salaries, wages & benefits		2,443,300	1,668,315
Office supplies		439,587	308,740
Computer supplies		89,050	-
Advertisement and publicity		246,410	189,130
Repair and Maintenance		291,919	132,045
Depreciation on equipment	4	128,677	28,434
Travelling & conveyance		295,321	1,657,223
Consultancy and management services		-	107,433
Donations		-	437,200
Entertainment expenses		77,580	388,691
Fees and subscriptions		84,630	165,061
Legal fees		250,000	-
Freight and forwarding		33,313	5,440
Postage and telephone		70,280	100,810
Rent, rates and taxes		675,000	200,000
Seminars and trainings		-	567,985
Utilities		168,872	4,799
Printing and composing		171,719	823,713
Other expenses		72,457	318,772
		<u>5,538,115</u>	<u>7,103,791</u>

12/11/2017

	2017 Rupees	2016 Rupees
12 Other Income		
Profit on bank deposits	69,128	143,195
Exchange gain - net	-	1,600
	<u>69,128</u>	<u>144,795</u>

13 Number of employees as at reporting date are 11 (2016: 10).

14 Related party transaction:

The Foundation's related party include the associated undertakings, entities over which directors are able to exercise influence, directors and key management personnel. Transaction with related party is as follows:

Donation received from	Nature of relationship	2017 Rupees	2016 Rupees
Mr. Osman Khalid Waheed	Director	6,100,000	6,000,000

15 Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison and better presentation as per reporting framework.

16 Date of Authorization

These financial statements have been authorized for issue by the Board of Directors of the Foundation in their meeting held on 27 FEB 2018.

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Chairman



Director