



HABIB UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **HABIB UNIVERSITY FOUNDATION** (incorporated as a company limited by guarantee not having share capital) as at 30 June 2012 and the related income and expenditure account, cash flow statement and statement of changes in funds together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Foundation's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Foundation as required by the Companies Ordinance, 1984;
- b) in our opinion :
 - i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Foundation's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Foundation;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in funds together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Foundation's affairs as at 30 June 2012 and the results of its operations, its cash flows and changes in Funds for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).


Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia
29 September 2012
Karachi

HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	993,892,903	671,794,475
Intangible assets	6	137,141,046	78,845,085
Long term investments	7	60,343,703	51,986,698
		<u>1,191,377,652</u>	<u>802,626,258</u>
CURRENT ASSETS			
Advances - unsecured, considered good	8	520,891	1,031,916
Deposits and prepayments	9	3,126,257	4,726,003
Accrued interest		591,780	64,809
Other receivables	10	29,318	14,118
Taxation – net		7,778,474	6,388,758
Short term investments	11	51,358,630	51,459,931
Cash and bank balances	12	95,679,713	14,177,987
		<u>159,085,063</u>	<u>77,863,522</u>
TOTAL ASSETS		<u>1,350,462,715</u>	<u>880,489,780</u>
FUND AND LIABILITIES			
FUND AND RESERVES			
General Fund		1,294,733,181	840,204,508
NON-CURRENT LIABILITIES			
Long term advances	13	343,699	284,815
Non monetary government grant	14	14,234,000	17,650,160
		<u>14,577,699</u>	<u>17,934,975</u>
CURRENT LIABILITIES			
Trade and other payables	15	37,735,675	18,934,137
Current portion of non monetary government grant	14	3,416,160	3,416,160
		<u>41,151,835</u>	<u>22,350,297</u>
CONTINGENCIES AND COMMITMENTS			
	16		
TOTAL FUND AND LIABILITIES		<u>1,350,462,715</u>	<u>880,489,780</u>

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



Chief Executive



Director

HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

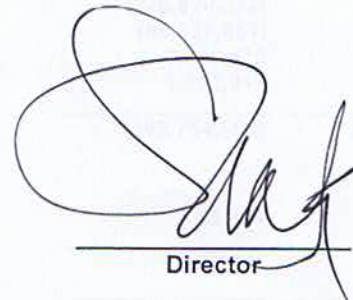
	Note	2012	2011
INCOME		Rupees	Rupees
Donations	17	475,922,393	193,649,400
Other income	18	17,483,402	4,604,828
		493,405,795	198,254,228
EXPENDITURE			
Academic program expenses	19	2,179,037	1,052,696
Administrative and general expenses	20	28,478,195	21,798,307
Other charges	21	3,174	165,655
Net deficit on projects	22	8,216,716	11,940,329
		38,877,122	34,956,987
Surplus for the year carried to general fund		454,528,673	163,297,241

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

E.Y.F.W.



Chief Executive



Director

HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Generated from Operations			
Surplus for the year		454,528,673	163,297,241
Adjustment for Non-cash Charges & Other Items			
Depreciation		10,519,346	9,189,035
Provision for leave encashment		2,866,082	2,421,643
Amortization of non monetary government grant		(3,416,160)	(3,416,160)
Profit on deposit accounts		(3,003,380)	(1,158,198)
Profit on investments		(14,189,473)	(3,446,630)
Amortization of intangible assets		541,590	470,388
(Gain)/loss on sale of fixed assets		(290,549)	153,902
		<u>(6,972,544)</u>	<u>4,213,980</u>
Surplus before working capital changes		447,556,129	167,511,221
Working Capital Changes			
Increase in liabilities		17,355,510	9,567,124
(Increase) / decrease in current assets		705,855	1,905,681
Cash Used In Operations		<u>(1,420,054)</u>	<u>(1,413,901)</u>
Payment for compensated absences		(1,420,054)	(1,413,901)
NET CASH GENERATED FROM OPERATING ACTIVITIES		<u>464,197,440</u>	<u>177,570,125</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Long-term investments		-	(50,000,000)
Purchase of property, plant and equipment		(8,029,770)	(17,722,949)
Payment in relation to capital work in progress		(325,820,372)	(48,696,919)
Payment in relation to intangible assets		(58,837,551)	(44,367,243)
Profit received on deposit accounts and short term investments		8,410,178	1,093,390
Sale proceeds of fixed assets		1,522,917	-
NET CASH (USED IN) INVESTING ACTIVITIES		<u>(382,754,598)</u>	<u>(159,693,721)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term advances		58,884	58,884
NET CASH GENERATED FROM FINANCING ACTIVITIES		<u>58,884</u>	<u>58,884</u>
Net increase in cash and cash equivalents		81,501,726	17,935,288
Cash and cash equivalents at the beginning of the year		64,177,987	46,242,699
Cash and cash equivalents at the end of the year		<u>145,679,713</u>	<u>64,177,987</u>
CASH AND CASH EQUIVALENTS			
Cash and bank balances	12	95,679,713	14,177,987
Short-term investments	11	50,000,000	50,000,000
		<u>145,679,713</u>	<u>64,177,987</u>

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



Chief Executive



Director

HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

The Habib University Foundation (the Foundation) was incorporated in Pakistan as a company limited by guarantee not having share capital under section 42 of the Companies Ordinance, 1984 on October 10, 2007. The Foundation is principally engaged in establishing a research-based university which will focus on Science, Engineering, Social Science and Entrepreneurship. The Foundation is also engaged in managing a vocational training institute for enhancing marketable skills for the youth to increase youth employability, and various other philanthropic projects that facilitate access to quality education. The Foundation has also undertaken various youth development projects in collaboration with Government of Sindh with an aim to improve the quality of educational programs in the country. The city campus of the university is currently under construction and it is anticipated that the university will start its first cohort from fall 2014. Construction at the main campus has not yet started.

2. BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of historical cost convention.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for "Medium-Sized Entities (MSEs)" issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Significant accounting judgments, estimates and assumptions

The preparation of the Foundation's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) Determining the residual values and useful lives of property, plant and equipment (Note 4.2);
- (b) Determining the useful lives of intangible assets (Note 4.3);
- (c) Impairment of assets (Note 4.16).

Estimate

4.2 Fixed assets and depreciation

4.2.1 Property, plant and equipment

Owned

Operating property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for donated land and building, stated at fair value determined by an independent valuer less accumulated depreciation. The value assigned to the donated leasehold land is not depreciated where the lease is renewable at the option of the lessee.

Depreciation is charged to Income and expenditure account using straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates specified in Note 5.1. Depreciation on additions is charged for the full month in which an asset is put to use and on disposal upto the month immediately preceding the disposals. Assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end.

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to Income and expenditure account as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Foundation.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Gains and losses are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the Income and expenditure account in the period in which they arise.

4.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating assets in the course of construction, installation and borrowing costs for qualifying assets if its recognition criteria are met. The cost under this head shall be transferred to operating fixed assets when the asset is available for use.

4.3 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Foundation and that the cost of such asset can also be measured reliably.

Costs incurred on the acquisition of computer software are capitalized and are amortized on straight line basis over their estimated useful life. Amortization is charged in the month in which the asset is put to use at the rates stated in Note 6 to the financial statements.

Project development cost comprises of costs in relation to development of academic planning & modeling and networking & partnership frameworks. The frameworks are in development phase and for internal use. Development costs that are clearly defined and identifiable, where the technical utilization, sufficient resources and a potential market or development potential can be established and where there is an intention to produce, market or use the project, are recognized as an intangible asset. It includes costs directly attributable to the development of these assets. Following initial recognition of the development expenditure as an asset, the cost model will be applied requiring the amount to be carried at cost less any accumulated amortization and accumulated impairment losses. Capitalized development costs will be amortized on a straight-line basis over the period of expected future benefit from the date of completion / development of these assets and the asset is available for use.

Useful lives of intangible assets are reviewed, at each financial year end and adjusted if appropriate.

The carrying value of intangible assets is reviewed for impairment at each financial year end when events or changes in circumstances indicate that the carrying value may not be recoverable.

Signature

4.4 Investments**Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

These investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition on the date the company commits to purchase. After initial recognition, these are recognised at amortized cost.

4.5 Loans, advances and other receivables

These are stated at cost less provision for doubtful balances, if any.

4.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current and deposit accounts, other short-term highly liquid investments with original maturities of three months or less and running finance under mark-up arrangements.

4.7 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 the goods and services received, whether or not billed to the Foundation.

4.8 Employees' compensated absences

Compensated absences are accounted for on the basis of un-availed earned leave balance of each employee at the end of the year.

4.9 Taxation

The Foundation's income is exempt from income tax under section 2(36) (c) of the Income Tax Ordinance, 2001. Consequently, no provision for taxation has been made in these financial statements.

4.10 Provisions

Provisions are recognized when the Foundation has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.11 Staff retirement benefits

The Foundation operates an approved contributory provident fund for all eligible employees. Equal monthly contributions are made by the Foundation and the employees to the fund at the rate of 8.33% of basic salary.

Contributions from Foundation are charged to income for the year.

4.12 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to Income and expenditure account currently.

E. Y. Khan

4.13 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet if the Foundation has legally enforceable right to setoff the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

4.14 Revenue recognition**(a) Donations**

Donations in cash are recognized as income as and when received.

Donations in kind in the form of assets with no future related costs are recognized as income of the period in which it becomes receivable / received, at fair value determined by the independent valuers.

(b) Return on bank deposits

Return on term deposits and saving accounts is recognized on an accrual basis.

(c) Income from Youth Development Projects

Income related to youth development projects initiated in collaboration with Government of Sindh is recognized on a monthly basis equal to the amount of expenses incurred on behalf of the Government of Sindh.

4.15 Government grant

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that is intended to compensate. Grants received in the form of non monetary items are recorded at fair value and recognized as deferred income and released to income and expenditure account on a straight line basis over the useful lives of asset from the date the asset is available for internal use.

4.16 Impairment

The carrying amounts of the Foundation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to income in the period in which they arise.

	Note	2012 (Rupees)	2011 (Rupees)
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	559,289,715	563,011,659
Capital work-in-progress	5.2	434,603,188	108,782,816
		<u>993,892,903</u>	<u>671,794,475</u>

STAFF

5.1 The following is a statement of operating fixed assets:

	Cost			Rate (%)	Accumulated Depreciation / Amortization			Book value as at June 30, 2012
	As at July 1, 2011	Additions / (Disposals)	As at June 30, 2012		As at July 1, 2011	Charge for the year / (Disposals)	As at June 30, 2012	
	(Rupees)				(Rupees)			
Leasehold land & building (Note 5.1.1)	28,468,000	-	28,468,000	12%	7,401,680	3,416,160	10,817,840	17,650,160
Leasehold land (received as donation) (Note 5.1.2)	524,682,996	-	524,682,996	-	-	-	-	524,682,996
Building improvement	-	2,990,107	2,990,107	46%	-	1,380,049	1,380,049	1,610,058
Motor vehicles	13,722,528	1,968,605 (1,877,350)	13,813,783	20%	5,572,930	1,751,102 (650,815)	6,673,217	7,140,566
Office equipments	8,190,936	624,972	8,815,908	20%	3,355,598	1,699,689	5,055,287	3,760,621
Furniture and fixtures	2,947,824	751,575	3,699,399	20%	1,123,104	724,932	1,848,036	1,851,363
Library books	435,793	-	435,793	33%	310,238	83,537	393,775	42,018
Computers and multimedia	7,532,196	1,694,511 (70,000)	9,156,707	33%	5,205,064	1,463,877 (64,167)	6,604,774	2,551,933
Total - June - 2012	585,980,273	8,029,770 (1,947,350)	592,062,693		22,968,614	10,519,346 (714,982)	32,772,978	559,289,715
Total - June - 2011	568,446,600	17,722,949 (189,276)	585,980,273		13,814,953	9,189,035 (35,374)	22,968,614	563,011,659

5.1.1 This represents fair value of leasehold land & building received by the Foundation from City District Government Karachi (CDGK) as grant for vocational training institute for the period of ten years as referred to in note 14 to the financial statements. The valuation of leasehold land & building was carried out on May 15, 2009 by an independent valuer on the basis of their professional assessment.

5.1.2 This represents fair value of leasehold land received in the form of donation by the Foundation from Auvitronics Limited, amounting Rs.509,410,000 for Construction of City Campus of University. The valuation of leasehold land was carried out on February 16, 2010 by an independent valuer on the basis of their professional assessment. Subsequently, expenses incurred on registration of land amounting to Rs. 15,272,996/- are also included in the carrying value.

5.1.3 Depreciation / amortization charge for the year has been allocated as under:

	Note	2012 (Rupees)	2011 (Rupees)
Administrative and general expenses	20	1,912,111	2,323,083
Project expenses		4,533,840	4,530,973
Capital work in progress	5.2.2	2,392,721	1,705,361
Intangible assets		1,680,674	629,618
		10,519,346	9,189,035

5.2 Capital work-in-progress

	Civil works - University Building (Note 5.2.1)	Advances to suppliers and contractors	Other directly attributable costs (Note 5.2.2)	Total 2012	Total 2011
	(Rupees)				
Balance as at July 1	89,622,506	-	19,160,310	108,782,816	60,085,897
Capital expenditure incurred / advances made during the year	194,490,788	119,776,415	15,144,603	329,411,806	58,229,107
Transferred to fixed assets	(3,591,434)	-	-	(3,591,434)	(9,532,188)
Balance as at June 30	280,521,860	119,776,415	34,304,913	434,603,188	108,782,816

5.2.1 This represents civil works cost incurred on lands at Superhighway and Gulistan-e-Johar, Karachi. The land located at Super Highway was acquired by Habib Education Trust, a related charitable trust for Foundation's use. Accordingly, cost of the said land has not been accounted for in these financial statements.

5.2.2 Other directly attributable costs include depreciation, vehicle running and maintenance charges, security charges, legal and professional charges and rent, rates and taxes etc.

6. INTANGIBLE ASSETS

	COST			ACCUMULATED AMORTIZATION			Book value as at June 30, 2012	Amortization rate %
	As at July 01, 2011	Additions	As at June 30, 2012	As at July 01, 2011	Charge for the year	As at June 30, 2012		
Computer software (note 6.1)	3,977,952	80,779	4,058,731	2,932,954	541,590	3,474,544	584,187	33
Project development cost (note 6.2)								
- Academic Planning & Modeling	63,006,329	45,849,311	108,855,640	-	-	-	108,855,640	
- Networking & partnership	14,793,758	12,997,461	27,701,219	-	-	-	27,701,219	
2012	<u>81,778,039</u>	<u>58,837,551</u>	<u>140,615,590</u>	<u>2,932,954</u>	<u>541,590</u>	<u>3,474,544</u>	<u>137,141,046</u>	
2011	<u>37,410,796</u>	<u>44,367,243</u>	<u>81,778,039</u>	<u>2,462,566</u>	<u>470,388</u>	<u>2,932,954</u>	<u>78,845,085</u>	

6.1 This represents cost of SAP Solution (ERP) and license of the software purchased by the Foundation.

6.2 No amortization has been charged on project development cost in these financial statements as the same are under development phase.

	Note	2012 (Rupees)	2011 (Rupees)
7. LONG-TERM INVESTMENTS			
Held to maturity – at amortised cost			
Term Deposit Receipts		50,000,000	50,000,000
Add: Accrued profit thereon		10,343,703	1,986,698
	7.1	<u>60,343,703</u>	<u>51,986,698</u>

7.1 This represents investment in term deposits with Habib Metropolitan Bank Limited, a related party. The rate of profit on the term deposit is 16.67% (2011: 16.67%) per annum and the maturity period is six years expiring on April 4, 2017.

	Note	2012 (Rupees)	2011 (Rupees)
8. ADVANCES - unsecured, considered good			
- Employees	8.1	417,891	956,826
- Suppliers		103,000	75,090
		<u>520,891</u>	<u>1,031,916</u>

8.1 This represents advance to employees to meet travelling and other official expenses.

9. DEPOSITS AND PREPAYMENTS

Security deposits		1,579,799	1,579,799
Prepayments			
- Insurance	9.1	401,192	419,389
- Rent		1,031,951	2,626,889
- Others		113,315	99,926
		<u>3,126,257</u>	<u>4,726,003</u>

9.1 This includes Rs. 20,252 (2011: Rs. Nil) paid to a related party, Habib Insurance Company Limited.

	Note	2012 (Rupees)	2011 (Rupees)
10. OTHER RECEIVABLES			
Inspyre / Ilead Project		12,125	-
Benazir Bhutto Shaheed Youth Development Program		602,162	602,162
Miscellaneous		17,193	14,118
		631,480	616,280
Less: Provision for doubtful receivables		(602,162)	(602,162)
		<u>29,318</u>	<u>14,118</u>

11. SHORT-TERM INVESTMENTS

Held to maturity – at amortised cost

Term Deposit Receipts		50,000,000	50,000,000
Add: Accrued profit thereon		1,358,630	1,459,931
	11.1	<u>51,358,630</u>	<u>51,459,931</u>

11.1 This represents investment in term deposits with Habib Metropolitan Bank Limited, a related party. The rate of profit on the term deposits is 11.40% (2011: 12.25%) per annum and the maturity period is three months (2011: three months).

	Note	2012 (Rupees)	2011 (Rupees)
12. CASH AND BANK BALANCES			
Cash in hand:			
- Pak Rupees		5,130	86,777
- Foreign currency		1,226,624	384,501
		<u>1,231,754</u>	<u>471,278</u>
With banks:			
- in deposit account	12.1	70,507,028	6,628,166
- in current account		23,940,931	7,078,543
		<u>95,679,713</u>	<u>14,177,987</u>

12.1 This represents deposit accounts maintained with Habib Metropolitan Bank Limited, a related party, which carries profit at the rate of 5% - 9.50% (2011: 5%-10%) per annum.

	Note	2012 (Rupees)	2011 (Rupees)
13. LONG TERM ADVANCES			
Advance against vehicles	13.1	<u>343,699</u>	<u>284,815</u>

13.1 This represents an arrangement with employees whereby employees are required to pay 33% of original cost of vehicle under their use in monthly installments over a period of five years.

ET/11/16

	Note	2012 (Rupees)	2011 (Rupees)
14. NON MONETARY GOVERNMENT GRANT			
Opening balance		21,066,320	24,482,480
Less: Released to income during the year		<u>(3,416,160)</u>	<u>(3,416,160)</u>
		<u>17,650,160</u>	<u>21,066,320</u>
Current portion		3,416,160	3,416,160
Non-current portion		<u>14,234,000</u>	<u>17,650,160</u>
		<u>17,650,160</u>	<u>21,066,320</u>
15. TRADE AND OTHER PAYABLES			
Payable to suppliers and contractors		18,012,168	5,448,107
Projects payable		3,931,620	-
Accrued expenses		3,198,178	6,681,514
Book over draft	15.1	7,444,194	3,101,029
Provision for leave encashment		<u>5,149,515</u>	<u>3,703,487</u>
		<u>37,735,675</u>	<u>18,934,137</u>
15.1 This represents current account maintained with Habib Metropolitan Bank Limited, a related party.			
16. COMMITMENTS			
16.1 Commitments			
Civil works commitments as at June 30, 2012 amounted to Rs.901,052,822/- (2011: Rs.44,050,062/-).			
	Note	2012 (Rupees)	2011 (Rupees)
17. DONATIONS			
In Cash			
Mohammadali Habib Welfare Trust		440,001,257	41,649,400
Habib Education Trust		-	100,000,000
M H charity		4,019,236	-
Individuals		3,401,900	52,000,000
Other corporate entities		<u>28,500,000</u>	<u>-</u>
		<u>475,922,393</u>	<u>193,649,400</u>
18. OTHER INCOME			
Profit on investments in TDRs		14,189,473	3,446,630
Profit on deposit account		3,003,380	1,158,198
Gain on sale of fixed assets		<u>290,549</u>	<u>-</u>
		<u>17,483,402</u>	<u>4,604,828</u>
19. ACADEMIC PROGRAM EXPENSES			
Networking, partnership and marketing expenses		1,131,509	601,088
Capacity building		35,200	129,590
Project consultancy and development charges		461,739	219,668
School development program	19.1	<u>550,589</u>	<u>102,350</u>
		<u>2,179,037</u>	<u>1,052,696</u>
19.1 This represents donation of Rs. 550,589/- (2011: Rs. 102,350/-) paid to Children Foundation Trust, a related party for school development.			

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	Note	2012 (Rupees)	2011 (Rupees)
20. ADMINISTRATIVE AND GENERAL EXPENSES			
Staff salaries and benefits		17,234,682	13,062,770
Office rent		1,620,000	1,043,823
Utilities		1,060,912	426,824
Communication		283,233	255,834
Travelling and conveyance		85,345	51,715
Repair and maintenance		625,159	245,097
Security service		434,158	241,172
Vehicle running and maintenance		782,587	764,865
Generator fuel and maintenance		377,185	210,396
Entertainment		398,789	227,167
Office expenses		1,217,321	497,295
Insurance expenses		540,673	733,065
Computer and networking charges		194,131	254,578
Printing and stationary		317,003	238,975
Postage and courier		-	2,810
Newspaper and periodicals		510,766	63,700
Legal and professional charges		50,000	455,050
Auditors' remuneration		292,550	229,700
Depreciation	5.1.3	1,912,111	2,323,083
Amortization	6	541,590	470,388
		<u>28,478,195</u>	<u>21,798,307</u>
21. OTHER CHARGES			
Loss on sale of fixed assets		-	153,902
Exchange loss		3,174	11,753
		<u>3,174</u>	<u>165,655</u>
22. NET DEFICIT ON PROJECTS			

	2012			2011		
	INCOME	EXPENSES	NET SURPLUS/ (DEFICIT)	INCOME	EXPENSES	NET SURPLUS/ (DEFICIT)
Institute for Advancing Careers and Talents (Note 22.1 & 22.2)	5,924,828	7,926,112	(2,001,284)	4,558,065	10,269,142	(5,711,077)
Benazir Bhutto Shaheed Youth Development Program	-	-	-	-	602,162	(602,162)
Youth Development Program (Note 22.3)	27,130,460	33,345,892	(6,215,432)	22,280,594	27,907,684	(5,627,090)
Rupees	<u>33,055,288</u>	<u>41,272,004</u>	<u>(8,216,716)</u>	<u>26,838,659</u>	<u>38,778,988</u>	<u>(11,940,329)</u>

22.1 Income of IACT includes amortization of deferred income amounting to Rs. 3.4 million, donation income amounting to Rs. 1.033 million and fee income amounting to Rs. 1.476 million.

22.2 Expenses of IACT amounting to Rs.7.9 million mainly comprise of depreciation, office expenses and salaries amounting to Rs 4.5 million, Rs 1.06 million and Rs. 0.6 million respectively.

22.3 Net deficit represents the Foundation contribution towards Youth Development Program.

23. TAXATION

The Company is a not-for-profit organization and thus exempt from tax under section 2 (36) (c) of the Income Tax Ordinance, 2001. The Company has filed its return of income upto tax year 2011. The return so filed is deemed to be an assessment order issued by the Taxation Authorities on the date the complete return is filed.

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24. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE

	June 2012		June 2011	
	Chief executive	Directors	Chief executive	Directors
	----- (Rupees) -----			
Remuneration	11,402,559	-	9,521,710	-
Retirement Benefits	437,163	-	352,076	-
Medical	81,256	-	220,946	-
Others	258,876	-	82,538	-
	<u>12,179,854</u>	<u>-</u>	<u>10,177,270</u>	<u>-</u>
Number of persons	1	-	1	-

In addition, the chief executive is provided with free use of company maintained car.

25. RELATED PARTIES TRANSACTIONS

The related parties include members, entities having directors in common with the Foundation, directors and other key management personnel. The Foundation in normal course of business carries out transactions with various related parties, amount due from and due to related parties and amount due from executives are disclosed in the relevant notes to the financial statements. Other material transactions with related parties are given below:

	2012 (Rupees)	2011 (Rupees)
Investment in term deposit receipts	250,000,000	100,000,000
Maturity of term deposit receipts	200,000,000	-
Donations received	447,075,994	141,649,400
Donations paid	550,589	102,350
Purchases	2,529,189	1,939,882
Return on bank deposits	17,192,853	4,604,828
Insurance premium	627,184	223,898
Contribution to staff provident fund	2,361,409	2,200,970

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorized for issue on 29-09-12 by the Board of Directors of the Foundation.

27. GENERAL

Figures have been rounded off to the nearest rupee.

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Chief Executive



Director