# Lahore Biennale Foundation
# Financial statements for the year ended 30 June 2015

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# Independent auditors' report to Board of Directors

We have audited the accompanying financial statements of **Lahore Biennale Foundation,** which comprise of the balance sheet as at 30 June 2015 and the income and expenditure account/statement of comprehensive income, the statement of changes in accumulated funds and the cash flow statement for the period from 28 March 2014 to 30 June 2015, and a summary of significant accounting policies and other explanatory information.

## *Management responsibility for the financial statements*

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal controls as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

KPMG Taseer Hadi & Co.

***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Lahore Biennale Foundation** as at 30 June 2015, and of its financial performance and its cash flows for the period from 28 March 2014 to 30 June 2015 in accordance with the approved accounting standards as applicable in Pakistan.

**Lahore**

**Date: 31 December 2015**

**KPMG Taseer Hadi & Co**
**Chartered Accountants**
**(M. Rehan Chugtai)**

Lahore Biennale Foundation

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

Income and Expenditure Account

*For the period from 28 March 2014 to 30 June 2015*

| | Note | 28 March 2014 to 30 June 2015 Rupees |
|---|---|---|
| ***Income*** | *10* | **19,520,928** |
| ***Expenditure*** | | |
| Project expenses | *11* | **(9,282,861)** |
| Administrative expenses | *12* | **(2,658,547)** |
| Finance cost | *13* | **(10,725)** |
| Other income | *14* | **145,907** |
| **Surplus of income over expenditure before taxation** | | **7,714,702** |
| Taxation | | **(1,928,676)** |
| **Surplus of income over expenditure after taxation** | | **5,786,026** |

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Lahore** **Chairman** **Director**

# Lahore Biennale Foundation

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

## Balance Sheet

*As at 30 June 2015*

| | Note | 2015 Rupees |
|---|---|---|
| **ASSETS** | | |
| ***Non-current assets*** | | |
| Equipment | 4 | **1,316,285** |
| ***Current assets*** | | |
| Other receivables | 5 | **7,500,000** |
| Cash and bank balances | 6 | **5,086,905** |
| | | **12,586,905** |
| **LIABILITIES** | | |
| ***Current liabilities*** | | |
| Creditors and accrued liabilities | 7 | **6,802,879** |
| Provision for tax-net | 8 | **1,314,285** |
| | | **8,117,164** |
| **Net assets** | | **5,786,026** |
| **REPRESENTED BY FUNDS:** | | |
| Accumulated funds | | **5,786,026** |
| **Contingencies and commitments** | 9 | |

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Lahore** **Chairman** **Director**

Lahore Biennale Foundation

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

Cash Flow Statement

*For the period from 28 March 2014 to 30 June 2015*

| | Note | 28 March 2014 to 30 June 2015 Rupees |
|---|---|---|
| ***Cash flows from operating activities*** | | |
| **Surplus of income over expenditure before taxation** | | 7,714,702 |
| *Adjustments for:* | | |
| Depreciation | 4 | 37,605 |
| Profit on bank deposits | 14 | (143,907) |
| Finance cost | 13 | 10,725 |
| | | (95,577) |
| **Surplus before working capital changes** | | 7,619,125 |
| ***Effect on cash flows due to changes in current assets and current liabilities*** | | |
| ***(Increase) in current assets:*** | | |
| Other receivables | | (7,500,000) |
| ***Increase in current liabilities:*** | | |
| Creditors and accrued liabilities | | 6,802,879 |
| **Cash generated from operations** | | 6,922,004 |
| Taxes paid | | (614,391) |
| Finance cost paid | | (10,725) |
| **Net cash generated from operating activities** | | 6,296,888 |
| ***Cash flows from investing activities*** | | |
| Capital expenditure incurred | | (1,353,890) |
| Profit on bank deposits received | | 143,907 |
| **Net cash used in investing activities** | | (1,209,983) |
| **Net increase in cash and cash equivalents** | | 5,086,905 |
| **Cash and cash equivalents at end of the year** | 6 | 5,086,905 |

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Lahore** | Chairman | **Director**

Lahore Biennale Foundation

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

Statement of Changes in Fund

*For the period from 28 March 2014 to 30 June 2015*

| | Accumulated Funds<br>-------Rupees----- |
|---|---|
| **Balance as at 28 March 2014** | - |
| Excess of income over expenditure for the period | 5,786,026 |
| **Balance as at 30 June 2015** | **5,786,026** |

The annexed notes from 1 to 17 form an integral part of these financial statements.

Lahore

Chairman

Director

## 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 Guidelines for Accounting and Financial Reporting Framework by Non-Government Organizations (NGOs) / Non-Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP).

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency and comparative figures

These financial statements are presented in Pakistan Rupees which is also the Foundation's functional currency and has been rounded to the nearest Rupee. These are the first financial statements of the Foundation prepared for the period from 28 March 2014 to 30 June 2015 and accordingly there are no comparative figures

### 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 judgments that effect the application of policies and reported amount of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of 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 financial statements or where judgments 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 ***Provisions 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 view 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 are set out below:

### 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 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 Company's non-financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, 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 inflows 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 costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of cash generating unit.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the 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 the extent that 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 looses 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.

### 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.

### 3.13 Bank profit

Profit on bank deposits is recognized on accrual basis.

## 4 Equipment

| | Generator and other electrical equipment | Computer equipment | Total |
|---|---|---|---|
| | ---------- Rupees ---------- | | |
| **30 June 2015** | | | |
| ***Cost*** | | | |
| At 28 March 2014 | - | - | - |
| Additions during the period | 1,320,890 | 33,000 | 1,353,890 |
| **At 30 June 2015** | **1,320,890** | **33,000** | **1,353,890** |
| ***Depreciation*** | | | |
| At 28 March 2014 | - | - | - |
| Charge for the period | 33,022 | 4,583 | 37,605 |
| **At 30 June 2015** | **33,022** | **4,583** | **37,605** |
| **Net book value at 30 June 2015** | **1,287,868** | **28,417** | **1,316,285** |
| **Depreciation rate %** | **10%** | **33.33%** | |

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5 This relates to receivable against sponsorship fee from Habib Bank Limited for Venice Biennale project.

| | | Note | 2015 Rupees |
|---|---|---|---|
| 6 | **Cash and bank balances** | | |
| | Cash in hand | | **77,298** |
| | *Cash at bank:* | | |
| | deposit accounts - local currency | *6.1* | **5,009,607** |
| | | | **5,086,905** |

**6.1** These carry mark-up at the rates ranging from 6.60 % to 7.10 % per annum.

| | | | |
|---|---|---|---|
| 7 | **Creditors and accrued liabilities** | | |
| | Creditors | | **6,571,147** |
| | Accrued liabilities | | **231,732** |
| | | | **6,802,879** |
| 8 | **Provision for tax-net** | | |
| | Provision for tax | | **1,928,676** |
| | Less: Advance tax | | **(614,391)** |
| | Balance at end of the year | | **1,314,285** |

9 **Contingencies and commitments**

There are no contingencies and commitments at the reporting date.

| | | Note | 28 March 2014 to 30 June 2015 |
|---|---|---|---|
| 10 | **Income** | | |
| | Donations | | **4,520,928** |
| | Sponsorships | | **15,000,000** |
| | | | **19,520,928** |
| 11 | **Project expenses** | | |
| | Advertisement and publicity | | **271,740** |
| | Consultancy and management services | | **231,402** |
| | Depreciation | *4* | **33,022** |
| | Electrical supplies | | **331,501** |
| | Entertainment expenses | | **213,749** |
| | Event management services | | **327,789** |
| | Office supplies | | **707,712** |
| | Project supplies | | **5,670,096** |
| | Rent, rates and taxes | | **1,000,000** |
| | Repair and maintenance | | **401,250** |
| | Travelling and conveyance | | **94,600** |
| | | | **9,282,861** |

| | Note | 28 March 2014 to 30 June 2015 |
|---|---|---|
| **12 Administrative expenses** | | |
| Salaries and benefits | | 1,692,396 |
| Office supplies | | 6,901 |
| Promotional expenses | | 177,679 |
| Repair and maintenance | | 1,935 |
| Depreciation | 4 | 4,583 |
| Travelling and conveyance | | 335,257 |
| Others | | 439,796 |
| | | 2,658,547 |

**13 Finance cost**

| | |
|---|---|
| Bank charges | 10,725 |

**14 Other income**

| | |
|---|---|
| Profit on bank deposits | 143,907 |
| Miscellaneous | 2,000 |
| | 145,907 |

**15 Remuneration of Chairman and Directors**

No amount was charged in these financial statements for the period in respect of remuneration of the Chairman and Directors of the Foundation.

**16 Related party transactions**

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

| Name of Party | Nature of relationship | Description of related party transaction | 2015 Value of transaction | 2015 Closing balance |
|---|---|---|---|---|
| | | | Rupees | Rupees |
| Mr. Osman Khalid Waheed | Director | Donation received | 3,000,000 | |

**17 Date of authorization for issue**

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

Lahore

Chairman

Director