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HABIB UNIVERSITY FOUNDATION

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

EY Ford Rhodes
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To the Members of Habib University Foundation (the Foundation)

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Habib University Foundation (the Foundation), which comprise the Balance Sheet as at 30 June 2018, and the income and expenditure account and statement of other comprehensive income, cash flow statement, the statement of changes in funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure accounts and statement of other comprehensive income, cash flow statement and the statement of changes in funds together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the income and expenditure and statement of other comprehensive income, the changes in funds and its cash flows for the year then ended.

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 Foundation 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.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Director's report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Foundation'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 auditors' 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 Foundation'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'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Foundation 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 the Board of Directors 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.



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We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Foundation as required by the Companies Act, 2017 (XIX of 2017);
- b) the balance sheet, income and expenditure account and statement of other comprehensive income, cash flow statement and the statement of changes in funds together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Foundation's business; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

Arslan Khalid

Chartered Accountants

Place: Karachi

Date: 29 September 2018

HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET
AS AT JUNE 30, 2018

Note	-----Restricted Funds-----			2018 Total	2017 Total	
	General Fund	Endowment Fund	Other Restricted Funds			
----- (Rupees `000) -----						
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	7	2,873,634	-	-	2,873,634	3,055,917
Intangible assets	8	148,216	-	-	148,216	241,043
Long term investments	9	-	569,906	-	569,906	583,915
		<u>3,021,850</u>	<u>569,906</u>	<u>-</u>	<u>3,591,756</u>	<u>3,880,875</u>
CURRENT ASSETS						
Advances		-	-	-	-	2,447
Deposits and short term prepayments	10	2,164	-	-	2,164	3,062
Accrued profit		92	-	-	92	135
Other receivables	11	34	393	-	427	25,363
Tax receivable		4,818	3,516	-	8,334	4,668
Short term investments	12	-	212,781	30,008	242,789	346,566
Cash and bank balances	13	73,017	31,712	251,238	355,967	220,986
		<u>80,125</u>	<u>248,402</u>	<u>281,246</u>	<u>609,773</u>	<u>603,227</u>
TOTAL ASSETS		<u>3,101,975</u>	<u>818,308</u>	<u>281,246</u>	<u>4,201,529</u>	<u>4,484,102</u>
FUNDS AND LIABILITIES						
FUND BALANCES						
General Fund		3,047,520	-	-	3,047,520	3,266,694
Endowment Fund-Restricted	14	-	817,377	-	817,377	879,881
Other Restricted Funds						
Zakat Fund	15	-	-	72,826	72,826	120,503
HU Scholarship Fund	16	-	-	43,631	43,631	46,512
HU Student Loan Fund	17	-	-	163,019	163,019	81,794
		-	-	279,476	279,476	248,809
		<u>3,047,520</u>	<u>817,377</u>	<u>279,476</u>	<u>4,144,373</u>	<u>4,395,384</u>
CURRENT LIABILITIES						
Trade and other payables	18	54,336	931	-	55,267	88,148
Due to related party		119	-	1,770	1,889	-
Non-monetary government grant		-	-	-	-	570
		<u>54,455</u>	<u>931</u>	<u>1,770</u>	<u>57,156</u>	<u>88,718</u>
CONTINGENCIES AND COMMITMENTS	19					
TOTAL FUND AND LIABILITIES		<u>3,101,975</u>	<u>818,308</u>	<u>281,246</u>	<u>4,201,529</u>	<u>4,484,102</u>

The annexed notes 1 to 33 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, 2018

Note	General Fund	---Restricted Funds---		2018 Total	2017 Total	
		Endowment Fund	Other Restricted Funds			
-----Rupees in '000'-----						
INCOME						
Donations / Contributions - local	21	193,417	24,778	399,085	617,280	1,057,649
Other income	22	9,679	72,608	10,584	92,871	64,283
		<u>203,096</u>	<u>97,386</u>	<u>409,669</u>	<u>710,151</u>	<u>1,121,932</u>
EXPENDITURE						
Donations to related parties	23	(213,275)	-	-	(213,275)	(306,012)
Scholarship to Habib University students		-	-	(259,576)	(259,576)	(181,307)
Study abroad program for Habib University students		-	-	(6,148)	(6,148)	-
Zakat provided to Habib University students		-	-	(113,278)	(113,278)	(71,377)
Realised loss on investments at fair value through profit or loss		-	(14,665)	-	(14,665)	(3,060)
Unrealised loss on investments at fair value through profit or loss		-	(14,713)	-	(14,713)	(14,339)
Loss on sale of Pakistan Investment Bonds		-	(2,651)	-	(2,651)	-
Depreciation	7.1.2	(208,152)	-	-	(208,152)	(238,202)
Amortization	8	(96,827)	-	-	(96,827)	(104,460)
Program and administrative expenses	24	(16,368)	(3,797)	-	(20,165)	(3,310)
		<u>(534,622)</u>	<u>(35,826)</u>	<u>(379,002)</u>	<u>(949,450)</u>	<u>(922,067)</u>
(Deficit) / surplus before projects		(331,526)	61,560	30,667	(239,299)	199,865
Net deficit on projects	25	(11,712)	-	-	(11,712)	(12,374)
(Deficit) / surplus of income over expenditure for the year		<u>(343,238)</u>	<u>61,560</u>	<u>30,667</u>	<u>(251,011)</u>	<u>187,491</u>

The annexed notes 1 to 33 form an integral part of these financial statements.



 Chief Executive



 Director

HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

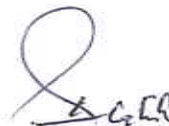
Note	General Fund	--Restricted Funds--		2018 Total	2017 Total
		Endowment Fund	Other Restricted Funds		
-----Rupees in '000'-----					
(Deficit) / surplus of income over expenditure for the year	(343,238)	61,560	30,667	(251,011)	187,491
Other comprehensive income	-	-	-	-	-
Total comprehensive (loss) / income for the year	<u>(343,238)</u>	<u>61,560</u>	<u>30,667</u>	<u>(251,011)</u>	<u>187,491</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

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Chief Executive



Director

HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 ----- (Rupees `000) -----	2017 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit) / surplus for the year		(251,011)	187,491
Adjustment for non-cash and other items			
Depreciation		209,213	243,567
Amortization		96,827	104,460
Amortization of non-monetary government grant		(569)	(3,416)
Profit on investments		(61,334)	(55,975)
Profit on deposit accounts		(8,603)	(8,054)
Realised loss on investments at fair value through profit or loss		14,665	2,705
Unrealised loss on investments at fair value through profit or loss		14,713	12,678
Exchange gain		(224)	(44)
Loss of Pakistan Investment Bonds		2,651	-
Gain on sale of fixed assets		(1,381)	(1,102)
		265,958	294,819
Working capital changes			
(Increase) / decrease in current assets		28,281	(24,462)
Decrease in current liabilities		(30,991)	(28,423)
		(2,710)	(52,885)
Tax paid during the year		(3,666)	-
NET CASH GENERATED FROM OPERATING ACTIVITIES		8,571	429,425
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(26,930)	(65,258)
Intangible expenditure		(4,000)	-
Sale proceeds on disposal of operating fixed assets		1,381	1,102
Investments made during the year		(230,682)	(430,275)
Investments encashed during the year		203,083	50,000
Profit received on investment and deposit accounts		33,558	69,749
NET CASH USED IN INVESTING ACTIVITIES		(23,590)	(374,682)
Net (decrease)/increase in cash and cash equivalents		(15,019)	54,743
Cash and cash equivalents at the beginning of the year		403,986	349,243
Cash and cash equivalents at the end of the year		388,967	403,986
CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	355,967	220,986
Short-term investments	12	33,000	183,000
		388,967	403,986

The annexed notes 1 to 33 form an integral part of these financial statements.



Chief Executive



Director

HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Endowment Fund-Restricted	Restricted Funds				Sub Total	Total
			Zakat Fund	Sinking Fund	HU Scholarship Fund	HU Student Loan Fund		
(Rupees `000)								
Balance as on June 30, 2016	3,523,374	554,833	72,901	596	56,189	-	129,686	4,207,893
(Deficit) / surplus of income over expenditure for the year	(257,276)	325,048	47,602	-	(9,677)	81,794	119,719	187,491
Other comprehensive income	-	-	-	-	-	-	-	-
	(257,276)	325,048	47,602	-	(9,677)	81,794	119,719	187,491
Transfer to General Fund	596	-	-	(596)	-	-	(596)	-
Balance as on June 30, 2017	3,266,694	879,881	120,503	-	46,512	81,794	248,809	4,395,384
(Deficit) / surplus of income over expenditure for the year	(343,238)	61,560	(47,677)	-	(2,881)	81,225	30,667	(251,011)
Other comprehensive income	-	-	-	-	-	-	-	-
	(343,238)	61,560	(47,677)	-	(2,881)	81,225	30,667	(251,011)
Transfer to General Fund	124,064	(124,064)	-	-	-	-	-	-
Balance as on June 30, 2018	3,047,520	817,377	72,826	-	43,631	163,019	279,476	4,144,373

The annexed notes 1 to 33 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, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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 Act, 2017 (repealed Companies Ordinance, 1984) on October 10, 2007. The Foundation is principally engaged in establishing a research based university focusing on Science, Engineering, Social Science and Entrepreneurship. The city campus of Habib University (HU) is situated at Gulistan-e-Johar and the main campus of Habib University will be situated at Superhighway. The city campus of Habib University commenced its operations during the year ended 30 June 2015. These financial statements do not include the result of operations of Habib University. Further, the Foundation was 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 had 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 agreement with Government of Sindh has ended during the year and facilities handed over to them.

1.1 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE FINANCIAL POSITION AND PERFORMANCE OF THE FOUNDATION

- During the year 2017-18, the donations received by the Foundation has declined by 41.6% as compared to last year.
- Subsequent to the year end, the name of Foundation has been included under Clause (66) of Part I of Second Schedule to the Income Tax Ordinance, 2001 vide Finance Act, 2018, as a tax exempt entity.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the Accounting Standards for Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act 2017.

3. BASIS OF MEASUREMENT

- 3.1** These financial statements have been prepared under the historical cost convention, except for equity investments which are measured at fair value.
- 3.2** These financial statements are presented in Pak Rupees which is the Foundation's functional and presentation currency.

4. ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

4.1 New Standards, Interpretations and Amendments

The Foundation has adopted the following accounting standard and the amendments and interpretations of IFRSs which became effective for the current year:

Standard or Interpretation

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

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4.2 Standards and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 4 – Insurance Contracts – Applying IFRS 9 Financial Instruments with Insurance Contract-(Amendments)	01 January 2018
IFRS 9 – Financial Instruments	01 July 2018
IFRS 9 – Prepayments Features with Negative Compensation-(Amendments)	01 January 2019
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	01 July 2018
IFRS 16 – Leases	01 January 2019
IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IAS 40 – Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Foundation's financial statements in the period of initial application.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

Operating fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment.

Depreciation is charged to income and expenditure account using straight line method of the assets over their estimated useful lives at the rates specified in note 7.1. Depreciation on additions is charged for the full month in which an asset is put to use and on disposal up to the month immediately preceding the disposals. Assets residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

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.

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 such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amounts.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses. 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.

5.2 Intangible assets

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 8 to the financial statements.

Project development cost comprises of cost in relation to development of academic planning and modeling and networking and partnership frameworks. 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, if any. Capitalized development cost 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. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amounts.

5.3 Investments

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Foundation has the positive intention and ability to hold to maturity.

These investments are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost.

At fair value through profit or loss

Investments at fair value through profit or loss are initially recognized at fair value. Subsequently, these are measured at fair value whereas effects of changes in fair value are taken to the income and expenditure account.

5.4 Advances and other receivables

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

5.5 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, bank balances and short-term highly liquid investments with original maturities of three months or less and running finance under mark-up arrangements.

5.6 Restricted Funds

The Foundation follows restricted fund method of accounting. Under restricted fund method of accounting:

- Endowment contributions are accumulated in the endowment fund balance. Other internally and externally restricted contributions are accumulated in the statement of financial position as part of the appropriate restricted fund balance.
- The general fund presents all revenues and expenses related to unrestricted resources. The total excess of revenues over expenses in the general fund reports the change in the organization's unrestricted resources in the period. The restricted funds present revenues and expenses related to restricted resources. Endowment contributions are presented in the endowment fund.

5.6.1 Endowment Fund

The Foundation has established an Endowment Fund restricted for Habib University to support its operations and ensure continued growth and sustainability. The Fund is strengthened by transfer from General Fund and contributions received from donors. The income generated from Endowment Fund is credited to Endowment Fund and utilized for restricted purposes of support to Habib University.

5.6.2 Zakat Fund

The Foundation has established a Zakat Fund restricted for providing financial assistance to the deserving students of Habib University. Zakat Fund is credited at the time of receipt of zakat and is debited at the time of disbursement to Habib University students.

5.6.3 Sinking Fund

The Foundation has provided guarantee against loans issued by a commercial bank to Habib University students. To mitigate the impact of credit risk, Sinking Fund was established to offset the risk of student default. The fund was to be credited by transfers of a certain percentage of the loan amounts from General Fund and debited by any impact of student loan default. The fund had been dissolved in the previous year.

5.6.3 HU Scholarship Fund

This is a form of a restricted fund utilized for providing scholarships and grants to students and carrying out activities under different scholarship programs of Habib University including Habib University Talent, Outreach, Promotion and Support. The Fund is credited when the contributions are received or a firm commitment is received for the purpose and debited when expenses are paid or scholarships are disbursed from the Fund.

5.6.4 HU Student Loan Fund

The Foundation has provided guarantee against loans issued by a commercial bank to Habib University students. To mitigate the impact of credit risk, HU Student Loan Fund has been established to offset the risk of student default. The Fund will be credited by the contributions received for the purpose and debited by any impact of student loan default.

5.7 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.

5.8 Taxation

The Foundation is entitled to tax credit under section 100C of the Income Tax Ordinance, 2001 (the Ordinance). The Foundation received its recognition as a Non-Profit Organization (NPO) under section 2(36) c of the Ordinance from the Commissioner Inland Revenue. Subsequent to the year end, the name of Foundation has been included under Clause (66) of Part I of Second Schedule to the Income Tax Ordinance, 2001 vide Finance Act, 2018, as a tax exempt entity.

The Foundation is also exempt from minimum tax under section 113 of the Income Tax Ordinance 2001, in view of clause (11A) of Part IV of the second schedule to the Ordinance. Therefore no tax provision has been made in these financial statements.

5.9 Provisions

Provisions are recognized when the Foundation 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 of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.10 Employees' 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 and expenditure account for the year.

The Foundation accounts for employees' compensated absences on the basis of un-availed earned leave balance of each employee at the end of the year.

5.11 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.

5.12 Revenue recognition

Unrestricted donations in cash are recognized as income as and when received. Unrestricted 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 valuer.

Profit on bank accounts, Term Deposit Receipts, Market Treasury Bills, Izafa Certificates and Pakistan Investment Bonds are recognized on time proportion basis. Dividend income is recognized when the right to receive the same is established. Gain on sale of investments is recognized in income and expenditure account in the year in which it arises.

5.13 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.

6. Significant accounting judgments and estimates

The preparation of the Foundation's financial statements requires management to make judgments and estimates 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. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognized prospectively. In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
- determining the residual values and useful lives of property, plant and equipment and intangibles	5.1 & 5.2
- classification of investments	5.3
- provisions and contingencies	5.9
- staff retirement benefits funds	5.10

7. PROPERTY, PLANT AND EQUIPMENT

		2018 ----- (Rupees `000) -----	2017 -----
Operating fixed assets	7.1	2,780,515	2,948,723
Capital work-in-progress	7.2	93,119	107,194
		<u>2,873,634</u>	<u>3,055,917</u>
			£u

7.1 Operating fixed assets

	Cost		Accumulated Depreciation / Amortization			Book value		Rate (%)
	As at July 1, 2017	Additions / (Disposals)	As at June 30, 2018	As at July 1, 2017	Charge for the year / (Disposals) /	As at June 30, 2018	as at June 30, 2018	
(Rupees `000)								
Leasehold land and building	28,468	-	28,468	27,898	570	28,468	-	12%
Leasehold land – city campus	529,615	-	529,615	-	-	-	529,615	-
Building on leasehold land – city campus	1,673,311	4,403	1,677,714	88,867	41,785	130,652	1,547,062	3%
Machinery and electrical works	614,516	1,982	616,498	137,997	61,421	199,418	417,080	10%
Motor vehicles	2,410	(1,197)	1,213	1,361	243	407	806	20%
Office equipment	169,722	290	169,962	73,188	32,312	105,450	64,512	20%
Lab equipment	83,249	12,358	95,607	35,522	16,363	51,885	43,722	20%
Furniture and fixtures	268,069	20,390	287,987	96,792	32,836	129,156	158,831	14.3 to 20%
Library books	15,753	(472)	15,753	12,672	(472)	13,361	2,392	20% to 33%
Computers and multimedia	146,347	-	145,696	108,440	689	129,201	16,495	33%
		1,582			(2,233)			
		(2,233)						
2018	3,531,460	41,005	3,568,513	582,737	209,213	787,998	2,780,515	
		(3,952)			(3,952)			

	Cost		Accumulated Depreciation / Amortization			Book value		Rate (%)
	As at July 1, 2016	Additions / (Disposals)	As at June 30, 2017	As at July 1, 2016	Charge for the year / (Disposals) /	As at June 30, 2017	As at June 30, 2017	
(Rupees `000)								
Leasehold land and building	28,468	-	28,468	24,482	3,416	27,898	570	12%
Leasehold land – city campus	529,615	-	529,615	-	-	-	529,615	-
Building on leasehold land – city campus	1,455,981	217,330	1,673,311	52,532	36,335	88,867	1,584,444	3%
Machinery and electrical works	592,518	21,998	614,516	81,865	56,132	137,997	476,519	10%
Motor vehicles	1,247	1,163	2,410	1,037	324	1,361	1,049	20%
Office equipment	143,008	29,825	169,722	48,500	27,799	73,188	96,534	20%
Lab equipment	77,344	(3,111)	83,249	18,497	(3,111)	35,522	47,727	20%
Furniture and fixtures	210,286	5,905	268,069	43,063	17,025	96,792	171,277	14.3 to 20%
Library books	13,369	58,502	15,753	3,492	54,448	12,672	3,081	20% to 33%
Computers and multimedia	134,574	(719)	146,347	73,520	9,606	108,440	37,907	33%
		(426)			(426)			
		(3,562)			(3,562)			
2017	3,186,410	352,868	3,531,460	346,988	243,567	582,737	2,948,723	
		(7,818)			(7,818)			

7.1.1 Includes assets costing Rs.3,530.95 (30 June 2017: Rs.3,492.91) million with the net book value of Rs.2,779.09 (30 June 2017: Rs.2,947.26) million, which are in possession and use of Habib University free of cost

7.1.2 Depreciation charge for the year has been allocated as under:

	Note	2018 ----- (Rupees `000) -----	2017 -----
Income and expenditure account		208,152	238,202
Project expenses		<u>1,061</u>	<u>5,365</u>
		<u>209,213</u>	<u>243,567</u>
7.2 Capital work-in-progress			
Opening balance		107,194	394,804
Capital expenditure incurred/advances made during the year		26,664	63,686
Transfer to operating fixed assets	7.2.1	<u>(40,739)</u>	<u>(351,296)</u>
Closing balance		<u>93,119</u>	<u>107,194</u>
7.2.1 Transfer to operating fixed assets			
Building on leasehold land – city campus	7.2.2	4,403	217,330
Machinery and electrical works		1,982	21,998
Office equipment		24	29,751
Lab equipment		12,358	5,905
Furniture and fixtures		20,390	58,502
Library books		-	2,810
Computers and multimedia		<u>1,582</u>	<u>15,000</u>
		<u>40,739</u>	<u>351,296</u>

7.2.2 This represents civil works incurred on university building.

8. INTANGIBLE ASSETS

	COST		ACCUMULATED AMORTIZATION			BOOK VALUE		Amortization rate %
	As at July 01, 2017	Additions	As at June 30, 2018	As at July 01, 2017	Charge for the year	As at June 30, 2018	As at June 30, 2018	
Computer software	27,163	4,000	31,163	25,351	1,923	27,274	3,889	33%
Project development cost								
- Academic Planning and Modeling	420,890	-	420,890	201,843	83,101	284,944	135,946	20%
- Networking and Partnership	59,017	-	59,017	38,833	11,803	50,636	8,381	20%
2018	<u>507,070</u>	<u>4,000</u>	<u>511,070</u>	<u>266,027</u>	<u>96,827</u>	<u>362,854</u>	<u>148,216</u>	

	COST		ACCUMULATED AMORTIZATION			BOOK VALUE		Amortization rate %
	As at July 01, 2016	Additions	As at June 30, 2017	As at July 01, 2016	Charge for the year	As at June 30, 2017	As at June 30, 2017	
Computer software	27,163	-	27,163	17,594	7,757	25,351	1,812	33%
Project development cost								
- Academic Planning and Modeling	420,890	-	420,890	126,268	75,575	201,843	219,047	20%
- Networking and Partnership	59,017	-	59,017	17,705	21,128	38,833	20,184	20%
2017	<u>507,070</u>	<u>-</u>	<u>507,070</u>	<u>161,567</u>	<u>104,460</u>	<u>266,027</u>	<u>241,043</u>	

- 8.1 Represents assets costing Rs.511.07 (30 June 2017: Rs.507.07) million with the net book value of Rs.148.22 (30 June 2017: Rs.241.04) million, which are in possession and use of Habib University free of cost.

	Note	2018	2017
----- (Rupees `000) -----			
9. LONG-TERM INVESTMENTS			
Held to Maturity			
Izafa Certificates		238,500	238,500
Accrued profit thereon		130,304	90,067
	9.1	<u>368,804</u>	<u>328,567</u>
Pakistan Investment Bonds	9.2	196,538	254,387
Accrued interest		4,564	961
	9.3	<u>201,102</u>	<u>255,348</u>
		<u>569,906</u>	<u>583,915</u>

- 9.1 Represents Izafa Certificates with Habib Metropolitan Bank Limited, a related party. These carry profit at the rate of 12.25% (30 June 2017: 12.25%) per annum and will mature latest by 2020. The long term investments pertain in entirety to the Endowment Fund.

9.2 Pakistan Investment Bonds

Issue Date	Tenor	Face Value				Balance as at 30 June 2018		
		As at 1 July 2017	Purchased during the year	Sold/Matured during the year	As at 30 June 2018	Carrying value	Market Value	Appreciation/ (Diminution)
----- (Rupees in `000) -----								
21 April 2016	10 years	203,500	6,400	91,000	118,900	126,008	119,804	(6,204)
18 August 2011	20 years	-	54,300	-	54,300	70,530	68,408	(2,122)
26 March 2015	10 years	33,900	-	33,900	-	-	-	-
2018						<u>196,538</u>	<u>188,212</u>	<u>(8,326)</u>
2017						<u>254,387</u>	<u>255,341</u>	<u>954</u>

- 9.3 Rate of return on above Government Securities ranges from 8.75% to 13% (30 June 2017: 8.75% to 9.75%).

	Note	2018	2017
----- (Rupees `000) -----			
10. DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		2,020	3,056
Prepayments		-	6
- Insurance		-	-
- Rent		144	-
		<u>2,164</u>	<u>3,062</u>

11. OTHER RECEIVABLES

Considered good			
Due from related party		-	19,732
Due from projects		-	4,855
Dividend receivable		393	-
Others		34	776
		<u>427</u>	<u>25,363</u>

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	Note	2018 ----- (Rupees `000) -----	2017
12. SHORT-TERM INVESTMENTS			
At fair value through profit or loss			
Quoted Shares			
Abbott Laboratories (Pakistan) Limited		8,905	8,318
Attock Cement Pakistan Limited		-	5,690
Adamjee Insurance Company Limited		8,776	9,058
Attock Petroleum Limited		13,275	10,963
Colgate Palmolive (Pakistan) Limited		3,401	368
Dolmen City Real Estate Investment Trust		-	10,367
D. G. Khan Cement Company Limited		-	7,141
Engro Fertilizers Limited		14,682	9,280
Engro Corporations Limited		16,321	-
EFU Life Insurance Limited		7,818	4,400
GlaxoSmithKline (Pakistan) Limited		8,931	7,325
Habib Bank Limited		12,699	14,372
HUB Power Company Limited		7,235	8,983
ICI Pakistan Limited		11,221	7,005
IGI Holdings Limited		10,426	8,554
Jubilee Life Insurance Company Limited		9,522	7,636
Lucky Cement Limited		9,447	5,686
Mari Petroleum Company Limited		11,296	9,454
Meezan Bank Limited		-	6,794
MCB Bank Limited		14,892	-
Oil and Gas Development Corporation Limited		11,828	8,863
Pakistan Oilfields Limited		4,568	-
Pakistan Petroleum Limited		6,984	-
Searle Company Limited		9,859	6,758
Shifa International Hospitals Limited		7,695	1,353
Service Industries Limited		-	4,855
	12.1	<u>209,781</u>	<u>163,223</u>
Held to maturity			
Term Deposit Receipts	12.2	<u>33,000</u>	<u>183,000</u>
Accrued profit		<u>8</u>	<u>343</u>
		<u>33,008</u>	<u>183,343</u>
		<u>242,789</u>	<u>346,566</u>

12.1 This represent investments made for Endowment Fund worth Rs.209.78 million (30 June 2017: Rs.163.22).

12.2 Represents term deposits receipts with Habib Metropolitan Bank Limited, a related party. These carry profit rates ranging from 6.0% to 6.4% (30 June 2017: profit rate of 6% to 6.4%) per annum and have a maturity of three months. This represents investments made for HU Scholarship Fund Rs.30 million and Endowment Fund Rs.3 million (30 June 2017: Endowment Fund Rs.63 million, Zakat Fund Rs.90 million and Scholarship Fund Rs.30 million).

	Note	2018 ----- (Rupees `000) -----	2017
13. CASH AND BANK BALANCES			
Cash in hand:			
		-	8
With banks:			
- in deposit accounts	13.1	<u>166,021</u>	<u>115,695</u>
- in current accounts		<u>189,946</u>	<u>105,283</u>
		<u>355,967</u>	<u>220,978</u>
	13.2	<u>355,967</u>	<u>220,986</u>

13.1 Represents deposit accounts maintained with Habib Metropolitan Bank Limited, a related party, and carry profit at the rates ranging from 3.75% to 4.75% (30 June 2017: 3.75% to 4.75%) per annum

Habib University Foundation

	Note	2018 ----- (Rupees `000) -----	2017 -----
13.2 This includes following restricted balances:			
Endowment Fund		31,712	72,743
Zakat Fund		72,826	30,502
HU Scholarship Fund		13,631	16,513
HU Student Loan Fund		163,019	81,794
		<u>281,188</u>	<u>201,552</u>
14. ENDOWMENT FUND			
Opening balance		879,881	554,833
Contribution received during the year		24,778	593,181
Return on investments	22	72,608	55,975
Loss on sale of Pakistan Investment Bonds		(2,651)	-
Loss on investments at fair value through profit or loss		(29,378)	(17,399)
Program and administrative expenses		(3,797)	(697)
Disbursements during the year to Habib University- a related party		-	(306,012)
Transferred to General Fund	14.1	<u>(124,064)</u>	-
Closing balance	14.2	<u>817,377</u>	<u>879,881</u>
14.1 Includes Rs.64.06 million, reclassified from Endowment Fund to General Fund relating to previous year.			
		2018	2017
		----- (Rupees `000) -----	-----
14.2 Endowment Fund	Note		
Represented by:			
Long term investment	9	569,906	583,915
Short term investment	12	212,781	223,223
Cash and bank balances	13.2	31,712	72,743
Other receivables		3,909	-
Payable to investment advisor		(931)	-
		<u>817,377</u>	<u>879,881</u>
15. ZAKAT FUND			
Opening balance		120,503	72,901
Received during the year		58,850	116,805
Return on investments		6,751	2,174
Disbursement during the year to Habib University- a related party		(113,278)	(71,377)
Closing balance		<u>72,826</u>	<u>120,503</u>
16. HU SCHOLARSHIP FUND			
Opening balance		46,512	56,189
Contribution during the year		259,010	170,481
Disbursement during the year to Habib University- a related party		(259,576)	(181,307)
Disbursement during the year to Habib University (a related party) for study abroad program		(6,148)	-
Return on Investments		3,833	1,149
Closing balance		<u>43,631</u>	<u>46,512</u>

Habib University Foundation

	2018	2017
	----- (Rupees `000) -----	
17. HU STUDENT LOAN FUND		
Opening balance	81,794	-
Contribution during the year	81,225	81,794
Closing balance	163,019	81,794
18. TRADE AND OTHER PAYABLES		
Payable to suppliers and contractors	253	716
Projects payable	15,319	29,299
Accrued liabilities	39,695	57,889
Provision for leave encashment	18.1 -	244
	55,267	88,148
18.1 Provision for leave encashment		
Opening balance	244	296
Charge for the year	-	24
Payment paid during the year	(244)	(76)
Closing balance	-	244
19 CONTINGENCIES AND COMMITMENTS		
19.1 Contingencies		
19.1.1 During the year ended June 30, 2016 Cantonment Board Faisal (CBF) raised demand against property tax amounting to Rs. 4.7 million. The Foundation has appealed in the High Court of Sindh against the decision and obtained injunction order against the demand, as the premises are being used for education purposes and the Foundation is a Not-for-Profit Organisation until the resolution of the case. The management is confident that the lawsuit is expected to be decided in favour of the foundation and accordingly no provision has been made in these financial statements.		
19.1.2 A contractor has filed an arbitration proceeding against the Foundation involving a financial exposure of Rs. 9.24 million (2017: 9.24 million). The management does not acknowledge this claim and is confident that no additional liability on this amount will arise.		
19.2 Commitments		
19.2.1 Outstanding guarantee to a commercial bank for providing student loans to Habib University students by creating a lien on current account. The commercial bank has disbursed loans amounting to Rs.81.225 million (2017: Rs.81.794 million). The commercial bank is a related party of the Foundation.		
19.2.2 Outstanding guarantees for corporate fuel cards, corporate credit cards and for the installation of gas connection amounts to Rs. 11.235 million (2017: Rs. 11.235 million).		

	2018	2017
	----- (Rupees `000) -----	
	(Unaudited)	(Audited)
20. PROVIDENT FUND		
20.1 General disclosures		
Size of the fund	123	718
Cost of investments	123	596
Fair value of investments	123	718

in

20.2 Categories of investments as a percentage of total assets of provident fund:

	2018 (Unaudited)		2017 (Audited)	
	Rupees `000	(%)	Rupees `000	(%)
Bank deposits	123	100%	596	100%

Note	General fund	Endowment fund	Restricted Funds	2018 Total	2017 Total
	(Rupees `000)				

21. DONATIONS / CONTRIBUTIONS

From related parties	21.1	185,205	8,278	312,631	506,114	922,007
Other corporate entities		8,212	16,500	86,454	111,166	135,642
		193,417	24,778	399,085	617,280	1,057,649

Relationship	General fund	Endowment fund	Restricted Funds	2018 Total	2017 Total
	(Rupees `000)				

21.1 From related parties

Agriauto Industries Limited	Common directorship	-	-	-	-	5,000
Ali S. Habib	Director	-	-	-	-	9,000
Fatemah Habib	Relative	-	-	1,317	1,317	4,933
Habib Education Trust	Common directorship	-	-	-	-	69,000
Habib Metropolitan Bank Limited	Common directorship	-	8,278	-	8,278	24,000
Hilton Pharma (Private) Limited	Common directorship	-	-	1,500	1,500	30,000
Indus Motor Company Limited	Common directorship	90,000	-	-	90,000	80,160
International Steel Limited	Common directorship	-	-	1,000	1,000	-
M. Asad Habib	Relative	-	-	-	-	24,538
Meherafroze Habib	Relative	-	-	1,317	1,317	18,983
Muhammad ali Habib Welfare Trust	Common directorship	95,205	-	266,863	362,068	567,928
Mohamedali Rafiq Habib	Director	-	-	1,000	1,000	16,550
Muhammed H. Habib	Director	-	-	1,317	1,317	18,983
Parvez Ghas	Director	-	-	1,000	1,000	2,000
Rafiq M. Habib	Director	-	-	1,317	1,317	4,933
Soorty Enterprises (Private) Limited	Common directorship	-	-	30,000	30,000	30,000
Thal Limited	Common directorship	-	-	5,000	5,000	14,999
Towfiq Chinoy	Director	-	-	1,000	1,000	1,000
		185,205	8,278	312,631	506,114	922,007

Habib University Foundation

22. OTHER INCOME	Note	General Fund	Endowment Fund	Restricted Funds	2018 Total	2017 Total
Profit on bank accounts	13.1	1,871	439	6,294	8,604	7,162
Return on Izafa	9.1	-	40,448	-	40,448	-
Return on Term Deposit Receipts		238	121	4,290	4,649	55,975
Profit on Market Treasury Bills			218	-	218	-
Dividend income		-	10,836	-	10,836	-
Return on Pakistan Investment Bonds		-	20,546	-	20,546	-
Gain on sale of fixed assets		1,381	-	-	1,381	1,102
Exchange gain		224	-	-	224	44
Custom duty refunded		5,965	-	-	5,965	-
		<u>9,679</u>	<u>72,608</u>	<u>10,584</u>	<u>92,871</u>	<u>64,283</u>

2018 2017
----- (Rupees `000) -----

23. DONATIONS TO RELATED PARTIES

Habib University	<u>213,275</u>	<u>306,012</u>
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23.1 A Director of the Foundation is also the President of Habib University (a related party) to whom the above donation was made.

24. PROGRAM AND ADMINISTRATIVE EXPENSES	Note	2018 ----- (Rupees `000) -----	2017 ----- (Rupees `000) -----
Legal and professional charges	24.1	5,511	854
Project consultancy and development charges		-	200
Salaries		12,818	-
Auditors' remuneration	24.2	611	550
Travelling		1,053	1,552
Others		172	154
		<u>20,165</u>	<u>3,310</u>

24.1 This include Rs. 300,000 paid to Shariah Advisor for providing Shariah Advisory services.

24.2 Auditors' remuneration

Audit fee	350	325
Fee for review of half yearly financial statements	211	175
Out of pocket expenses	50	50
	<u>611</u>	<u>550</u>

25. NET DEFICIT ON PROJECTS

	2018			2017		
	Income ----- (Rupees `000)	Expenses (Rupees `000)	Net (Deficit) -----	Income ----- (Rupees `000)	Expenses (Rupees `000)	Net (Deficit) -----
Institute for Advancing Careers and Talents	2,552	(14,264)	(11,712)	6,125	(21,477)	(15,352)
Youth Development Programs	-	-	-	43,902	(40,924)	2,978
	<u>2,552</u>	<u>(14,264)</u>	<u>(11,712)</u>	<u>50,027</u>	<u>(62,401)</u>	<u>(12,374)</u>

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26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Foundation's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

26.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to the changes in market interest rates. The Foundation is exposed to interest rate risk in respect of bank deposits, Pakistan Investment Bonds, Izafa Certificates and Term Deposit Receipts. Management of the Foundation estimates that 1% increase in the market interest rate, with all other factors remaining constant, would decrease the deficit / increase the surplus by Rs.6.34 million (30 June 2017:Rs. 0.96 million) and a 1% decrease would result in the increase / decrease in the Foundation's deficit / surplus by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or financial liabilities will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currencies. The Foundation's exposure to foreign currency risk is as follows:

	2018 USD	2017 USD
Bank balances	<u>12,107</u>	<u>31,119</u>

The following significant exchange rates have been applied at the reporting dates:

	2018 Rupees	2017 Rupees
Closing exchange rates of USD	<u>123.95</u>	<u>106.4</u>

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar's exchange rate, with all other variables held constant, of the Foundation's deficit and the Foundations funds.

	Change in USD's rate	Effect on (Deficit) or Surplus --- (Rupees in '000) ---	Effect on Funds
2018	+10%	<u>150</u>	<u>150</u>
	-10%	<u>(150)</u>	<u>(150)</u>
2017		--- (Rupees in '000) ---	
	+10%	<u>331</u>	<u>117</u>
	-10%	<u>(331)</u>	<u>(117)</u>

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26.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Foundation's performance to developments affecting a particular industry.

The Foundation is exposed to credit risk mainly on short term investments and bank balances.

	2018	2017
	----- (Rupees `000) -----	
Bank balances		
Short Term Ratings		
A1+	352,744	220,391
A-1+	3,078	587
A1+/A-1+	145	-
	<u>355,967</u>	<u>220,978</u>
Short term investments		
Ratings		
A1+	<u>33,008</u>	183,343
	<u>33,008</u>	<u>183,343</u>

26.3 Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Foundation believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Foundation on the basis of expected cash flow considering the level of liquid assets necessary to mitigate the liquidity risk.

	-----As at 30 June 2018-----			
	On demand	Less than 3 months	3 to 12 Months	Total
	----- (Rupees in `000) -----			
Trade and other payables	-	55,267	-	55,267
Due to related party	-	1,889	-	1,889
	<u>-</u>	<u>57,156</u>	<u>-</u>	<u>57,156</u>
	-----As at 30 June 2017-----			
	On demand	Less than 3 Months	3 to 12 Months	Total
	----- (Rupees in `000) -----			
Trade and other payables	-	88,148	-	88,148
	<u>-</u>	<u>88,148</u>	<u>-</u>	<u>88,148</u>

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from their book value.

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The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based observable market data.

	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
2018				
- Financial assets classified as at 'Fair Value through Profit and Loss'	209,781	-	-	-
2017				
(Rupees in '000)				
- Financial assets classified as at 'Fair Value Through Profit and Loss'	163,223	-	-	-

27.1 Financial Instruments in Level 1:

Financial Instruments classified through Level 1 consist of quoted shares. The fair value of investments in quoted shares is determined by reference to quotations obtained from Pakistan Stock Exchange Limited (PSX) website.

27.2 Financial Instruments in Level 2:

Currently, no financial instruments are classified through level 2.

27.3 Financial Instruments in Level 3:

Currently, no financial instruments are classified through level 3.

28. CAPITAL RISK MANAGEMENT

The Foundation's objectives when managing capital is to maintain an optimal capital structure to reduce the cost of capital. The Foundation is currently financing majority of its operations through funds and working capital. The capital structure of the Foundation is fund based with no financing through long term borrowings.

29. TRANSACTIONS WITH RELATED PARTIES

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 are disclosed in the relevant notes to the financial statements. Other material transactions with related parties are given below:

Name (Common Directorship)	Nature of Transaction	2018	2017
		(Rupees `000)	
Habib Metropolitan Bank Limited	Investments in term deposit receipts	622,000	1,917,622
Habib Metropolitan Bank Limited	Encashment of term deposit receipts	772,000	1,885,496
Habib Metropolitan Bank Limited	Profit on bank deposits and term deposit receipts	13,253	69,749
Habib Insurance Company Limited	Insurance premium	106	11,176

30. KEY MANAGEMENT PERSONNEL

30.1 Remuneration of Chief Executive is borne by Habib University.

30.2 Directors are not paid any fee for attending meetings

30.3 The aggregate amounts charged in the financial statements in respect of remuneration, including all benefits, to the Chief Financial Officer of the University was Rs.12,675 Million (2017: Rs. nil).

31. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 2 (30 June 2017: 2) and the average number of persons employed during the year were 2 (30 June 2017: 2).

32. GENERAL

32.1 Figures have been rounded off to the nearest thousand rupees.

32.2 Certain prior period figures have been reclassified or rearranged for the purpose of comparison. However there were no material reclassifications to report.

33. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 29 SEP 2018 by the Board of Directors of the Foundation. BY



Chief Executive



Director