

LODHRAN PILOT PROJECT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2018

INDEPENDENT AUDITORS' REPORT TO THE GENERAL BODY

Opinion

We have audited the financial statements of **Lodhran Pilot Project** (herein after referred as the Society), which comprises the statement of financial position as at June 30, 2018, and the statement of income and expenditure, statement of comprehensive income, statement of cash flows and statement of changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2018, and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

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 Society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 3.10 to the financial statements. The Society has changed its accounting policy with respect to revenue recognition in order to bring it in conformity with Section 6 'Contributions — Revenue Recognition' of the Accounting Standard for Not for Profit Organizations issued by the Institute of Chartered Accountants of Pakistan. Our opinion is not modified in respect of this matter.

Responsibilities of management and Those Charged with Governance for the Financial Statements

The Management Committee is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Committee 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 Committee is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

(Chartered Accountants)

Lahore: 06 DEC 2018

Name of engagement partner: Muhammad Ali Rafique

LODHRAN PILOT PROJECT
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	(Restated) 2017 Rupees	(Restated) 2016 Rupees
<u>ASSETS</u>				
Non-current assets				
Property and equipment	5	8,006,466	8,269,934	8,957,629
Intangible assets	6	293,465	194,313	242,891
Long term security deposits	7	320,000	237,200	352,093
		<u>8,619,932</u>	<u>8,701,447</u>	<u>9,552,613</u>
Current assets				
Advances, prepayments and other receivables	8	982,076	8,026,215	9,092,793
Income tax refunds due from Government		31,708	-	-
Bank balances	9	11,682,430	23,799,448	49,406,923
		<u>12,696,214</u>	<u>31,825,663</u>	<u>58,499,716</u>
Total assets		<u>21,316,146</u>	<u>40,527,110</u>	<u>68,052,329</u>
<u>LIABILITIES</u>				
Non-current liabilities				
Deferred contribution related to capital assets	10	-	209,573	715,386
Deferred contributions related to expenses of future periods	11	5,708,552	21,852,951	17,318,339
		<u>5,708,552</u>	<u>22,062,524</u>	<u>18,033,725</u>
Current liabilities				
Payable to suppliers		3,965,540	3,943,089	4,853,746
Accrued and other liabilities	12	3,634,047	627,092	8,136,716
Provision for taxation	18	-	783,154	-
		<u>7,599,587</u>	<u>5,353,335</u>	<u>12,990,462</u>
Total liabilities		<u>13,308,139</u>	<u>27,415,859</u>	<u>31,024,187</u>
<u>NET ASSETS</u>				
		<u>8,008,007</u>	<u>13,111,251</u>	<u>37,028,142</u>
REPRESENTED BY:				
Un-restricted fund		<u>8,008,007</u>	<u>13,111,251</u>	<u>37,028,142</u>

CONTINGENCIES & COMMITMENTS

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The annexed notes from 1 to 21 form an integral part of these financial statements.



PRESIDENT


FINANCE SECRETARY

**LODHRAN PILOT PROJECT
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
INCOME			
Amortization of deferred contributions:			
-related to capital assets	10	-	65,891
-related to expenses of future periods	11	64,382,195	103,851,872
Other income	14	33,062	204,657
Donations	15	47,100,000	45,960,228
		111,515,257	150,082,648
EXPENDITURE			
Project expense:	16		
Project cost		(60,364,893)	(96,013,735)
Operational cost		(4,017,302)	(7,838,137)
		(64,382,195)	(103,851,872)
Program expense:	17		
Program cost		(49,822,462)	(58,952,609)
General and administrative expenses		(6,457,847)	(9,847,761)
		(56,280,309)	(68,800,370)
Total expenditure		(120,662,504)	(172,652,242)
Excess of expenditure over income before taxation		(9,147,247)	(22,569,594)
Taxation	18	783,154	(783,154)
Excess of expenditure over income after taxation		(8,364,094)	(23,352,748)

The annexed notes from 1 to 21 form an integral part of these financial statements.

PRESIDENT


Manamta Khan


FINANCE SECRETARY

**LODHRAN PILOT PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of expenditure over income before taxation		(9,147,247)	(22,569,594)
Adjustments for non-cash income and expenses:			
Amortization expense	11	(64,382,195)	(103,851,872)
Donation recognized during the year	15	(47,100,000)	(45,960,228)
Amortization of deferred contributions related to capital assets	10	-	(65,891)
Loss/(gain) on disposal of property and equipment	14	3,742	(92,343)
Depreciation of property and equipment	5	1,227,447	1,221,950
Amortization of intangible assets	6	70,348	48,578
		<u>(119,327,906)</u>	<u>(171,269,400)</u>
Changes in working capital:			
Advances, prepayments and other receivables		578,897	1,098,286
Payable to suppliers		22,451	(910,657)
Accrued and other liabilities		3,006,955	(7,509,624)
Cash used in operations		<u>(115,719,602)</u>	<u>(178,591,395)</u>
Taxes paid		6,433,533	(31,708)
Grant/donations received during the year		98,389,072	153,377,357
Net cash (outflow) from operating activities		<u>(10,896,997)</u>	<u>(25,245,746)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for acquisition of property and equipment		(906,344)	(525,491)
Deferred contribution related to capital assets		(76,000)	(150,000)
Proceed from disposal of property and equipment		14,623	198,870
Refund /(addition) of / in security deposits		(82,800)	114,893
Net cash (outflow) from investing activities		<u>(1,220,021)</u>	<u>(361,728)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Net decrease in cash and cash equivalents		<u>(12,117,018)</u>	<u>(25,607,474)</u>
Cash and cash equivalents at the beginning of the year		23,799,448	49,406,923
Cash and cash equivalents at the end of the year	9	<u>11,682,430</u>	<u>23,799,448</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.


PRESIDENT


FINANCE SECRETARY