Khyber Pakhtunkhwa Information Technology Board

Audited Financial Statements

Annual Audit

For the Year Ended June 30, 2021

Submitted by:
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Khyber Pakhtunkhwa Information Technology Board

Opinion

We have audited the financial statements of Khyber Pakhtunkhwa Information Technology Board (KPITB, the Entity), which comprise of statement of statement of financial position as at 30 June 2021, and the income and expenditure statement, the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year than ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Entity as at 30 June 2021, and of its financial performance and its cash flows for the year than ended, in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified by the Securities and Exchange Commission of Pakistan (SECP) and accounting standard for NPOs (together referred to as "applicable accounting and reporting standards")

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 Entity 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 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 the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with applicable accounting and reporting standards, and for such internal control as the 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 Entity's ability to continue as 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 Entity or cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility 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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatement 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 misstatements of the financial statements, whether due to fraud of 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw our 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 up to the dates of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as 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 presentations.

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

Other Matter
The financial statements of the Entity for the year ended 30 June 2020, were audited by another auditor who expressed an unmodified opinion on those financial statements on 13 April 2022.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Siraj Ahmad (R-2522).

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Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Place: Islamabad
Date: 18 MAY 2023

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	30-Jun-21 (Rupees)	30-Jun-20 (Restated) (Rupees)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	59,943,699	55,505,519
Intangible assets	5	86,323	97,990
Security deposits	6	1,583,624	1,583,624
		61,613,646	**57,187,133**
CURRENT ASSETS			
Advances	7	2,382,369	3,496,190
Prepayments		-	449,936
Other receivables	8	5,488,819	9,965,039
Short term investments	9	-	3,153,322
Tax recoverable		669,275	669,275
Bank balances	10	147,371,454	59,942,101
		155,911,917	**77,675,863**
TOTAL ASSETS		**217,525,563**	**134,862,996**
NET ASSETS AND LIABILITIES			
NET ASSETS			
Accumulated surplus		**87,888,877**	**76,504,455**
NON-CURRENT LIABILITIES			
Deferred grant- Multi Donor Trust Fund (MDTF)		11,441,753	-
Gratuity payable		26,809,206	16,637,808
Security payable- IT park com		1,326,859	1,192,879
Lease Liabilities		6,037,586	-
		45,615,404	**17,830,687**
CURRENT LIABILITIES			
Accrued expenses and other liabilities	11	30,211,785	40,527,854
Restricted grant- KP Finance Department	12	48,768,020	-
Current portion of lease liabilities		5,041,477	-
		84,021,282	**40,527,854**
TOTAL FUNDS AND LIABILITIES		**217,525,563**	**134,862,996**

CONTINGENCIES AND COMMITMENTS 13

The annexed notes from 1 to 26 form an integral part of these financial statements.

MANAGING DIRECTOR
Managing Director
Khyber Pakhtunkhwa
Information Technology Board

DIRECTOR
Muhammad Munaim
Director Finance & Accounts
Khyber Pakhtunkhwa
Information Technology Board

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2021

	Note	30-Jun-21 (Rupees)	30-Jun-20 (Restated) (Rupees)
INCOME			
Grant income - (restricted)			
- KP Finance		267,231,980	37,500,000
- Annual Development Program (ADP)		35,344,343	921,700
Higher Education Department (HED)		2,809,492	-
Other income	14	3,754,756	18,545,227
		309,140,571	**56,966,927**
EXPENDITURE			
Administrative expenses	15	118,455,109	110,941,455
Marketing expenses	16	485,734	403,307
Operational expenses	17	9,552,614	16,629,215
IT park subsidies	18	21,761,755	20,950,922
Other programs expenditure	19	147,500,938	148,454,440
		297,756,150	**297,379,339**
SURPLUS/ (DEFICIT) FOR THE YEAR		**11,384,422**	**(240,412,412)**

The annexed notes from 1 to 26 form an integral part of these financial statements.

MANAGING DIRECTOR
Managing Director
Khyber Pakhtunkhwa
Information Technology Board

DIRECTOR
Muhammad Munam
Director Finance & Accounts
Information Technology Board
Govt: of Khyber Pakhtunkhwa

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	30-Jun-21 (Rupees)	30-Jun-20 (Rupees)
Surplus/ (deficit) for the year	11,384,422	(240,412,412)
Other comprehensive income	-	-
Total Comprehensive Income for the Year	11,384,422	(240,412,412)

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Information Technology Board

DIRECTOR
Muhammad Munaim
Director Finance & Accounts
Information Technology Board
Govt. of Khyber Pakhtunkhwa

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 JUNE 2021

	Fund balance (Rupees)
Balance as at July 1, 2019	**316,916,867**
Total Deficit for the year	(240,412,412)
Other Comprehensive Income	-
Total Comprehensive Income	(240,412,412)
Balance as at June 30, 2020 - *Restated*	**76,504,455**
Balance as at July 1, 2020	**76,504,455**
Total Surplus for the year	11,384,422
Other Comprehensive Income	-
Total Comprehensive Income	11,384,422
Balance as at June 30, 2021	**87,888,877**

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Information Technology Board

DIRECTOR
Muhammad Munaim
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Information Technology Board
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KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	30-Jun-21	30-Jun-20 (Restated)
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net surplus/ (deficit)	11,384,422	(240,412,412)
Adjustment for:		
Depreciation	15,429,395	9,770,580
Amortization	11,667	11,667
Gratuity expense	11,651,931	6,392,729
Grant income	(302,576,323)	(38,421,700)
Unwinding of discount related to lease liability	1,035,441	-
	(263,063,467)	**(262,659,136)**
(Increase) / decrease in current assets		
Advances	1,113,821	(3,256,570)
Prepayments	449,936	-
Other receivables	4,476,220	(5,776,258)
Tax recoverable	-	2,222,717
	6,039,977	**(6,810,111)**
Increase / (decrease) in current liabilities		
Accrued expenses and other liabilities	**(10,316,069)**	**22,406,862**
Cash generated from operations	**(267,339,559)**	**(247,062,385)**
Gratuity payments	(1,480,533)	(476,113)
Security payable- IT park com	133,980	81,439
	(1,346,553)	**(394,674)**
Net cash generated from operating activities	**(268,686,112)**	**(247,457,059)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,619,452)	(8,718,873)
Encashment of short term investments	3,153,322	200,613,006
NET CASH GENERATED FROM INVESTING ACTIVITIES	**(1,466,130)**	**191,894,133**
CASH FLOW FROM FINANCING ACTIVITIES		
Payment against lease rentals	(5,204,501)	-
Grant received	362,786,096	38,421,700
	357,581,595	**38,421,700**
Net increase/ (decrease) in cash and cash equivalents	87,429,353	(17,141,226)
Cash and cash equivalents at beginning of the year	59,942,101	77,083,327
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**147,371,454**	**59,942,101**

The annexed notes from 1 to 26 form an integral part of these financial statements.

MANAGING DIRECTOR

Managing Director
Khyber Pakhtunkhwa
Information Technology Board

DIRECTOR

Muhammad Munair
Director Finance & Account
Information Technology Bo.
Govt. of Khyber Pakhtunk.

1 LEGAL STATUS AND OPERATIONS

Khyber Pakhtunkhwa Information Technology Board (therein after referred to as Board) is a public sector autonomous Board established under an Act of the Khyber Pakhtunkhwa Assembly on 12 May 2011. The registered office of the Board is situated at Plot No 134, 135 and 136, Industrial East Phase V, Hayatabad, Peshawar, Khyber Pakhtunkhwa. The principal activities of the Khyber Pakhtunkhwa Information Technology Board is to promote information technology, Information technology enabled services and Information technology enabled education for public and private sector of the province of the Khyber Pakhtunkhwa.

2 BASIS OF PREPARATION

2.1 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 comprise of:

International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified by the Securities and Exchange Commission of Pakistan (SECP).

In addition, guidance has been drawn from the Accounting Standard for NPOs to account for the grants whereby, deferral method is adopted to account for grants.

Management has adopted IFRS as the accounting and financial reporting framework in the current year. Previously,

-Revised Accounting and Financial Reporting Standard for the Small-Sized Entities (Revised AFRS for SSEs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.

-Accounting standard for the NPO's as issued by ICAP and

-Provisions of and directives issued under the Companies Act, 2017

were followed for the preparation of the financial statements. Since IFRS 1, 'First-time Adoption of International Financial Reporting Standards' has not been adopted by the Securities and Exchange Commission of Pakistan, therefore, adoption of IFRS has been treated as change in accounting policies in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' since it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Board's financial position, financial performance, or cash flows.

2.2 Basis of measurements

These financial statements have been prepared under the historical cost convention except as otherwise stated in respective notes.

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees which is the functional and presentation currency of KPITB. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

2.4 Standards and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Board

The following are the new standards and amendments to existing approved accounting standards that will be effective for the periods beginning on or after July 01, 2022 and are not likely to have an impact on the financial statements of the Board:

	Effective date:
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet finalized
(Amendment)	1 January 2022
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
IFRS 17: Insurance Contracts and related amendments to IFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to I	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Annual Improvements to IFRS Standards	1 January 2022
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023

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2.4 Significant accounting judgements and estimates

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associates 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 if the revision affects only that period, or in the period of revision and future periods in other cases. Judgments made by management in application of the approved accounting standards that have significant on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy notes. The areas where various assumptions and estimates are significant to the Board's financial statements or where judgment was exercised in application of accounting policies are as follows:

Estimates of useful life of property, plant and equipment (Note 4)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

3.1 PROPERTY, PLANT AND EQUIPMENT

3.1.1 Initial recognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment loss (if any).
The costs of property, plant and equipment include:

- its purchase price including import duties, non-refundable purchase taxes after deducting trade discounts and rebates;
- any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- Borrowing costs, if any.

3.1.2 Subsequent measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment loss (if any). Capital work in progress is stated at cost less impairment loss (if any).

3.1.3 Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the reducing balance method at rates specified in note 4 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the date the asset is put into use to the date of disposal.

3.1.4 Disposal

The gain or loss on disposal or retirement of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amounts of the assets and is recognized as other income in statement of comprehensive income.

3.2 Intangible assets

3.2.1 Measurement

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the Board and the cost of such asset can be measured reliably.
Costs directly associated with identifiable software that will have probable economic benefits exceeding, beyond one year, are recognized as an intangible asset.

Intangible asset with indefinite useful life

These are stated at cost less impairment, if any.

Intangible asset with definite useful life

a) These are stated at cost less accumulated amortization and impairment, if any.
b) Intangible assets are amortized on straight line basis over its estimated useful life(s) (refer note 5).
c) Amortization is charged so as to allocate the cost of assets over their estimated useful lives, using straight-line method at the rate specified in note 5 to the financial statements.

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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 if the revision affects only that period, or in the period of revision and future periods in other cases. Judgments made by management in application of the approved accounting standards that have significant on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy notes. The areas where various assumptions and estimates are significant to the Board's financial statements or where judgment was exercised in application of accounting policies are as follows:

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c) Amortization is charged so as to allocate the cost of assets over their estimated useful lives, using straight-line method at the rate specified in note 5 to the financial statements.

3.2.2 Judgment and estimates

The useful lives, residual values and amortization method are reviewed on regular basis. The effect of any changes in estimate accounted for on a prospective basis

3.3 Advances, deposits and other receivables

Advances, deposits and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method less an allowance for expected credit losses, if any. Allowance for expected credit losses is based on lifetime ECLs that result from all possible default events over the expected life of the other receivables. Bad debts, if any, are written off when considered irrecoverable.

3.4 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand and cash at banks in current and savings accounts.

3.5 Grant Income

Grants received for specific purposes are classified as restricted grants. Such grants are transferred to income to the extent of actual expenditure incurred there against. Unspent portion of such grant is reflected as deferred grant in the balance sheet.

Expenditure incurred against grant committed but not received is accrued and recognized in income and is reflected as grant receivable where there is reasonable assurance that the Board will comply with the conditions attached and that the grants will be received.

Grant that relate to purchase, construction, or otherwise acquisition of long-lived assets including intangible assets are recognized by the grant as deferred income. Deferred income is recognized in the income statement on a systematic and rational basis over the shorter of project life or useful of the asset in case, project budget specifies purchase of asset necessary to meet the objectives of the grant contract for that specific period, then such purchase is treated as period cost

Non monetary grants that are intended to compensate the Board for the specific cost is recognized systematically as income over the periods necessary to match those grants with the cost that are intended to compensate non-monetary grants are reported at fair value is determinable otherwise non monetary grants are reported at nominal amounts.

3.6 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Board.

3.7 Provision

Provisions are recognized when the Board has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

3.8 Staff benefits

Defined benefit plan

The Board operates an unfunded gratuity scheme for all its permanent employees. The scheme defines an amount of benefit that an employee will receive on retirement subject to minimum qualifying period of service under the scheme. The amount of benefit obligation is usually dependent on one or more factors such as years of service and salary.

The Board has not conducted actuarial valuation of Staff gratuity liability because management is confident that the liability calculated under actuarial valuation will not differ significantly from its current method of gratuity provision calculation, and the cost might exceed its benefits. Following are the assumptions which substantiate our opinion:
- There will be no significant increase in current salaries until current employee entitle to gratuity payment.
- All the permanent current employees will receive the gratuity payment, and;
- Current employees are not expected to work more than 5 years due to nature of industry.

3.10 Taxation

Current

In accordance with section 100C of the Income Tax Ordinance, 2001 (the Ordinance), the KPITB is allowed a tax credit equal to one hundred percent of the tax payable, including minimum tax and final tax payable, under any of the provisions of the Ordinance, subject to conditions as outlined in section 100C. Accordingly, no provision for tax has been recognized in the financial statements of the KPITB.

Deferred

No provision for deferred tax has been incorporated in the financial statements since the tax liability of KPITB does not arise as a consequence of tax credits allowed under the relevant provisions of the Income Tax Ordinance, 2001.

3.11 Financial Instruments

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments include non-derivative and derivative financial instruments. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Board.

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Board becomes a party to the contractual provisions of the financial instrument. Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification of financial assets

Financial assets are trade and other receivables, security deposits and cash and bank balances.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets, other than those designated and effective as hedging instruments, are classified into the following measurement categories:

- those to be measured at amortized cost; and
- those to be measured subsequently at fair value through profit or loss (FVTPL)
- those to be measured subsequently at fair value through otter comprehensive income (FVTOCI)

In the period presented the Board does not have any financial assets categorized as FVTOCI.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, other income.

Initial measurement of financial assets

All financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest

Subsequent measurement of financial assets

Financial assets at amortized cost- Financial assets held for the collection of contractual cash flows that are solely payments of principal and interest are measured at amortized cost, provided that they are not allocated to a hedge. Interest income from these financial assets is recognized in the financial result using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. All gains or losses resulting from derecognition, impairment losses, or currency translation are recognized directly in profit or loss. Impairment losses represent probability-weighted estimates of credit losses. They are calculated on the basis of the best available information and the time value of money. Reversals are carried out if the reasons for the impairment losses no longer apply. Financial assets measured at amortized cost include cash and cash equivalent, loan and advances, deposits, trade receivables, and other current operating receivables. In principle, the amortized cost in the case of current receivables corresponds to the nominal value or the redemption amount.

Financial assets at fair value through profit or loss (FVTPL) - Financial assets not meeting the criteria for the categories at amortized cost or fair value through other comprehensive income (FVTOCI) are measured at fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains an equity investment. The Board accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in equity instruments and listed equity securities at fair value through other comprehensive income (FVTOCI). The fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost. Assets in this category are measured at fair value with gains or losses recognized in profit or loss in the period in which they are incurred. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. The Board assesses on a forward-looking basis the expected credit losses associated with its loan and other debt-type instruments carried at amortized cost and FVTOCI as per IFRS-9 impairment requirements. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Board considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

Stage 1: financial instruments that have not deteriorated significantly in credit quality since initial recognition or that
Stage 2: financial instruments that have deteriorated significantly in credit quality since initial recognition and whose
Stage 3: financial assets that have objective evidence of impairment at the reporting date;

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Board designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss. In principle, the amortized cost in the case of current financial liabilities corresponds to the nominal value or the redemption amount.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments include non-derivative and derivative financial instruments. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Board.

Off setting of financial assets and financial liabilities

A financial asset and financial liability is off set and the net amount is reported in the statement of financial position if the Board has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

4 PROPERTY, PLANT AND EQUIPMENT

	Electric appliances	Computer and IT equipment	Vehicles	Communication equipment	Office equipment	Furniture and fixtures	Generator	Right of use of Assets	Total
					(Rupees)				
COST									
Balance as at 01 July 2019	7,832,210	10,952,253	23,672,349	3,593,699	6,788,691	11,241,508	12,544,468	-	76,625,178
Additions during the year	285,500	7,068,724	287,847	14,600	-	1,062,202	-	-	8,718,873
Balance as at 30 June 2020	8,117,710	18,020,977	23,960,196	3,608,299	6,788,691	12,303,710	12,544,468	-	85,344,051
Additions during the year	282,421	995,651	2,935,500		405,880		-	15,248,123	19,867,575
Balance as at 30 June 2021	**8,400,131**	**19,016,628**	**26,895,696**	**3,608,299**	**7,194,571**	**12,303,710**	**12,544,468**	**15,248,123**	**105,211,626**
DEPRECIATION									
Balance as at 01 July 2019	1,616,874	5,239,686	6,735,677	760,129	991,964	2,153,209	2,570,413	-	20,067,952
Charged during the year	946,927	2,025,806	2,583,678	426,835	869,509	1,421,717	1,496,108	-	9,770,580
Balance as at 30 June 2020	2,563,801	7,265,492	9,319,355	1,186,964	1,861,473	3,574,926	4,066,521	-	29,838,532
Charged during the year	838,487	3,398,045	2,513,092	363,199	782,266	1,309,327	1,271,692	4,953,287	15,429,395
Balance as at 30 June 2021	**3,402,288**	**10,663,537**	**11,832,447**	**1,550,163**	**2,643,739**	**4,884,253**	**5,338,213**	**4,953,287**	**45,267,927**
Written down value as at 30 June 2021	**4,997,843**	**8,353,091**	**15,063,249**	**2,058,136**	**4,550,832**	**7,419,457**	**7,206,255**	**10,294,836**	**59,943,699**
Written down value as at 30 June 2020	5,553,909	10,755,485	14,640,841	2,421,335	4,927,218	8,728,784	8,477,947	-	55,505,519
Rate of depreciation	**15%**	**30%**	**15%**	**15%**	**15%**	**15%**	**15%**		

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

		Note	30-Jun-21 (Rupees)	30-Jun-20 (Rupees)
5	**INTANGIBLE ASSETS**			
	Software			
	Cost			
	Opening balance		116,665	116,665
	Additions during the year		-	-
	Closing balance		**116,665**	**116,665**
	Amortization			
	Opening balance		18,676	7,009
	Charge for the year		11,667	11,667
	Closing balance		**30,342**	**18,676**
	Written down value as at	*5.1*	**86,323**	**97,990**

5.1 Intangible assets are amortized over their estimated useful life of 10 years.

		Note	30-Jun-21	30-Jun-20
6	**SECURITY DEPOSITS**			
	Security deposits	*6.1*	**1,583,624**	**1,583,624**

6.1 This represents the security deposits for rental agreements.

		Note	30-Jun-21	30-Jun-20
7	**ADVANCES**			
	To employees			
	- against salary - considered good	*7.1*	2,000,813	423,070
	- against operational expenses		381,556	306,620
	Advance for vehicle		-	2,766,500
			2,382,369	**3,496,190**

7.1 This includes interest free advances provided to employees in accordance with KPITB's policy.

		Note	30-Jun-21	30-Jun-20
8	**OTHER RECEIVABLES**			
	Rent	*8.1*	3,185,127	6,112,823
	MDTF		-	1,071,540
	Employees		92,275	107,141
	Broadband	*8.1*	880,171	1,090,287
	Power (electricity/ sui-gas)	*8.1*	1,331,246	1,583,248
			5,488,819	**9,965,039**

8.1 These represent subsidies receivable from IT Park Companies, as KPITB pays full rent, broad band and utility bills of IT Park as a whole and then recovery is made from these companies in proportion to their respective contracts as follows:

- Up to 18 months, KPITB provides 80% subsidy, and 20% recovery is made.
- For 18 to 36 months, 50% subsidy and 50% recovery is made.
- While for 36 to 54 months, 20% subsidy is provided and 80% recovery is made.

		Note	30-Jun-21	30-Jun-20
9	**SHORT TERM INVESTMNETS**			
	Bank of Khyber	*9.1*	**-**	**3,153,322**

9.1 This was invested at a daily product rate. It includes accrued mark up of Rs. Nil (2020: Rs. 3,153,322)

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

		Note	30-Jun-21 (Rupees)	30-Jun-20 (Rupees)
10	**BANK BALANCES**			
	Cash at bank- deposit accounts	*10.1*	**147,371,454**	**59,942,101**

10.1 These carry interest rates ranging between 6.15% to 10.6% (2020: 6.5% to 12%) per annum.

			30-Jun-21 (Rupees)	30-Jun-20 (Rupees)
11	**ACCRUED EXPENSES AND OTHER LIABILITIES**			
	Payroll payable		1,068	-
	Rent payable		303,999	2,332,876
	Income tax payable		104,587	948,751
	Sales tax payable - FBR		4,992	31,396
	Sales tax payable - KPRA		21,255	24,267
	Subsidies payable		6,332,469	7,228,344
	Other payables		21,235,848	29,962,220
	MDTF security payable		2,168,349	-
	Stamp duty payable		39,218	-
			30,211,785	**40,527,854**
12	**RESTRICTED GRANT- KP FINANCE DEPARTMENT**			
	Balance at the beginning of the year		-	-
	Grant received from Finance Department, KPK		316,000,000	37,500,000
	Grant realized during the year		(267,231,980)	(37,500,000)
	Balance at the end of the year		**48,768,020**	**-**

13 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at June 30, 2021 (2020: Nil).

			30-Jun-21 (Rupees)	30-Jun-20 (Rupees)
14	**OTHER INCOME**			
	Profit on investments		-	3,153,322
	Profit on deposit accounts		3,754,756	15,391,905
			3,754,756	**18,545,227**
15	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	*15.1*	102,968,668	100,759,208
	Legal and professional fee		33,857	400,000
	Depreciation		15,429,395	9,770,580
	Amortization		11,667	11,667
	Bank charges		11,522	-
			118,455,109	**110,941,455**

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		Note	30-Jun-21 (Rupees)	30-Jun-20 (Rupees)

15.1 Salaries, wages and other benefits includes gratuity expenses amounting to Rs. 11,651,931 (2020: Rs. 6,392,729), Insurance amounting to Rs. 6,414,185 (2020 Rs. 3,963,576) and Medical project staff expense amounting to Rs. 130,800 (2020: 688,700)

		Note	30-Jun-21 (Rupees)	30-Jun-20 (Rupees)
16	**MARKETING EXPENSES**			
	Advertisement charges		108,133	290,408
	Entertainment charges		377,601	112,899
			485,734	**403,307**
17	**OPERATIONAL EXPENSES**			
	Travelling allowance		2,253,778	2,958,953
	Office expenses		-	2,700
	Rent expenses		-	4,157,101
	Repair and maintenance expense		2,570,598	3,323,030
	Printing and stationary		419,117	486,584
	Utilities expense		3,128,683	3,338,260
	Honorarium		145,000	365,000
	Tax recoverable- write off	*17.1*	-	1,997,587
	Finance Cost on the lease rentals		1,035,438	-
			9,552,614	**16,629,215**

17.1 This represents the tax recoverable written off upon settelment of tax payable under section 149 (tax on services), section 153 (contracts, supply services) and section 155 (rent of buildings) as per demand raised by FBR. As per decision made by CIR (Appeals) on 29 June 2020, an amount of Rs. 669,275 was refundable to KPITB from bank attachment of Rs. 2,891,992.

		Note	30-Jun-21 (Rupees)	30-Jun-20 (Rupees)
18	**IT PARK SUBSIDIES**			
	IT park rent expenses		12,608,657	7,994,393
	Broad band connectivity expenses		4,225,158	8,384,251
	Power subsidy		3,581,244	3,027,253
	IT park expenses		1,346,696	1,545,025
		18.1	**21,761,755**	**20,950,922**
18.1	**Recovery against Subsidies**			
	Rent recovery	*18.1.1*	2,454,403	-
	Broad band	*18.1.1*	202,468	-
	Power subsidy	*18.1.1*	448,747	-
			3,105,618	**-**

18.1.1 These represent rent/utilities/broad band subsidies recovered from IT Park Companies and IT Park Subsidies expenses has been netted-off against this amount.

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	Note	30-Jun-21 (Rupees)	30-Jun-20 (Rupees)
19 OTHER PROGRAMMES EXPENDITURE			
Funded by KP Finance Department:			
Durshal	*19.1*	35,569,257	41,615,108
Pvt incubators collaboration program	*19.2*	8,929,007	14,723,173
Public incubators collaboration program	*19.3*	11,324,098	13,293,991
KP cyber emergency & response center	*19.4*	6,646,200	13,590,157
T & F Feasibility Tech city Abbottabad	*19.5*	-	19,805,151
Support and maint-KP web portal	*19.6*	2,025,730	449,324
Research study-ass and dev IT park	*19.7*	-	494,550
Pool budget		1,450,652	1,993,581
Est. pak digital city-Haripur	*19.8*	8,996,838	9,514,625
Internship cost	*19.9*	6,638,462	10,058,802
Youth employment programme	*19.10*	11,056,604	2,272,098
EAP phase I & II	*19.11*	19,720,469	20,643,880
		112,357,317	**148,454,440**
Funded by Annual Development Program (ADP):			
ADP- Youth employment program (YEP)		3,961,374	-
ADP- Early age programming (EAP)		28,767,504	-
ADP- DSU	*19.12*	2,414,743	-
	19.13	**35,143,621**	-
		147,500,938	**148,454,440**

		30-Jun-21 (Rupees)	30-Jun-20 (Rupees)
20 LEASE LIABILITY			
Opening balance as at 01 July 2020		15,248,123	-
Unwinding of discount	*20.1*	1,035,441	-
Payments during the year		(5,204,502)	-
Closing balance as at 30 June 2021		**11,079,062**	-
Current portion of lease liabilities		5,041,477	
Non-current portion of lease liabilities		6,037,586	
		11,079,063	-

20.1 Incremental borrowing rate of 8% p.a. has been used in for computation of present value of lease liabilities.

19.1 Durshal (meaning "gateway" in Pashto) is a flagship project of KPITB that aims to provide Technology-Based entrepreneurship in Khyber Pakhtunkhwa. Durshal expedite many startups to revolutionize into flourished businesses. Durshal Project envisions the digital transformation of Khyber Pakhtunkhwa by establishing a network of startup incubators and community spaces to facilitate the youth of Khyber Pakhtunkhwa with tech opportunities to empower them with training and enable them to get creative with innovative ideas and launch new businesses.

19.2 In order to effectively contribute to the digital transformation of the province and develop an enabling environment for entrepreneurship, KPIT Board has collaborated with existing market players such as private incubation centers, private academic institutes, and co-working spaces in three (03) different locations across the province. The private incubators collaboration program is a two (2) tiered program that offers (1) Incubation and (2) Acceleration. The program is built around the concept of efficient utilization of existing resources and expertise of reputable market players through a sustainable partnership for the benefit of the local tech community. The aim is to produce successful businesses that can commercialize technologies, create jobs, and strengthen local economies.

19.3 In order to effectively contribute to the digital transformation of the province and develop an enabling environment for entrepreneurship, KPITB has collaborated with existing market players such as the incubation centers/facilities of Public sector Universities/institutions at three (03) different locations across the province. The Public Universities incubators collaboration program is built around the concept of efficient utilization of existing resources and expertise of reputable market players through a sustainable partnership for the benefit of the local tech community. The aim is to produce successful businesses that can commercialize technologies, create jobs, and strengthen local economies. Globally, a great percentage of start-ups fail due to either of the following reasons:

- Constraint of initial investment
- Unavailability of free/low cost guidance
- Lack of knowledge about current market trends
- Lack of technical expertise.

Existing incubation centers of Public Sector Universities provide an array of business support resources and services in the form of the Durshal: Young Entrepreneur Support Program. Ranging from business assistance that comes in the form of management guidance, technical assistance, and consulting tailored for young entrepreneurs to provision of facilities and facility-based services such as space, shared business services, equipment, technology support services, and assistance in obtaining financing necessary for growth.

19.4 KPITB has established KP Cyber Emergency and Response Center (CERC) which aims to build capacity by leveraging expertise and skills in domains of cyber security. KP CERC is actively training skilled human resources to contribute towards empowering the government departments across KP along with industry by providing advisory in the cyber and information security area. It is empowering the government departments of KP with technology support by establishing and leading the Cybersecurity framework for the province along with establish Security Operation Centre (SoC) & Cyber Emergency Response Team (CERT) & guidelines for Cyber Emergency Incidence Response.

19.5 Presently, Abbottabad IT Park companies are operating in a rented building, with total covered area of 24,829 sq.ft. The possession of plot, measuring 21 kanals and 09 marlas has been transferred in 2012, from Food Department to the ST&IT Department, for the establishment of IT Park, near to the Main Mandian Road, Abbottabad. There are a number of IT startup companies in Abbottabad that have grown in size and revenue from startup and early-stage business to growth-stage business. These IT companies plan to move out of the subsidized space at the IT Park for further future extension and plan to construct their own business setups. For this purpose KP IT Board has approved the establishment of a Mini-Tech-Estate, along with IT Park, for allotment to growing IT Park companies on Lease/Build-operate-transfer (BOT) basis. The land earmarked for Mini-Tech-Estate would be divided into 10, 07 and 04 marla plots. The arrangement will enable companies to build their required setups according to the specifications of the KP IT Board.

19.6 Initially, the project was deployed and operationalized by the Directorate of Information Technology KP. Afterwards however, after the merger to Directorate of IT with KPITB, the web-portal project of KPITB initiated in January, 2017 andending in June, 2023 aims to provide the valid and updated information of the services of government bodies to the masses.

19.7 The purpose for hiring a consultancy firm was to conduct a study that would allow the KPITB to undertake a detail assessment of the IT Park companies of KPITB operating in Khyber Pakhtunkhwa on market potential, access to financial resources, potential local partners and significant presence which can provide a social network able to reinforce the sustainability of the IT Companies and the role of the KPITB to facilitate the companies in achieving these targets.

19.8 KPITB has commenced a project "Establishment of Pakistan Digital City at Haripur" which has been initially planned over an area of 86K-9M of land at Batrasi near Khanpur Interchange, Haripur, Khyber Pakhtunkhwa and will be scaled up in future. The Pakistan Digital City will host the ICT companies including some of the biggest names in the ICT industry. The aim of establishing the Digital City is to facilitate IT industry, promote business of the ICT and software companies, encourage innovations and entrepreneurship and to capitalize on the immense job creation potential of ICTs.

19.9 With a view to bridge the gap between academia and industry, KPITB's International Digital Internship Program provides on-site and hands-on expertise to the IT graduates to nurture their skills and prepare them as per the industry requirement.

19.10 KP Youth Employment Program aims to empower 40,000 un-employed/ under-employed youth in the province by providing a range of basic, intermediate and advance level skills in IT and linking them with employment opportunities. This will create a larger base of IT workers in the province, who can be tapped as the market develops. The program aims to reduce the industry academia skills gap by providing short courses that enhance employability in a changing economy.

19.11 A survey was conducted in year 2016-2017, while initiating Early Age Program (Phase-I/II) which revealed 1,600 Computer Labs were established in various government schools across the province however, these labs were of no use. The survey also revealed that no computer course or the subject had been taught to the school kids in this digital acclaimed arena and thus, in the situation KPITB had started early age programming in year 2017 initially in 60 schools to extend extensive knowledge of computer programming and languages from Classes VI to VIII. It is worth adding that there are four components of the program (i) teaching of programming concepts and computer course curriculum (ii) hands-on-expertise in programming tools – code, org-scratch (iii) development of mobile apps (iv) launching and publishing mobile apps and marketing plans.

19.12 Under the Digital Governance initiative, the Khyber Pakhtunkhwa Information Technology board has established a DSU under the governance of the chief minister secretariat with the vision of transforming governance through the use of ICT enables solutions. The DSU serves as a foundation for transforming government processes and help improve public service delivery through informed decision making. The DSU primarily act as the digital transformation arm for implementing the digital policy of the province directly working to support the chief executive of the province for championing the change management under the digital transformation.

19.13 Rs. 35,344,343 were received for the Annual Development Program (ADP), out of which Rs.35,143,621 were expensed for the purpose of sub- programs and remaining amount of Rs. 200,722 was capitalized for purpose of appliance purchased for ADP-DSU project.

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21 FINANCIAL RISK MANAGEMENT

KPITB has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note represents information about KPITB's exposure to each of the above risks and KPITB's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of KPITB's risk management framework. The Board is responsible for developing and monitoring the KPITB's risk management policies.

KPITB's risk management policies are established to identify and analyze the risks faced by KPITB, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and KPITB's activities. KPITB, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The Board of Directors of KPITB oversees how management monitors compliance with KPITB's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by KPITB.

21.1 Categorization of Financial Assets and Liabilities

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

	Amortized cost	Fair value through profit/loss	Fair value through OCI	Total
As at June 30, 2021		--------------- Rs ---------------		
Financial Assets				
Non-current financial assets				
Security deposits	1,583,624	-	-	1,583,624
Current financial assets				
Other receivables	5,488,819	-	-	5,488,819
Cash and Bank balances	147,371,454	-	-	147,371,454
	154,443,897	-	-	**154,443,897**
Financial Liabilities				
Non-current financial liabilities				
Security payable- IT park com	1,326,859	-	-	1,326,859
Lease liabilities	6,037,586	-	-	6,037,586
Current financial liabilities				
Accrued and Other Liabilities	30,041,733	-	-	30,041,733
Lease liabilities	5,041,477	-	-	5,041,477
	42,447,655	-	-	**42,447,655**

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As at June 30, 2020				
Financial Assets				
Non-current financial assets				
Security deposits	1,583,624	-	-	1,583,624
Current assets financial assets				
Term deposit Certificate	3,153,322	-	-	3,153,322
Other receivables	9,965,039	-	-	9,965,039
Cash and Bank balances	59,942,101	-	-	59,942,101
	74,644,086	-	-	74,644,086
Financial Liabilities				
Non-current financial liabilities				
Security payable- IT park com	1,192,879	-	-	1,192,879
Current financial liabilities				
Accrued and Other Liabilities	39,523,440	-	-	39,523,440
	40,716,319	-	-	40,716,319

21.2 Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. KPITB's credit risk is primarily attributable to short term investments, advances to employees, other receivables and bank balances. The management believes that KPITB is not exposed to major concentration of credit risk as the exposure is spread over a number of counter parties which are mainly banks with reasonable high credit ratings. The carrying amount of financial assets represents the maximum credit exposure at the reporting date are as follows:

	2021 Rupees	2020 Rupees
Short-term investments	-	3,153,322
Other receivables	5,488,819	9,965,039
Bank balances	147,371,454	59,942,101
	152,860,273	**73,060,462**

Break up of type of counter parties was as follows:

Banking companies	147,371,454	63,095,423
Others	5,488,819	9,965,039
	152,860,273	73,060,462

Geographically there is no concentration of credit risk. KPITB does not have any trade receivable. Based on past experience, the management believes that no impairment allowance is necessary in respect of its financial assets.

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21.2.1 Credit quality of Financial assets

The credit quality of the Board's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited (formerly JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Rating	2021 Rupees	2020 Rupees
Other receivables			
Counterparties without external credit ratings			
Others	unrated	5,488,819	9,965,039
Bank balances			
Bank of Khyber	A+/ A-1	37,877,515	59,917,964
Bank Alfalah	AA	543	543
Sindh Bank	A+/ A-1	109,469,803	-
Allied bank limited	AAA/ A1+	23,594	23,594
Short term investment			
Bank of Khyber	A+/ A-1	-	3,153,322

21.3 Liquidity risk

Liquidity risk is the risk that KPITB will not be able to meet its financial obligations as they fall due. KPITB's approach to manage liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The management believes that at the moment there is insignificant risk that KPITB will have difficulty in meeting its financial obligations as sufficient funds are available with KPITB. Carrying amount of KPITB's financial liabilities approximate the estimated contractual cash outflows which are due within one year of the balance sheet date.

	Carrying amount	Contractual cash flows	Within one year	One to five years
		30 June 2021		
Accrued expenses and other liabilities	30,041,733	(30,041,733)	(30,041,733)	
Lease liabilities	11,079,063	17,226,901	5,204,502	12,022,399
		30 June 2020		
Accrued expenses and other liabilities	39,523,440	(39,523,440)	(39,523,440)	

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

BTMA

21.4 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. KPITB is not significantly exposed to market risk.

21.5 Currency risk

KPITB is not significantly exposed to currency risk.

21.6 Interest rate

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure arises from short term investments and short term deposits with banks. At the balance sheet date the interest rate risk profile of the KPITB's interest bearing financial instruments is:

	Carrying amount	
	2021 Rupees	2020 Rupees
Financial assets		
Fixed rate instruments-Term Deposit Receipt	**147,371,454**	63,095,423

Fair value sensitivity analysis for fixed rate instruments

KPITB does not hold any financial asset at fair value through profit and loss. Therefore a change in interest rate at reporting date would not affect income and expenditure account of KPITB.

Cash flow sensitivity analysis for variable rate instruments

At reporting date, if the interest rate fluctuates by 5% with all the other variables remain constant, pre-tax profit would have been higher/lower by amount shown below.

Effect on profit for the year	**2021 Rupees**	2020 Rupees
Increase	7,368,573	3,154,771
Decrease	7,368,573	3,154,771

BTMA

21.7 Fair value of financial assets and liabilities

Fair value versus carrying amounts

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly that is, derived from prices.

- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

	Level 1	Level 2	Level 3
	Rupees	Rupees	Rupees
June 30, 2020			
Assets carried at fair value	-	-	-
June 30, 2021			
Assets carried at fair value	-	-	-

The carrying values of financial assets and liabilities reflected in financial statements approximate their respective fair values.

22 NUMBER OF EMPLOYEES

The total number of employees at year end were 70 (2020: 60) and the average number of employees during the year were 70 (2020: 70).

23 RESTATEMENT AND RE-CLASSIFICATIONS

Restatement relates to the tax recoverable amount written off as per decision made by CIR (Appeals) on 29 June 2020, an amount of Rs. 669,275 was refundable to KPITB, previously Rs.2,891,992 was recorded as tax recoverable.(Refer note 19).

Certain prior year figures have been reclassified and rearranged for the better presentation and comparison. However there are no material reclassifications to report except for:

	From	To	Rupees
Security deposits	Current assets	Non-current assets	1,583,624
Gratuity payable	Current liabilities	Non-current liabilities	16,637,808
Security payable- IT park com	Current liabilities	Non-current liabilities	1,192,879
Grant income (KP Finance)	Un-restricted	Restricted	37,500,000

24 RELATED PARTY TRANSACTION

The related parties comprise Managing Directors, Executives of the Board and the Government Departments providing the grants. The aggregate amounts charged in these financial statements for the year in respect of remuneration including benefits applicable to Managing Director and Executives of the Board, are given below:

	2020	
	Managing Director	Total
Salary	9,184,444	**9,184,444**
House Rent	3,858,750	**3,858,750**
Utilities	-	-
Entertainment	-	-
Fuel	-	-
Communication	-	-
	13,043,194	**13,043,194**
Number of Persons	**1**	**1**

	2021	
	Managing Director	Total
Salary	6,428,790	**6,428,790**
House Rent	2,864,944	**2,864,944**
Utilities	-	-
Entertainment	-	-
Fuel	-	-
Communication	-	-
	9,293,734	**9,293,734**
Number of Persons	**1**	**1**

The details of grants received from the related parties is provided below:

(In Rupees)	2021	2020
- KP Finance	**316,000,000**	37,500,000
- Annual Development Program (ADP)	**35,344,343**	921,700
- Multi Donor Trust Fund (MDTF)	**11,441,753**	-

25 GENERAL

Figures in these financial statements have been rounded off to the nearest Rupees.

26 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue by the Board of Directors on 18-05-2023.

MANAGING DIRECTOR

Managing Director
Khyber Pakhtunkhwa
Information Technology Board

DIRECTOR

Muhammad Munaim
Director Finance & Accounts
Information Technology Board
Govt: of Khyber Pakhtunkhwa