

ضیبر پختونخوا
انفارمیشن
ٹیکنالوجی بورڈ



KHYBER PAKHTUNKHWA
INFORMATION
TECHNOLOGY
BOARD

Financial Statements

for the year
2022-23



خیبر پختونخوا، انفارمیشن ٹیکنالوجی بورڈ
حکومت خیبر پختونخوا

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 (KPIT Board), which comprise of statement of financial position as at 30 June 2023, and the income and expenditure statement, the statement of comprehensive income, statement of changes in net assets 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 give a true and fair view of the financial position of KPIT Board as at 30 June 2023, and of its financial performance and its cash flows for the year then 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 Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) (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 KPIT Board 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 KPIT Board'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 KPIT Board or cease operations, or has no realistic alternative but to do so.

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

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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 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 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 KPIT Board'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 KPIT Board'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 KPIT Board 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.

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

Baker Tilly MIA

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants
Place: Islamabad

Date: **17 JAN 2025**

Unique Document Identification Number: AR202310286hGxZOr79u

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	30-Jun-23 (Rupees)	30-Jun-22 (Rupees)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,092,248,676	1,076,900,124
Intangible assets	5	4,975,261	74,655
Security deposits	6	1,583,624	1,583,624
Employee benefit/gratuity prepayment		-	1,460,579
		1,098,807,561	1,080,018,982
CURRENT ASSETS			
Tax recoverable	7	4,663,952	2,328,560
Advances	8	133,181,994	29,109,334
ADP Grant receivable		5,421,857	-
Other receivables	9	12,472,833	7,245,193
Bank balances	10	233,519,119	8,556,878
		389,259,755	47,239,965
TOTAL ASSETS		1,488,067,316	1,127,258,947
NET ASSETS AND LIABILITIES			
NET ASSETS			
Accumulated surplus		1,147,494,874	963,272,219
NON-CURRENT LIABILITIES			
Gratuity payable	11	769,343	-
Deferred grant- Multi Donor Trust Fund (MDTF)	12	3,719,883	36,534,255
Security payable - IT park companies		1,244,827	1,244,827
Lease Liabilities	13	47,742,038	57,614,068
		53,476,091	95,393,150
CURRENT LIABILITIES			
Accrued expenses and other liabilities	14	84,394,218	44,280,189
Restricted grant-KP Finance Department	15	172,813,769	-
Current portion of lease liabilities	13	29,888,364	24,313,389
		287,096,351	68,593,578
TOTAL NET ASSETS AND LIABILITIES		1,488,067,316	1,127,258,947
CONTINGENCIES AND COMMITMENTS			
	16		

The annexed notes from 1 to 28 form an integral part of these financial statements.


MANAGING DIRECTOR
 Khyber Pakhtunkhwa
 Information Technology Board


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

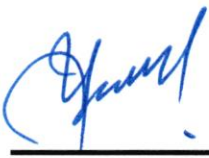
KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 (Rupees)	30-Jun-22 (Rupees)
INCOME			
Grant income - (restricted)			
- KP Finance	15	427,211,231	198,768,020
- Annual Development Program (ADP)		248,766,716	26,019,963
- Multi Donor Trust Fund (MDTF)	12	60,902,791	-
Higher Education Department (HED)		3,066,182	2,957,710
Other income	17	26,987,398	21,794,056
		766,934,318	249,539,749
EXPENDITURE			
Finance Cost	18	11,598,947	6,478,950
Administrative expenses	19	187,020,053	146,599,099
Marketing expenses	20	692,728	570,275
Operational expenses	21	20,323,000	12,564,684
IT park subsidies	22	15,672,969	24,466,174
Other programs expenditure	23	347,314,173	137,040,317
		582,621,870	327,719,499
SURPLUS/ (DEFICIT) FOR THE YEAR		184,312,448	(78,179,750)

The annexed notes from 1 to 28 form an integral part of these financial statements.


MANAGING DIRECTOR

Managing Director
Khyber Pakhtunkhwa
Information Technology Board


DIRECTOR

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

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	<u>30-Jun-23</u> <u>(Rupees)</u>	<u>30-Jun-22</u> <u>(Rupees)</u>
Surplus/ (Deficit) For The Year	184,312,448	(78,179,750)
Other comprehensive income		
Actuarial gain on gratuity scheme	(89,793)	6,813,092
Total Comprehensive Income/ (Loss) for the Year	<u>184,222,655</u>	<u>(71,366,658)</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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MANAGING DIRECTOR

Managing Director
Khyber Pakhtunkhwa
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 NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	Capital Account	Accumulated surplus (Rupees)	Total
Balance as at July 1, 2021		-	87,888,877	87,888,877
Deficit for the year		-	(78,179,750)	(78,179,750)
Land	4.1.1	946,750,000	-	946,750,000
Other Comprehensive Income		-	6,813,092	6,813,092
Total Comprehensive Income		946,750,000	(71,366,658)	875,383,342
Balance as at June 30, 2022		946,750,000	16,522,219	963,272,219
Balance as at July 1, 2022		946,750,000	16,522,219	963,272,219
Surplus for the year		-	184,312,448	184,312,448
Land		-	-	-
Other Comprehensive Income		-	(89,793)	(89,793)
Total Comprehensive Income		-	184,222,655	184,222,655
Balance as at June 30, 2023		946,750,000	200,744,874	1,147,494,874

The annexed notes from 1 to 27 form an integral part of these financial statements.


MANAGING DIRECTOR

Managing Director
Khyber Pakhtunkhwa
Information Technology Board


DIRECTOR

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

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	30-Jun-23 Rupees	30-Jun-22 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Deficit)/ Surplus for the year	184,312,448	(78,179,750)
Adjustment for:		
Depreciation	45,005,094	25,772,232
Amortization	56,667	11,667
Gratuity expense	12,721,629	9,512,169
Interest on plan assets	(4,580,096)	(1,129,507)
Grant income	(736,880,738)	(224,787,983)
Unwinding of discount related to lease liability	11,598,947	6,478,950
	(487,766,049)	(262,322,222)
(Increase) / decrease in current assets		
Tax recoverable	(2,335,392)	(1,659,285)
Advances	(104,072,660)	(26,726,965)
Other receivables	(5,227,640)	(1,756,374)
	(111,635,692)	(30,142,624)
Increase / (decrease) in current liabilities		
Accrued expenses and other liabilities	34,105,236	14,068,404
Cash Inflow/ (Outflow) From Operations	(565,296,505)	(278,396,442)
Contribution to Gratuity plan	(6,001,404)	(29,839,355)
Security payable- IT park companies	-	(82,032)
	(6,001,404)	(29,921,387)
Net Cash Flow From Operating Activities	(571,297,909)	(308,317,829)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(31,279,299)	(8,019,281)
Additions in intangible assets	(450,000)	-
Intangible Assets Under Development	(4,507,272)	-
Capital work in progress	(4,959,534)	(3,345,532)
Net Cash Inflow/ (Outflow) From Investing Activities	(41,196,105)	(11,364,813)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment against lease rentals	(34,002,023)	(20,244,399)
Grant received	871,458,278	201,112,465
Net Cash Inflow/ (Outflow) From Financing Activities	837,456,255	180,868,066
Net increase/ (decrease) in cash and cash equivalents	224,962,241	(138,814,576)
Cash and cash equivalents at beginning of the year	8,556,878	147,371,454
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	233,519,119	8,556,878

The annexed notes from 1 to 28 form an integral part of these financial statements.

MANAGING DIRECTOR

Managing Director
Khyber Pakhtunkhwa
Information Technology Board

DIRECTOR

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

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1 LEGAL STATUS AND OPERATIONS

Khyber Pakhtunkhwa Information Technology Board (therein after referred to as KPIT 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 KPIT Board is situated at Plot No 134, 135 and 136, Industrial Estate Phase V, Hayatabad, Peshawar, Khyber Pakhtunkhwa. The principal activities of the KPIT 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 Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP), whereby, deferral method is adopted to account for grants.

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 KPIT Board. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

2.4 Changes in accounting policies and disclosures resulting from adoption of new accounting standards and amendments

2.4.1 Amendments to accounting standards becoming effective in current year

The following amendments to standards have been effective and are mandatory for financial statements of the Organization for the period beginning on or after July 1, 2022.

Reference to the Conceptual Framework (Amendments to IFRS 3)

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

Annual Improvements to IFRS Standards 2018–2020

The above amendments does not have any material impact on the KPIT Board's financial statements in the period of initial application.

2.4.2 Amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the KPIT Board

Following amendments to standards have been published and are mandatory for the KPIT Board's accounting periods beginning on or after their respective effective dates:

	Effective date:
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	Effective date:
Non-Current liabilities with Covenants (Amendment to IAS 1)	1 January 2024
Amendment to IAS 7-Statement of Cashflows and IFRS 7-Financial Instruments Disclosures	1 January 2024
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	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
International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) — other disclosure requirements	1 January 2023
International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) — Application of the exception and disclosure of that fact	23 May, 2023

The above amendments are expected not to have a material impact on the financial statements in the year of adoption.

2.4.3 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been notified locally by the Securities and Exchange Commission of Pakistan (SECP) as at 30 June 2023:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

The following interpretations/ IFRS issued by IASB have been waived off by SECP:-

- IFRIC 12 – Service Concession Arrangements
- IFRS 2 – Share based payment in respect of Benazir Employees' Stock Option Scheme

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KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2.5 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 associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised 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 KPIT Board's financial statements or where judgment was exercised in application of accounting policies are as follows:

	Notes
Estimates of useful life of property, plant and equipment	4
Impairment	3.1.5
Provisions	3.7

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

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefit, in excess of the originally assessed standard of performance of the existing asset, will flow to the KPIT Board. Every other subsequent expenditure is recognized as an expense in the period in which it is incurred.

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.

3.1.5 Impairment

The assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognized in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. KPIT Board recognizes the reversal immediately in the statement of profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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 KPIT 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) using straight-line method.

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 KPIT Board will comply with the conditions attached and that the grants will be received.

Grants 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 KPIT 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 KPIT Board.

3.7 Provision

Provisions are recognized when the KPIT 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 - gratuity scheme

The KPIT Board operates an funded 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.

Provision is based on the actuarial valuation of the scheme carried out as at June 30, 2023 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits". The remeasurement gains / losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the statement of income and expenditure.

In the previous years, the KPIT Board has not conducted actuarial valuation of staff gratuity liability because management was confident that the liability calculated under actuarial valuation would not differ significantly from its current method of gratuity provision calculation.

3.9 Taxation

Current

In accordance with section 100C of the Income Tax Ordinance, 2001 (the Ordinance), the KPIT Board 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 KPIT Board.

Deferred

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

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3.10 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 KPIT Board.

Recognition and derecognition

Financial assets and financial liabilities are recognized when the KPIT 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 other comprehensive income (FVTOCI)

In the period presented the KPIT 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 KPIT 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 KPIT 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 KPIT 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 have low credit risk;
- Stage 2: financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low;
- 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.

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KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
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Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the KPIT 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 KPIT 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 KPIT 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.

Board

KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
NOTES TO FINANCIAL STATEMENTS
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4 PROPERTY, PLANT AND EQUIPMENT

	Note	2023 Rupees	2022 Rupees
Operating Fixed Assets	4.1	1,083,943,610	1,073,554,592
Capital work in progress	4.2	8,305,066	3,345,532
		1,092,248,676	1,076,900,124

4.1 Operating Fixed Assets

COST

	Land	Electric appliances	Computer and IT equipment	Vehicles	Communication equipment	Office equipment	Furniture and fixtures	Generator	Right of use of Assets	Total
Balance as at 01 July 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
Additions during the year	946,750,000	590,030	3,179,590	3,018,561	-	-	1,231,100	-	84,613,844	1,039,383,125
Balance as at 30 June 2022	946,750,000	8,990,161	22,196,218	29,914,257	3,608,299	7,194,571	13,534,810	12,544,468	99,861,968	1,144,594,751
Additions during the year	-	-	1,425,000	23,890,178	3,797,359	-	476,762	1,690,000	24,114,813	55,394,112
Balance as at 30 June 2023	946,750,000	8,990,161	23,621,218	53,804,435	7,405,658	7,194,571	14,011,572	14,234,468	123,976,781	1,199,988,863

DEPRECIATION

Balance as at 01 July 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
Charged during the year	-	784,411	2,823,417	2,373,229	308,720	682,626	1,262,963	1,080,939	16,455,927	25,772,232
Balance as at 30 June 2022	-	4,186,699	13,486,954	14,205,676	1,858,883	3,326,365	6,147,216	6,419,152	21,409,214	71,040,159
Charged during the year	-	720,519	2,888,024	5,342,138	679,082	580,231	1,125,955	1,095,205	32,573,939	45,005,094
Balance as at 30 June 2023	-	4,907,218	16,374,978	19,547,814	2,537,965	3,906,596	7,273,171	7,514,357	53,983,153	116,045,253

Written down value as at 30 June 2023

	946,750,000	4,082,943	7,246,240	34,256,621	4,867,693	3,287,975	6,738,401	6,720,111	69,993,627	1,083,943,610
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Written down value as at 30 June 2022

	-	4,803,462	8,709,264	15,708,581	1,749,416	3,868,206	7,387,594	6,125,316	78,452,753	1,073,554,592
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Rate of depreciation

0%	15%	30%	15%	15%	15%	15%	15%	15%		
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4.1.1 This represents land transferred to the 'Department of Science and Technology and Information Technology' from Government of Khyber Pakhtunkhwa (KP) departments and made available for use to the KPIT Board for the establishment of two projects:

(i) 86.45 kanals allocated for the Pakistan Digital City Haripur Project, which the Deputy Commissioner of Haripur has valued at Rs. 250,000 per marla, resulting in a total valuation of Rs. 432,250,000; and

(ii) 100 kanals comprising 31.45 kanals of commercial land and 68.55 kanals of non-commercial land designated for the Digital Economy and Skills Center (DESC) at Shankar Mardan, with the commercial area valued at Rs. 600,000 per marla and the non-commercial area valued at Rs. 100,000 per marla according to the Deputy Commissioner of Mardan, leading to an overall valuation of Rs. 514,500,000.

4.2 Capital work in progress

	2023 Rupees	2022 Rupees
Opening balance	3,345,532	-
Additions during the year	4,959,534	3,345,532
	8,305,066	3,345,532

4.2.1 Capital work in progress represents the construction of the Project Management Unit Office at Pakistan Digital City, Haripur on land as mentioned above in the note 4.1.1.

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FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 (Rupees)	30-Jun-22 (Rupees)
5 INTANGIBLE ASSETS			
Software			
Cost			
Opening balance	5.1	116,665	116,665
Additions during the year	5.2	450,000	-
Intangible Assets Under Development	5.3	4,507,272	-
Closing balance		5,073,937	116,665
Amortization			
Opening balance		42,010	30,343
Charge for the year		56,667	11,667
Closing balance		98,676	42,010
Written down value as at	5.4	4,975,261	74,655
5.1 It includes QuickBooks, as an accounting and financial management software used for bookkeeping, invoicing, and financial reporting.			
5.2 KPITB has procured a customized ERP software designed to comprehensively manage all its operational sections.			
5.3 This represents website and application being developed under the Pilot CFC Peshawar project to digitalize the backend processes of key citizen services across various government departments. Its primary goal is to facilitate citizens by providing access to essential public sector services from multiple government departments through a single online interface, offering a streamlined one-window service experience.			
5.4 Intangible assets are amortized over their estimated useful life of 10 years, excluding intangibles under development			
6 SECURITY DEPOSITS			
Security deposits	6.1	1,583,624	1,583,624
6.1 This represents the security deposits for rental agreements.			
7 TAX RECOVERABLE	7.1	4,663,952	2,328,560
7.1 This amount includes Rs. 2,334,618 (2022: Rs. 1,659,285) withholding tax deducted from KPITB against fees charged under the MDTF (note 12.2).			
8 ADVANCES			
To employees			
- against salary - considered good	8.1	11,623,313	3,090,309
- against operational expenses		1,564,290	1,414,610
Advance for vehicles		-	23,886,000
Mobilization advance	8.2	119,100,776	-
Security Deposit	8.3	893,615	718,415
		133,181,994	29,109,334
8.1 This includes interest free advances provided to employees in accordance with KPITB's policy.			
8.2 This represents mobilization advance paid to the National Logistic Cell (NLC) as per clause 60.11 para (1) of the contract agreement.			
8.3 This represent amount given as security to Pakistan State Oil for issuance of fleet cards for office vehicles.			

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KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 (Rupees)	30-Jun-22 (Rupees)
9 OTHER RECEIVABLES			
Rent	9.1	3,884,136	4,273,968
MDTF		4,841,364	-
Employees		864,309	92,275
Broadband	9.1	409,876	721,882
Power (electricity/ sui-gas)	9.1	1,847,750	1,961,868
Receivables from Pakistan Centre for Philanthropy		-	195,200
Receivable from gratuity fund		625,398	-
		12,472,833	7,245,193
9.1 These represent subsidies receivable from IT Park Companies where 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.			
10 BANK BALANCES			
Cash at bank- deposit accounts	10.1	233,519,119	8,556,878
10.1 These carry interest rates ranging between 13% to 19% (2022: 7% to 12.25%) per annum. Further, an amount of Rs. 39,642,404 kept with Bank of Khyber (2022: Rs. 31,238,635) against gratuity payable has been included as part of plan assets.			

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KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
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11 DEFINED BENEFIT GRATUITY PLAN

11.1 General description

As mentioned in Note 3.8, the KPIT Board operates an funded gratuity plan for all of its permanent employees. An annual provision has been made on the basis of an actuarial valuation to cover obligation under the scheme for all eligible employees.

11.2 Principal actuarial assumptions

The latest actuarial valuation of KPIT Board's defined benefit plan based on the Projected Unit Credit Method was carried out as at 30 June 2023. Actuarial gains/(losses) arising during the year are recognized in Other Comprehensive Income (OCI) in accordance with IAS-19 (Revised 2011). The significant assumptions used in the valuation are as follows:

- Discount rate of 13.50% per annum to determine defined benefit obligation and 10.25% to determine defined benefit cost.
- Expected increase in salary levels of 12.50% per annum to determine defined benefit obligations and 9.25% to determine defined benefit cost

11.3 Amounts recognized in the Statement of Financial Position

	Note	2023 Rupees	2022 Rupees
Present value of defined benefit obligation	11.5	39,786,349	29,778,056
Fair Value of Plan Assets	11.7	(39,642,404)	(31,238,635)
Benefits payables		625,398	-
Net Defined Benefit Liability/(Asset) as of end of year		<u>769,343</u>	<u>(1,460,579)</u>

11.4 Net Defined Benefit Liability (Asset) reconciliation

Net Defined Benefit Liability (Asset) at end of prior year	(1,460,579)	26,809,206
Defined Benefit Cost included in P&L	8,141,533	8,382,663
Total re-measurements included in OCI	(535,605)	(6,813,093)
Contribution	(6,001,404)	(29,839,355)
Benefits payables	625,398	-
Net Defined Benefit Liability (Asset) as of end of year	<u>769,343</u>	<u>(1,460,579)</u>

11.5 Movement in the present value of defined benefit obligation:

Present value of defined benefit obligation at beginning of the year	29,778,056	26,809,206
Current service cost	8,743,806	6,787,484
Interest cost	3,977,823	2,724,685
Benefit payment from employer	(625,398)	(453,820)
Re-measurements gains (recognized in other comprehensive income)	(2,087,938)	(6,089,499)
	<u>39,786,349</u>	<u>29,778,056</u>

11.6 Amount charged to defined benefit plan in the profit and loss account:

Current service cost	8,743,806	6,787,484
Interest cost on obligation	3,977,823	2,724,685
Interest income on plan assets	(4,580,096)	(1,129,507)
	<u>8,141,533</u>	<u>8,382,662</u>

11.7 Movement in the fair value of plan asset:

Fair Value of Plan Assets at the beginning of the year	31,238,635	-
Interest Income	4,580,096	1,129,507
Employer Contributions	6,001,404	29,839,355
Benefit payments from Plan	-	(453,820)
Re-measurement gains/(loss) (recognized in other comprehensive income)	(2,177,731)	723,593
Fair Value of Plan Assets at end of year	<u>39,642,404</u>	<u>31,238,635</u>

11.8 Plan Asset

Cash at Bank	39,642,404	31,238,635
	<u>39,642,404</u>	<u>31,238,635</u>

11.8.1 Composition of Plan Assets

Cash at bank /Deposits	100%	100%
Total	<u>100%</u>	<u>100%</u>

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KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 (Rupees)	30-Jun-22 (Rupees)
12 MULTI DONOR TRUST FUND (MDTF)			
Balance at the beginning of the year		36,534,255	11,441,753
Fees received from IT Companies and BPOs	12.1	28,088,419	25,092,502
Utilization		(60,902,791)	-
Balance at the end of the year		3,719,883	36,534,255

12.1 The Digital Jobs in Khyber Pakhtunkhwa project was funded by the Multi-Donor Trust Fund (MDTF) and administered by the World Bank until June 30, 2022. One of the key components of the project, Workaround, generated revenue through the allocation of seats to various BPO and IT companies. The revenue from this component is accumulated at the KPITB Head Office and is utilized as sustainability funds after the termination of MDTF support.

The World Bank support ended on June 30, 2022. Since then, the Workaround component has been sustained through its internally generated funds. Initially, the per-seat charges for the Workaround facility were set at \$55 per seat per month for the first year. Thereafter, each company was charged as per the actual cost, excluding HR expenses.

However, in September 2023, technical committee of the KPIT Board revised the seat charges, offering companies the option to either pay PKR 12,500 per seat or to be billed as per the actual cost, inclusive of HR costs for the Project Implementation Unit (PIU). Currently, the Workaround project component is operating on a self-sustainable basis.

12.2 This includes the tax amount of Rs. 2,334,618 (refer to note 7).

13 LEASE LIABILITY		30-Jun-23 (Rupees)	30-Jun-22 (Rupees)
Opening balance as at 01 July 2022		81,927,457	11,079,063
Additions		24,114,813	84,613,843
Finance cost	18	11,598,947	6,478,950
Payments made during the year		(34,002,023)	(20,244,399)
Accrued rent expense		(6,008,793)	-
Closing balance as at 30 June 2023		77,630,402	81,927,457
Current portion of lease liabilities		29,888,364	24,313,389
Non-current portion of lease liabilities		47,742,038	57,614,068
		77,630,402	81,927,457

Maturity analysis of lease liabilities:

	Minimum lease payments	Financial charges allocated to future periods 2023 PKR	Present value of minimum lease payments
Not later than one year	38,630,541	8,742,177	29,888,364
Later than one year but not later than five years	52,481,538	4,739,500	47,742,038
	91,112,080	13,481,677	77,630,402

The Khyber Pakhtunkhwa Information Technology Board has lease arrangements for eight properties to accommodate its office, IT Parks, CFC Project (ADP funded) and Durshal Project. The present value of these lease liabilities has been computed using incremental borrowing rates ranging from 8% to 17.53% per annum (2022: 8% per annum).

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 (Rupees)	30-Jun-22 (Rupees)
14 ACCRUED EXPENSES AND OTHER LIABILITIES			
Salaries payable		1,081	1,071
Rent payable		6,312,792	303,999
Utilities payable		5,501,665	-
Withholding tax payable		-	34,461
Sales tax payable - FBR		-	9,415
Sales tax payable - KPRA		-	5,621
Subsidies payable		14,853,107	13,629,299
Other payables		55,180,819	28,234,898
MDTF security payable		2,040,579	2,040,579
Stamp duty payable		-	406
Disable person rehabilitation payable		76,814	20,440
EOBI Payable		85,271	-
Retention Money Payable		152,090	-
Security Payable Durshal Companies		190,000	-
		84,394,218	44,280,189
15 RESTRICTED GRANT- KP FINANCE DEPARTMENT			
Balance at the beginning of the year		-	48,768,020
Grant received from Finance Department, KPK		600,025,000	150,000,000
Grant realized during the year		(427,211,231)	(198,768,020)
Balance at the end of the year		172,813,769	-
16 CONTINGENCIES AND COMMITMENTS			
There were no contingencies during the period (2022: Nil)			
Capital commitment		110,529,181	5,882,322
		110,529,181	5,882,322
17 OTHER INCOME			
Other Income		-	634,574
Profit on deposit accounts		17,798,926	10,208,259
Durshal Income		548,000	-
Subsidy recovery	17.1	8,640,472	10,951,223
		26,987,398	21,794,056
17.1 This represents the recovery made from IT Park companies for the rent, utilities and broad band subsidies provided to them.			
18 FINANCE COST			
Finance cost on lease liabilities		11,598,947	6,478,950
		11,598,947	6,478,950
19 ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	19.1	134,489,879	116,412,541
Legal and professional fee		5,939,197	1,466,143
Audit and professional Fee		960,000	495,000
Consultancy charges		557,000	2,435,100
Depreciation		45,005,094	25,772,232
Amortization		56,667	11,667
Bank charges		12,216	6,416
		187,020,053	146,599,099
19.1 Salaries, wages and other benefits includes gratuity expenses amounting to Rs. 12,721,629 (2022: Rs. 9,512,169).			
20 MARKETING EXPENSES			
Advertisement charges		85,636	117,209
Entertainment charges		607,092	453,066
		692,728	570,275

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KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 (Rupees)	30-Jun-22 (Rupees)
21 OPERATIONAL EXPENSES			
Travelling allowance		4,728,576	3,463,585
Office expenses		19,545	5,611
Rent expenses		215,150	-
Repair and maintenance expense		3,957,489	3,652,310
Printing and stationary		1,206,081	450,445
Utilities expense		4,938,687	3,505,088
Pool budget		5,242,472	1,467,645
Honorarium		15,000	20,000
		20,323,000	12,564,684
22 IT PARK SUBSIDIES			
IT park rent expenses		405,100	10,624,396
Broad band connectivity expenses		3,170,308	5,954,915
Power subsidy		7,924,604	6,386,125
IT park expenses		4,172,957	1,483,436
IT Parks		-	17,302
		15,672,969	24,466,174
23 OTHER PROGRAMMES EXPENDITURE			
Funded by KP Finance Department:			
Durshal	23.1	26,776,226	33,320,879
Private incubators collaboration program	23.2	-	5,394,674
Public incubators collaboration program	23.3	2,646,763	16,544,027
Khyber Pakhtunkhwa cyber emergency & response center	23.4	1,617,867	1,796,485
Support and maintenance - Khyber Pakhtunkhwa web portal	23.5	4,181,905	4,489,783
Establishment of Pakistan Digital City - Haripur	23.6	694,835	4,608,554
Internship Programme	23.7	55,526,112	17,053,361
Youth employment programme	23.8	24,486,861	16,509,482
Early age program phase I & II	23.9	-	12,143,427
Establishments of software technology parks (STPs)	23.10	7,722,224	538,782
Information and Communication Technology (ICT) Facilitation Center	23.11	22,842,498	728,790
Khyber Pakhtunkhwa Super App	23.12	17,135,596	5,210
Special Initiatives		7,246,227	-
		170,877,114	113,133,454
Funded by Multi Donor Trust Fund			
MDTF- Digital Job	12	60,902,791	-
		60,902,791	-
Funded by Annual Development Program (ADP):			
ADP- Youth employment program (YEP)		-	11,231,556
ADP- Early age programming (EAP)		-	3,590,600
ADP- DSU	23.13	2,565,500	3,973,500
ADP- Pilot Citizen facilitation center Peshawar		6,044,198	5,111,207
ADP-DCH		4,754,440	-
ADP-CFC KP		8,707,265	-
ADP-DESC		93,462,865	-
	23.14	115,534,268	23,906,863
		347,314,173	137,040,317

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KHYBER PAKHTUNKHWA INFORMATION TECHNOLOGY BOARD
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- 23.1** 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.
- 23.2** 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.
- 23.3** 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.
- 23.4** 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) and guidelines for Cyber Emergency Incidence Response.
- 23.5** Initially, the project was deployed and operationalized by the Directorate of Information Technology KP. However, after the merger to Directorate of IT with KPITB, the web-portal project of KPITB initiated in January, 2017 and ending in June, 2023 aims to provide the valid and updated information of the services of government bodies to the masses.
- 23.6** KPITB has commenced a project "Establishment of Pakistan Digital City at Haripur" which has been initially planned over an area of 86 kanals and 9 marlas 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.
- 23.7** 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.

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- 23.8** 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.
- 23.9** 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.
- 23.10** KPITB is establishing Software Technology Parks (STPs) across the province to foster the growth of the IT industry. These STPs will provide innovative technology companies with a conducive work environment, offering subsidized rents and essential facilities such as high-speed internet and power backup. Aimed at bridging technology gaps in secondary and tertiary cities, the STPs will promote collaboration between academia and industry, enhance IT exports, and support startups and SMEs. Initially, 15 STPs will be set up in universities, with an additional 7 in collaboration with PSEB in cities including Peshawar, Abbottabad, and Swat. The project will be overseen by a steering committee to ensure effective implementation and delivery of objectives.
- 23.11** KPITB proposes the establishment of an IT Facilitation Center to provide essential technical support to government departments in Khyber Pakhtunkhwa. This center will focus on developing new software, customizing existing applications, and offering post-deployment support, including troubleshooting and security patch management. By leveraging an in-house team of programmers, the center aims to address urgent software needs efficiently, reducing costs and timelines for complex changes. The initiative will mitigate the risk of software dysfunction due to lack of customization or funding, ensuring that critical applications remain functional and secure, thereby enhancing the overall effectiveness of government services in the province.
Primary objectives include i) Development of small-scale Web and Mobile Applications for short term purposes to support Government departments and attached formations on urgent basis. ii) To provide short term development assistance for completing specific customization tasks. iii) Training on the Customized/Newly developed Software Application.
- 23.12** Integration of government citizen facing services (portals/apps/digital solution) into a single platform for ease and convenience of the citizens, businesses and authorities. Enable citizens to access public services by a single point, even if the ownership of backend systems is with different departments or authorities. Primary objectives of KP Super App includes (i) Availability of all government citizen facing services through a unified platform with single sign on (ii) KP Citizen Digital Identification service (iii) Data Interoperability between departments (iv) Citizen awareness regarding all departments and their services.
- 23.13** 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.
- 23.14** A total of Rs. 243,344,859 (2022: Rs. 26,019,963) was received for the Annual Development Program (ADP). From the amount received, Rs. 117,050,811 (2022: Rs. 23,906,863) was utilized on sub-programs, and Rs. 2,686,000 (2022: Rs. 2,113,100) was expended for capital purchases related to ADP projects. Additionally, Rs. 4,507,272 (2022: Nil) was allocated for the development of the CFC Pilot Peshawar application, and Rs. 119,100,766 (2022: Nil) was provided as a mobilization advance to the contractor (note 8.2) for the ADP-DCH project.

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24 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

This note represents information about KPIT Board's exposure to each of the above risks and KPIT Board'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 KPIT Board's risk management framework. The Board is responsible for developing and monitoring the KPIT Board's risk management policies. KPIT Board's risk management policies are established to identify and analyze the risks faced by KPIT Board, 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 KPIT Board's activities. KPIT Board, 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 KPIT Board oversees how management monitors compliance with KPIT Board's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by KPIT Board.

24.1 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, 2023	----- Rs -----			
Financial Assets				
Non-current financial assets				
Security deposits	1,583,624	-	-	1,583,624
Current financial assets				
Other receivables	12,472,833	-	-	12,472,833
Cash and Bank balances	233,519,119	-	-	233,519,119
	247,575,576	-	-	247,575,576
Financial Liabilities				
Non-current financial liabilities				
Security payable- IT park com	1,244,827	-	-	1,244,827
Lease liabilities	47,742,038	-	-	47,742,038
Current financial liabilities				
Accrued and Other Liabilities	84,394,218	-	-	84,394,218
Lease liabilities	29,888,364	-	-	29,888,364
	163,269,447	-	-	163,269,447
As at June 30, 2022				
Financial Assets				
Non-current financial assets				
Security deposits	1,583,624	-	-	1,583,624
Current assets financial assets				
Other receivables	7,245,193	-	-	7,245,193
Cash and Bank balances	8,556,878	-	-	8,556,878
	17,385,695	-	-	17,385,695

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As at June 30, 2022

Financial Liabilities

Non-current financial liabilities

Security payable- IT park com	1,244,827	-	-	1,244,827
Lease liabilities	57,614,068	-	-	57,614,068

Current financial liabilities

Accrued and Other Liabilities	44,230,692	-	-	44,230,692
Lease liabilities	24,313,389			24,313,389
	127,402,976	-	-	127,402,976

24.2 Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. KPIT Board's credit risk is primarily attributable to short term investments, advances to employees, other receivables and bank balances. The management believes that KPIT Board 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

	2023	2022
	Rupees	Rupees
Security deposits	1,583,624	1,583,624
Other receivables	12,472,833	7,245,193
Bank balances	233,519,119	8,556,878
	247,575,576	17,385,695

Break up of type of counter parties was as follows:

Banking companies	233,519,119	8,556,878
Others	14,056,457	8,828,817
	247,575,576	17,385,695

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

24.2.1 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	2023	2022
		Rupees	Rupees
Other receivables			
Counterparties without external credit ratings			
Others	unrated	14,056,457	8,828,817
Bank balances			
Bank of Khyber	A+/ A-1	235,143,387	37,877,515
Bank Alfalah	AA+/A1+	543	543
Sindh Bank	A+/ A-1	37,986,200	109,469,803
Allied bank limited	AAA/ A1+	31,395	23,594

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24.3 Liquidity risk

Liquidity risk is the risk that KPIT Board will not be able to meet its financial obligations as they fall due. KPIT Board'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 KPIT Board will have difficulty in meeting its financial obligations as sufficient funds are available with KPIT Board. Carrying amount of KPIT Board's financial liabilities approximate the estimated contractual cash outflows which are due within one year

	Carrying amount	Contractual cash flows	Within one year	One to five years
30 June 2023				
Accrued expenses and other liabilities	84,394,218	(84,394,218)	(84,394,218)	-
Lease liabilities	77,630,402	(91,112,080)	(38,630,541)	(52,481,538)
	<u>162,024,620</u>	<u>(175,506,298)</u>	<u>(123,024,759)</u>	<u>(52,481,538)</u>
30 June 2022				
Accrued expenses and other liabilities	44,230,692	(44,230,692)	(44,230,692)	-
Lease liabilities	81,927,457	(93,513,483)	(26,774,984)	(66,738,499)
	<u>126,158,149</u>	<u>(137,744,175)</u>	<u>(71,005,676)</u>	<u>(66,738,499)</u>

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

24.4 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. KPIT Board is not significantly exposed to market risk.

24.5 Currency risk

KPIT Board is not significantly exposed to currency risk.

24.6 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 KPIT Board's interest bearing financial instruments is:

	Carrying amount	
	2023 Rupees	2022 Rupees
Financial assets		
Bank balances	<u>233,519,119</u>	<u>8,556,878</u>

Fair value sensitivity analysis for fixed rate instruments

KPIT Board 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 KPIT Board.

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.

	2023 Rupees	2022 Rupees
Effect on profit for the year		
Increase	<u>11,675,956</u>	<u>427,844</u>
Decrease	<u>11,675,956</u>	<u>427,844</u>

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24.7 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 KPIT Board 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 KPIT Board 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 Rupees	Level 2 Rupees	Level 3 Rupees
June 30, 2022			
Assets carried at fair value	-	-	-
June 30, 2023			
Assets carried at fair value	-	-	-

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

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25 NUMBER OF EMPLOYEES

The total number of employees at year end were 71 (2022: 72) and the average number of employees during the year were 71 (2022: 72).

26 RELATED PARTY TRANSACTIONS

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:

Salary
House Rent

Number of Persons

2023	
Managing Director	Total
12,857,250	12,857,250
3,780,000	3,780,000
16,637,250	16,637,250
1	1

Salary
House Rent

Number of Persons

2022	
Managing Director	Total
8,470,000	8,470,000
3,780,000	3,780,000
12,250,000	12,250,000
1	1

The details of grants received from the related parties is provided below:
(In Rupees)

- KP Finance
- Annual Development Program (ADP)
- Multi Donor Trust Fund (MDTF)

2023	2022
600,025,000	150,000,000
243,344,859	26,019,963
28,088,419	23,433,217

Bonus

27 GENERAL

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

28 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue by the Board of Directors on 17 JAN 2025.

MANAGING DIRECTOR

Managing Director
Khyber Pakhtunkhwa
Information Technology Board

DIRECTOR

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