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## **HABIB UNIVERSITY FOUNDATION**

### **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

EY Ford Rhodes  
Chartered Accountants  
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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 Statement of financial position as at 30 June 2019, and the statement of income and expenditure and statement of other comprehensive income, statement of cash flows, 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 Statement of financial position, statement of income and expenditures and the statement of other comprehensive income, statement of cash flows 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 2019 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 *Auditors' 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 the fact. We have nothing to report in this regard.

### 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.

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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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

We also provide the Board of Directors with a statement that we have complied with the 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.

*[Handwritten signature]*



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## Report on Other Legal and Regulatory Requirements

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

- a) proper books of accounts have been kept by the Foundation as required by the Companies Act, 2017 (XIX of 2017);
- b) the Statement of financial position, statement of income and expenditure and statement of other comprehensive income, statement of cash flows 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 accounts 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 (XVII of 1980).

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

Chartered Accountants

Place: Karachi

Date: 04 October 2019

**HABIB UNIVERSITY FOUNDATION**  
**(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

Note	-----Restricted Funds-----			2019 Total	2018 Total	
	General Fund	Endowment Fund	Other Restricted Funds			
----- (Rupees `000) -----						
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	7	2,685,350	-	-	2,685,350	2,873,634
Intangible assets	8	54,325	-	-	54,325	148,216
Long term investments	9	-	670,696	-	670,696	569,906
Long-term Security deposits		2,020	-	-	2,020	2,020
		<u>2,741,695</u>	<u>670,696</u>	<u>-</u>	<u>3,412,391</u>	<u>3,593,776</u>
<b>CURRENT ASSETS</b>						
Short-term prepayments		41	-	-	41	144
Accrued profit		544	4,585	410	5,539	92
Other receivables		-	-	-	-	427
Short term investments	10	-	233,460	35,232	268,692	242,789
Tax receivable		2,807	3,638	-	6,445	8,334
Cash and bank balances	11	26,885	19,438	321,070	367,393	355,967
		<u>30,277</u>	<u>261,121</u>	<u>356,712</u>	<u>648,110</u>	<u>607,753</u>
<b>TOTAL ASSETS</b>		<u>2,771,972</u>	<u>931,817</u>	<u>356,712</u>	<u>4,060,501</u>	<u>4,201,529</u>
<b>FUNDS AND LIABILITIES</b>						
<b>FUND BALANCES</b>						
General Fund		2,737,817	-	-	2,737,817	3,042,806
Endowment Fund-Restricted	12	-	930,972	-	930,972	826,384
<b>Other Restricted Funds</b>						
Zakat Fund	13	-	-	94,005	94,005	70,093
HU Scholarship Fund	14	-	-	22,231	22,231	42,072
HU Student Loan Fund	15	-	-	240,476	240,476	163,018
		-	-	<u>356,712</u>	<u>356,712</u>	<u>275,183</u>
		<u>2,737,817</u>	<u>930,972</u>	<u>356,712</u>	<u>4,025,501</u>	<u>4,144,373</u>
<b>CURRENT LIABILITIES</b>						
Trade and other payables	16	34,155	845	-	35,000	55,267
Due to a related party		-	-	-	-	1,889
		<u>34,155</u>	<u>845</u>	<u>-</u>	<u>35,000</u>	<u>57,156</u>
<b>CONTINGENCIES AND COMMITMENTS</b>						
	17					
<b>TOTAL FUND AND LIABILITIES</b>		<u>2,771,972</u>	<u>931,817</u>	<u>356,712</u>	<u>4,060,501</u>	<u>4,201,529</u>

The annexed notes 1 to 31 form an integral part of these financial statements.



Chief Executive



Director

**HABIB UNIVERSITY FOUNDATION**  
**(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Note	General Fund	---Restricted Funds---		2019 Total	2018 Total	
		Endowment Fund	Other Restricted Funds			
-----Rupees in '000'-----						
<b>INCOME</b>						
Donations / Contributions – local	18	272,488	137,143	428,145	837,776	617,280
Other income	19	5,223	82,090	7,341	94,654	92,871
		<u>277,711</u>	<u>219,233</u>	<u>435,486</u>	<u>932,430</u>	<u>710,151</u>
<b>EXPENDITURE</b>						
Donations to related parties	20	(153,250)	-	-	(153,250)	(213,275)
Scholarship to Habib University students		-	-	(299,267)	(299,267)	(259,576)
Study abroad program for Habib University students		-	-	-	-	(6,148)
Zakat provided to Habib University students		-	-	(155,906)	(155,906)	(113,278)
Realised loss on disposal of investments		-	(2,697)	-	(2,697)	(14,665)
Unrealised loss on investments at fair value through profit or loss		-	(58,280)	-	(58,280)	(14,713)
Loss on disposal of Pakistan Investment Bonds		-	-	-	-	(2,651)
Depreciation	7.1.2	(212,387)	-	-	(212,387)	(208,152)
Amortization	8	(93,891)	-	-	(93,891)	(96,827)
Program and administrative expenses	21	(27,165)	(3,323)	-	(30,488)	(20,165)
		<u>(486,693)</u>	<u>(64,300)</u>	<u>(455,173)</u>	<u>(1,006,166)</u>	<u>(949,450)</u>
(Deficit) / surplus before projects		<u>(208,982)</u>	<u>154,933</u>	<u>(19,687)</u>	<u>(73,736)</u>	<u>(239,299)</u>
Net surplus/(deficit) on projects	22	5,209	-	-	5,209	(11,712)
(Deficit) / surplus of income over expenditure for the year		<u>(203,773)</u>	<u>154,933</u>	<u>(19,687)</u>	<u>(68,527)</u>	<u>(251,011)</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
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 Chief Executive

  
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 Director

**HABIB UNIVERSITY FOUNDATION  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)  
STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2019**

	---Restricted Funds---			2019 Total	2018 Total
	General Fund	Endowment Fund	Other Restricted Funds		
	-----Rupees in '000'-----				
(Deficit) / surplus of income over expenditure for the year	(203,773)	154,933	(19,687)	(68,527)	(251,011)
<b>Other comprehensive loss</b>					
<b>Items not be reclassified to statement of profit or loss in subsequent period</b>					
Unrealised loss on investment carried at fair value through OCI	-	(37,455)	-	(37,455)	(12,890)
Total comprehensive (loss) / income for the year	<u>(203,773)</u>	<u>117,478</u>	<u>(19,687)</u>	<u>(105,982)</u>	<u>(263,901)</u>

*Sum*

The annexed notes 1 to 31 form an integral part of these financial statements.



Chief Executive



Director

**HABIB UNIVERSITY FOUNDATION**  
**(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019	2018
		----- (Rupees `000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Deficit for the year		(68,527)	(251,011)
<b>Adjustment for non-cash and other items</b>			
Depreciation		212,387	209,213
Amortization		93,891	96,827
Amortization of non-monetary government grant		-	(569)
Amortization of Pakistan investment bonds		(1001)	-
Return on investments		(69,429)	(61,334)
Profit on deposit accounts		(14,370)	(8,603)
Realised loss on disposal of investments		2,697	14,665
Unrealised loss on investments at fair value through profit or loss		58,280	14,713
Exchange gain		(215)	(224)
Loss on disposal of Pakistan Investment Bonds		-	2,651
Dividend Income		(9,894)	-
Gain on sale of Property and equipment		(93)	(1,381)
		<b>272,253</b>	<b>265,958</b>
<b>Decrease / (increase) in current assets:</b>			
Short-term prepayments		103	898
Other receivables		427	24,936
Advances		-	2,447
		<b>530</b>	<b>28,281</b>
<b>Increase / (decrease) in current liabilities:</b>			
Trade and other payables		(20,267)	(32,880)
Due to a related party		(1,889)	1,889
		<b>(22,156)</b>	<b>(30,991)</b>
<b>Cash generated from / (used in) operations</b>		<b>182,100</b>	<b>12,237</b>
Tax paid during the year		1,888	(3,666)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>183,988</b>	<b>8,571</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(24,181)	(26,930)
Intangible expenditure		-	(4,000)
Sale proceeds on disposal of operating fixed assets		171	1,381
Investments made during the year		(252,284)	(230,682)
Investments encashed during the year		129,189	203,083
Dividend received		9,894	-
Profit received on investments		19,337	24,911
Profit received on deposits accounts		12,312	8,647
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(105,562)</b>	<b>(23,590)</b>
Net increase /(decrease) in cash and cash equivalents		<b>78,426</b>	<b>(15,019)</b>
Cash and cash equivalents at the beginning of the year		<b>388,967</b>	<b>403,986</b>
Cash and cash equivalents at the end of the year		<b>467,393</b>	<b>388,967</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	11	367,393	355,967
Short-term investments	10	100,000	33,000
		<b>467,393</b>	<b>388,967</b>

The annexed notes 1 to 31 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, 2019**

	General Fund	Endowment Fund- Restricted	Restricted Funds			Sub Total	Total
			Zakat Fund Note 13	HU Scholarship Fund Note 15	HU Student Loan Fund Note 16		
(Rupees `000)							
Balance as on June 30, 2017	3,261,980	888,888	117,770	44,953	81,793	244,516	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	-	-	-	-	-	-	-
Total comprehensive income for the year	(343,238)	61,560	(47,677)	(2,881)	81,225	30,667	(251,011)
Transfer to General Fund	124,064	(124,064)	-	-	-	-	-
Balance as at July 01, 2018 – as previously reported	3,042,806	826,384	70,093	42,072	163,018	275,183	4,144,373
Effect of adoption of IFRS – 9 Note 5.3.1	-	(12,890)	-	-	-	-	(12,890)
Balance as at July 01, 2018 – Restated	3,042,806	813,494	70,093	42,072	163,018	275,183	4,131,483
(Deficit) / surplus of income over expenditure for the year	(203,773)	154,933	23,912	(43,599)	-	(19,687)	(68,527)
Other comprehensive loss	-	(37,455)	-	-	-	-	(37,455)
Total comprehensive income for the year	(203,773)	117,478	23,912	(43,599)	-	(19,687)	(105,982)
Transfer from General Fund	(101,216)	-	-	23,758	77,458	101,216	-
Balance as on June 30, 2019	<u>2,737,817</u>	<u>930,972</u>	<u>94,005</u>	<u>22,231</u>	<u>240,476</u>	<u>356,712</u>	<u>4,025,501</u>

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The annexed notes 1 to 31 form an integral part of these financial statements.

  
 \_\_\_\_\_  
 Chief Executive

  
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 Director

**HABIB UNIVERSITY FOUNDATION**  
**(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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 on October 10, 2007. The Foundation is principally engaged in establishing and development of research based university focusing on Science, Engineering, Social Science and Entrepreneurship. These financials do not include the results 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.

**1.1 GEOGRAPHICAL LOCATION AND ADDRESS OF BUSINESS**

Head Office            Habib University, Block 18, Gulistan-e-Jauhar – University Avenue, Off Shahrah-e-Faisal,  
Karachi – 75290, Sindh, Pakistan

**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 certain investments which are measured at fair value as disclosed in note 5.3 to these financial statements.

3.2 These financial statements are presented in Pak Rupees which is the Foundation's functional and presentation currency.

**4. NEW STANDARDS, AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND NEW INTERPRETATIONS**

**4.1 Adoption of standards and amendments effective during the year**

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

**Standard or Interpretation**

IFRS 2	- Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)
IFRS 4	- Insurance Contracts – Applying IFRS 9 Financial Instruments with Insurance Contract - (Amendments)
IFRS 9	- Financial Instruments
IFRS 15	- Revenue from Contracts with Customers
IAS 40	- Investment Property – Transfers of Investment Property (Amendments)
IFRIC 22	- Foreign Currency Transactions and Advance Consideration

Improvements to accounting standard issued by IASB in December 2016

IAS 28 Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the financial statements. Upon adoption of IFRS 9, the Foundation has revised its accounting policy in relation to financial instruments which is detailed in note 5.3 to these financial statements.

**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 3	Definition of a Business (Amendments)	01 January 2020
IFRS 3	Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	01 July 2019
IFRS 9	Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 10/ IAS 28	Consolidated Financial Statements and Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IFRS 11	Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 16	Leases	01 January 2019
IAS 1/ IAS 8	Definition of Material (Amendments)	01 January 2020
IAS 12	Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalisation	01 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
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.

In addition to the above standards, amendments and improvements to various IFRSs have also been issued by the IASB in December 2017. Such improvements are generally effective for annual reporting period beginning on or after January 01, 2019. The Foundation expects that such improvements to the standards will not have any material impact on the Foundation's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for applicability in Pakistan.

Standard or Interpretation		Effective date (accounting periods beginning on or after)
IFRS 14	First time adoption of IFRSs	01 January 2004
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 17	Insurance Contracts	01 January 2021

The Foundation expects that above new standards will not 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 and equipment**

**Operating fixed assets**

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

Depreciation is charged to statement of income and expenditure using straight line method of the assets over their estimated useful lives at the rates specified in note 7.1 to these financial statements. Depreciation on additions is charged from the month when the asset is available for 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 operating fixed assets 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 operating fixed assets 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 from the month the asset is available for 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 Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**5.3.1 Financial assets**

**(i) Initial recognition and measurement**

Under IFRS 9 Financial assets are classified, at initial recognition, as subsequently measured at following:

- (a) at amortised cost
- (b) at fair value through other comprehensive income (FVTOCI); and
- (c) at fair value through profit or loss(FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them.

**(a) At amortised cost**

A financial asset is measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**(b) At fair value through other comprehensive income**

A debt instrument is measured at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Foundation may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. However, Foundation does not elect to present its equity investment at Fair value through other comprehensive income.

**(c) At fair value through profit and loss**

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value, the Foundation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

**(ii) Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified into following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)**

These assets are subsequently measured at fair value. Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

**Financial assets at fair value through OCI with recycling of cumulative gains and losses (Equity instruments)**

These assets are subsequently measured at fair value. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Foundation benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

As at the date of statement of financial position, Foundation is not having any equity instrument designated at fair value through OCI.

**Financial assets at fair value through profit or loss**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

**(iii) Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Foundation's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Foundation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Foundation has transferred substantially all the risks and rewards of the asset, or

(b) the Foundation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Foundation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Foundation continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Foundation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Foundation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Foundation could be required to repay.

**(iv) Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Foundation expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. However, in certain cases, the Foundation may also consider a financial asset to be in default when internal or external information indicates that the Foundation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Foundation.

At each reporting date, the Foundation assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The Foundation uses the standard's simplified approach and calculates ECL based on life time ECL on its financial assets. The Foundation has established a provision matrix that is based on the Foundation's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment

**(v) Impact of adoption of IFRS 9 on classification and carrying amounts of financial assets**

The effects of adopting IFRS 9 on the classification and carrying amounts of the financial assets at 1 July 2019 are as follows;

The Foundation has applied IFRS-9 using the modified retrospective approach. On adoption of IFRS 9, the Foundation reassessed the classification of its investment portfolio and concluded as under.

- (a) investments in term deposit receipts, Izafa Certificate, Defense Saving Certificate and Regular Income Certificates continue to be measured at amortised cost as they are held within the business model with the objective to hold and to collect all contractual cash flows.
- (b) investments in Pakistan Investment Bonds were measured at amortised cost, upon adoption of IFRS 9 the Foundation has opted to classify these investments at fair value through other comprehensive income as such investments are held within the objective of "to collect contractual cash flows and sell", resulting in unrealized loss amounting to Rs. 12.8 million as at 01 July 2018, which has been recorded in Endowment fund.
- (c) Investments in quoted shares continue to be measured at fair value through profit and loss as the Foundation has elected to continue with such classification as allowed under IFRS 9.

The financial asset subject to credit risk such as other receivables, accrued profit received within short period of time. Further, bank balances, term deposits receipts and izafa certificate are held with A1+ and AA1+ rated institutions. Accordingly, the ECL impact on such assets is not material to these financial statements

**5.3.2 Financial Liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Foundation has not designated any financial liability at fair value through profit or loss.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**5.3.3 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**5.4 Deposit prepayment 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 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 restricted funds present revenues and expenses related to restricted resources. Endowment contributions are presented in the endowment fund.
- 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.

**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 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 from donor and is debited at the time of disbursement to Habib University students.

**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 statement of financial position date and adjusted to reflect the current best estimate.



**5.10 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 statement of financial position 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.

**5.11 Income**

**Donation**

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 an independent valuer.

**Other Income**

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

**5.12 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.

**5.13 Contingent liabilities**

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Foundation; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measure with sufficient reliability.

**5.14 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is the Foundation's functional and presentation currency.

**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:

	<b>Note</b>
- determining the residual values and useful lives of property, plant and equipment and intangibles	5.1 & 5.2
- classification of Financial Instrument	5.3
- provisions and contingencies	5.9 & 5.14
	E-4

**HABIB UNIVERSITY FOUNDATION**
**7. PROPERTY AND EQUIPMENT**

	Note	2019 ----- (Rupees `000) -----	2018 -----
Operating fixed assets	7.1	2,676,580	2,780,515
Capital work-in-progress	7.2	8,770	93,119
		<u>2,685,350</u>	<u>2,873,634</u>

**7.1 Operating fixed assets**

	Cost		Accumulated Depreciation / Amortization			Book value		Rate (%)
	As at July 1, 2018	Additions / (Disposals)*	As at June 30, 2019	As at July 1, 2018	Charge for the year / (Disposals)*	As at June 30, 2019	as at June 30, 2019	
	----- (Rupees `000) -----							
Leasehold land and building	28,468	-	28,468	28,468	-	28,468	-	12%
Leasehold land – city campus	529,615	-	529,615	-	-	-	529,615	-
Building on leasehold land	1,677,714	99,691	1,777,405	130,652	44,960	175,612	1,601,793	3%
Machinery and electrical works	616,498	706	617,204	199,418	65,229	264,647	352,557	10%
Motor vehicles	1,213	-	1,213	407	224	631	582	20%
Office equipment	169,962	949 (113)*	170,798	105,450	33,644 (113)*	138,981	31,817	20%
Lab equipment	95,607	-	95,607	51,885	18,592	70,477	25,130	20%
Furniture and fixtures	287,987	5,772 (164)*	293,595	129,156	38,068 (153)*	167,071	126,524	14.3% to 20%
Library books	15,753	-	15,753	13,361	642	14,003	1,750	20% to 33%
Computers and multimedia	145,696	1,412 (172)*	146,936	129,201	11,028 (105)*	140,124	6,812	33%
<b>2019</b>	<b>3,568,513</b>	<b>108,530 (449)*</b>	<b>3,676,594</b>	<b>787,998</b>	<b>212,387 (371)*</b>	<b>1,000,014</b>	<b>2,676,580</b>	

	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	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 (1,197)*	407	806	20%
Office equipment	169,722	290 (50)*	169,962	73,188	32,312 (50)*	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 (472)*	287,987	96,792	32,836 (472)*	129,156	158,831	14.3 to 20%
Library books	15,753	-	15,753	12,672	689	13,361	2,392	20% to 33%
Computers and multimedia	146,347	1,582 (2,233)*	145,696	108,440	22,994 (2,233)*	129,201	16,495	33%
<b>2018</b>	<b>3,531,460</b>	<b>41,005 (3,952)*</b>	<b>3,568,513</b>	<b>582,737</b>	<b>209,213 (3,952)*</b>	<b>787,998</b>	<b>2,780,515</b>	

7.1.1 Includes assets costing Rs. 3,576.59 (2018: Rs. 3,568.51) million with book value of Rs. 2,676.58 (2018: Rs. 2,780.51) 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	2019 ----- (Rupees `000) -----	2018 ----- (Rupees `000) -----
Expenditure		212,387	208,152
Project expenses		-	1,061
		<u>212,387</u>	<u>209,213</u>
<b>7.2 Capital work-in-progress</b>			
Opening balance		93,119	107,194
Capital expenditure incurred/advances made during the year		24,181	26,664
Transfer to operating fixed assets	7.2.1	(108,530)	(40,739)
Closing balance		<u>8,770</u>	<u>93,119</u>
<b>7.2.1 Transfer to operating fixed assets</b>			
Building on leasehold land		99,691	4,403
Machinery and electrical works		706	1,982
Office equipment		949	24
Lab equipment		-	12,358
Furniture and fixtures		5,772	20,390
Computers and multimedia		1,412	1,582
		<u>108,530</u>	<u>40,739</u>

7.3 There were no disposal with aggregate book value exceeding five hundred thousand rupees

**8. INTANGIBLE ASSETS**

	COST			ACCUMULATED AMORTIZATION		BOOK VALUE		Amortization rate %
	As at July 01, 2018	Additions	As at June 30, 2019	As at July 01, 2018	Charge for the year	As at June 30, 2019	As at June 30, 2019	
Computer software	31,163	-	31,163	27,274	1,333	28,607	2,556	33%
<b>Project development cost</b>								
- Academic Planning and Modeling	420,890	-	420,890	284,944	84,177	369,121	51,769	20%
- Networking and Partnership	59,017	-	59,017	50,636	8,381	59,017	-	20%
<b>2019</b>	<b>511,070</b>	<b>-</b>	<b>511,070</b>	<b>362,854</b>	<b>93,891</b>	<b>456,745</b>	<b>54,325</b>	
	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%
<b>Project development cost</b>								
- 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%
<b>2018</b>	<b>507,070</b>	<b>4,000</b>	<b>511,070</b>	<b>266,027</b>	<b>96,827</b>	<b>362,854</b>	<b>148,216</b>	

8.1 Represents assets costing Rs. 511.07 (2018: Rs. 511.07) million net book value of Rs. 54.325 (2018: Rs. 148.22) million, which are in possession and use of Habib University free of cost.

	Note	2019 ----- (Rupees `000) -----	2018 ----- (Rupees `000) -----
<b>9. LONG TERM INVESTMENTS</b>			
<b>Debt instruments at amortised cost:</b>			
Izafa Certificates		238,500	238,500
Accrued profit thereon		175,157	130,304
	9.1	<u>413,657</u>	<u>368,804</u>
Defence Saving Certificates (DSC)	9.2	100	-
Accrued profit thereon		4	-
		<u>104</u>	<u>-</u>
Regular Income Certificates (RIC)	9.2	110,100	-
Accrued profit thereon		2,131	-
		<u>112,231</u>	<u>-</u>
<b>Fair value through other comprehensive income:</b>			
Pakistan Investment Bonds	9.3	144,704	201,102
		<u>670,696</u>	<u>569,906</u>

9.1 Represents Izafa Certificates with Habib Metropolitan Bank Limited, a related party. These carry profit at the rate of 12.25% (2018: 12.25%) per annum and will mature latest by November 2020. The investments pertain in entirety to the Endowment Fund.

9.2 Represents Defense Saving Certificate and Regular Income Certificates with National Saving Scheme of Pakistan. These carry profit at the rate of 12% and 12.47% respectively (2018: Nil) per annum and will mature latest by 28<sup>th</sup> February 2029 for Defense Saving Certificate and latest by 3<sup>rd</sup> May 2024 for Regular Income Certificates. The long-term investments pertain in entirety to the Endowment Fund.

9.3 Pakistan Investment Bonds

Issue Date	Tenor	Face Value				Balance as at 30 June 2019		
		As at 1 July 2018	Purchased during the year	Sold/Matured during the year	As at 30 June 2019	Carrying value	Market Value	Appreciation/ (Diminution)
----- (Rupees in '000) -----								
21 April 2016	10 years	118,900	-	-	118,900	129,447	93,074	(36,373)
18 August 2011	20 years	54,300	-	-	54,300	70,097	51,630	(18,467)
21 April 2016	3 years		27,300	27,300	-	-	-	-
2019						199,544	144,704	(54,840)
2018						196,538	188,212	(8,326)

9.3.1 Rate of return on above Government Securities ranges from 8.75% to 13% (2018: 8.75% to 13%).

Note 2019 2018  
----- (Rupees '000) -----

10. SHORT-TERM INVESTMENTS

At fair value through profit or loss

Quoted Shares

Abbott Laboratories (Pakistan) Limited	6,170	8,905	
Adamjee Insurance Company Limited	9,537	8,776	
Attock Petroleum Limited	8,655	13,275	
Colgate Palmolive (Pakistan) Limited	2,689	3,401	
Fauji Fertilizer Company Limited	7,499	-	
Engro Fertilizers Limited	9,659	14,682	
Engro Corporations Limited	15,192	16,321	
EFU Life Insurance Limited	6,463	7,818	
GlaxoSmithKline (Pakistan) Limited	-	8,931	
Habib Bank Limited	-	12,699	
HUB Power Company Limited	10,373	7,235	
ICI Pakistan Limited	8,733	11,221	
IGI Holdings Limited	6,328	10,426	
Jubilee Life Insurance Company Limited	4,578	9,522	
Lucky Cement Limited	10,501	9,447	
Mari Petroleum Company Limited	8,327	11,296	
Meezan Bank Limited	1,220	-	
MCB Bank Limited	13,659	14,892	
Oil and Gas Development Corporation Limited	11,966	11,828	
Pakistan Oilfields Limited	4,124	4,568	
Pakistan Petroleum Limited	11,320	6,984	
Searle Company Limited	4,895	9,859	
Shifa International Hospitals Limited	6,264	7,695	
	10.1	168,152	209,781

Amortized Cost:

Term Deposit Receipts	10.2	100,000	33,000
Accrued profit		540	8
		100,540	33,008
		268,692	242,789

10.1 This represent investments made for Endowment Fund worth Rs.168.15 (2018: Rs. 209.78) million.

10.2 Represents term deposits receipts with Habib Metropolitan Bank Limited, a related party. These carry profit rates ranging from 4.25% to 11% (2018: profit rate of 4.5% to 6.4%) per annum and will mature latest by July 2019. This represents investments made for HU Zakat Fund Rs. 35 million and Endowment Fund Rs. 65 million (2018: Endowment Fund Rs.3 million and Scholarship Fund Rs.30 million).

## HABIB UNIVERSITY FOUNDATION

	Note	2019 ----- (Rupees `000) -----	2018
<b>11. BANK BALANCES</b>			
Foreign currency			
- in current accounts		978	9,303
Local currency			
- in deposit accounts	11.1	152,665	166,021
- in current accounts		<u>213,750</u>	<u>180,643</u>
	11.2	<u>367,393</u>	<u>355,967</u>

11.1 Represents deposit accounts maintained with Habib Metropolitan Bank Limited, a related party, which carries profit at the rate ranging from 5.5% to 10.25% (2018: 3.75% to 5.5%) per annum.

	Note	2019 ----- (Rupees `000) -----	2018
<b>11.2 This includes following restricted balances:</b>			
Endowment Fund		19,438	31,712
Zakat Fund		58,526	72,826
HU Scholarship Fund		22,068	13,631
HU Student Loan Fund		<u>240,476</u>	<u>163,019</u>
		<u>340,508</u>	<u>281,188</u>

### 12. ENDOWMENT FUND

Opening balance		826,384	888,888
Contribution received during the year		137,143	24,778
Return on investments	19	82,090	72,608
Loss on sale of Pakistan Investment Bonds		-	(2,651)
Effect of adoption of IFRS 9		(12,890)	-
Un realized loss on Investment at Pakistan investment bonds		(37,455)	-
Loss on investments at fair value through profit or loss		(60,977)	(29,378)
Program and administrative expenses		(3,323)	(3,797)
Transferred to General Fund		-	(124,064)
Closing balance	12.1	<u>930,972</u>	<u>826,384</u>

#### 12.1 Endowment Fund

Represented by:			
Long term investment	9	670,696	569,906
Short term investment		233,460	212,781
Cash and bank balances		19,438	40,719
Other receivables		3,638	3,909
Accrued profit		4,585	-
Payable to investment advisor		(845)	(931)
		<u>930,972</u>	<u>826,384</u>

### 13. ZAKAT FUND

Opening balance		70,093	117,770
Received during the year		174,711	58,850
Return on investments		5,107	6,751
Disbursement during the year to Habib University		<u>(155,906)</u>	<u>(113,278)</u>
Closing balance		<u>94,005</u>	<u>70,093</u>

### 14. HU SCHOLARSHIP FUND

Opening balance		42,072	44,953
Contribution during the year		253,434	259,010
Disbursement during the year to Habib University		<u>(299,267)</u>	<u>(265,724)</u>
Transferred from General Fund		23,758	-
Return on Investments		<u>2,234</u>	<u>3,833</u>
Closing balance		<u>22,231</u>	<u>42,072</u>

**HABIB UNIVERSITY FOUNDATION**

	2019	2018
	----- (Rupees '000) -----	
<b>15. HU STUDENT LOAN FUND</b>		
Opening balance	163,018	81,793
Contribution during the year	-	81,225
Transferred from General Fund	<u>77,458</u>	<u>-</u>
Closing balance	<u>240,476</u>	<u>163,018</u>
<b>16. TRADE AND OTHER PAYABLES</b>		
Payable to suppliers and contractors	613	253
Projects payable	-	15,319
Accrued liabilities	<u>34,387</u>	<u>39,695</u>
	<u>35,000</u>	<u>55,267</u>

**17 CONTINGENCIES AND COMMITMENTS**

**17.1 Contingencies**

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 until the resolution of the case. The management is confident that the lawsuit is expected to be decided in favor of the foundation and accordingly no provision has been made in these financial statements.

**17.2 Commitments**

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. 240.476 (2018: Rs.144.135) million. The commercial bank is a related party of the Foundation.

		General fund	Endowment fund	Restricted Funds	2019 Total	2018 Total
Note		-----	-----	-----	-----	-----
		(Rupees '000)				
<b>18. DONATIONS / CONTRIBUTIONS</b>						
From related parties	18.1	272,488	114,278	347,399	734,165	507,014
Other corporate entities		-	22,865	80,746	103,611	110,266
		<u>272,488</u>	<u>137,143</u>	<u>428,145</u>	<u>837,776</u>	<u>617,280</u>

**18.1 From related parties**

Muhammad Ali Habib Welfare Trust	257,829	-	174,799	432,628	362,068	
Mohamed ali Rafiq Habib	4,346	1,000	-	5,346	1,000	
Indus Motor Company Limited	-	-	20,000	20,000	90,000	
Habib Metropolitan Bank Limited	-	13,278	3,000	16,278	8,278	
Muhammed H. Habib	4,346	-	-	4,346	1,317	
Rafiq M. Habib	-	-	-	-	1,317	
Parvez Ghias	-	-	1,000	1,000	1,000	
Hilton Pharma (Private) Limited	-	-	-	-	1,500	
Hinovex Marketing	-	-	100,000	100,000	-	
Dawood Habib Memorial Trust	-	100,000	-	100,000	-	
Meherafroze Habib	1,621	-	-	1,621	1,317	
Zaheda Habib	4,346	-	-	4,346	-	
Soorty Enterprises (Private) Limited	-	-	35,000	35,000	30,000	
International Steel Ltd	-	-	-	-	1,000	
Towfiq Chinoy	-	-	10,000	10,000	1,000	
Fatemah Habib	-	-	-	-	1,317	
Thal Limited	-	-	2,500	2,500	5,000	
Feroze & Shernaz B. Charit. Trust	-	-	1,100	1,100	900	
		<u>272,488</u>	<u>114,278</u>	<u>347,399</u>	<u>734,165</u>	<u>507,014</u>

**HABIB UNIVERSITY FOUNDATION**

	General fund	Endowment fund	Restricted Funds	2019 Total	2018 Total
	----- (Rupees `000) -----				
<b>19. OTHER INCOME</b>					
Profit on bank accounts	4,262	3,746	6,362	14,370	8,604
Profit on DSC's & NSC's	-	2,135	-	2,135	-
Return on Izafa	-	44,852	-	44,852	40,448
Return on Term Deposits Receipts	-	1,364	979	2,343	4,649
Return on Market Treasury Bills	-	2,650	-	2,650	218
Dividend income	-	9,894	-	9,894	10,836
Return on Pakistan Investment Bonds	-	17,449	-	17,449	20,546
Gain on sale of fixed assets	93	-	-	93	1,381
Exchange gain	215	-	-	215	224
Custom duty refunded	-	-	-	-	5,965
Liability written back	653	-	-	653	-
	<u>5,223</u>	<u>82,090</u>	<u>7,341</u>	<u>94,654</u>	<u>92,871</u>

	2019	2018
	----- (Rupees `000) -----	
<b>20. DONATIONS TO RELATED PARTIES</b>		
Habib University	<u>153,250</u>	<u>213,275</u>

20.1 A Director of the Foundation is also the President of Habib University (a related party).

	Note	2019	2019
		----- (Rupees `000) ----	
<b>21. PROGRAM AND ADMINISTRATIVE EXPENSES</b>			
Legal and professional charges		12,758	5,511
Salaries		13,599	12,818
Auditors' remuneration	21.1	544	611
Travelling		713	1,053
Rent		1,264	-
Others		1,610	172
		<u>30,488</u>	<u>20,165</u>

**21.1 Auditors' remuneration**

Audit fee	325	325
Fee for review of half yearly financial statements	219	211
Out of pocket expenses	-	75
	<u>544</u>	<u>611</u>

**22. NET SURPLUS ON PROJECTS:**

	2019			2018		
	Income	Expenses	Net Surplus	Income	Expenses	Net (Deficit)
	----- (Rupees `000) -----					
Institute for Advancing Careers and Talents	5,209	-	5,209	2,552	(14,264)	(11,712)
	<u>5,209</u>	<u>-</u>	<u>5,209</u>	<u>2,552</u>	<u>(14,264)</u>	<u>(11,712)</u>

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23. FINANCIAL INSTRUMENTS BY CATEGORY

23.1 Financial assets as per statement of financial position

	Note	2019 --- (Rupees in '000) ---	2018
<b>Fair Value Through OCI – Investments</b>			
Pakistan Investment Bonds	9	144,704	201,102
<b>Fair Value through profit and loss – Investments</b>			
Investment in quoted shares	9	168,152	209,781
<b>Financial asset at amortised cost</b>			
Regular income Certificate (RIC)	9	112,231	-
Defense saving certificate (DSC)	9	104	-
Izafa Certificate	9	413,657	368,804
Term deposit receipts	10	100,540	33,008
other receivable		-	4,991
Accrued Profit		5,539	4,656
Deposits		2,020	2,020
		<u>634,091</u>	<u>413,479</u>
		<u>947,947</u>	<u>824,362</u>

23.2 Financial liabilities as per statement of financial position

Financial liabilities measured at amortised cost

Trade and other payables	17	35,000	55,267
Due to related parties		-	1,889
		<u>35,000</u>	<u>57,156</u>

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Foundation's activities expose it to a variety of financial risks mainly are market risks, credit risk and liquidity risk. The Board of Director reviews and agrees policies for managing each of these risks which are summarized below:

24.1 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 prices. Market risk comprises three types of risk: interest rate risk, currency risk and another price risk.

(i) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of financial instrument will fluctuate due to the changes in market interest rates. The Foundation is exposed to interest rate risk in respect of bank deposits and term deposit receipts. Management of the foundation estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the deficit / increase the surplus by Rs. 2.53 (2018: Rs. 1.99) 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

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where payables exist due to imports of goods and transactions with foreign related parties as well as receivables and payable exist due to transaction in foreign currency. The Foundation primarily has foreign currency exposures in US Dollar (USD).

As at June 30, 2019, had the exchange rates of USD appreciated or depreciated against the currency with all other variables held constant, the change in (Deficit)/Surplus would have been as follows:

Currency	(Deficit)/Surplus	2019		2018	
		%	Rs. '000	%	Rs. '000
USD	lower / higher	10%	98	10%	150



iii) **Equity price risk**

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the date of statement of financial position, the exposure to listed equity securities was Rs. 168.152 million. A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 16.8 million on the statement of income and expenditure depending whether or not the decline is below the cost of investment. An increase of 10% in the share price of the listed security would impact statement of income and expenditure with the similar amount.

**24.2 Credit risk**

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract leading to 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.

The Foundation is exposed to credit risk mainly on Term Deposits Receipts, Izafa Certificate, Other Receivables and Bank Balances. The Foundation seeks to minimize the credit risk exposure through having exposure only to banks considered credit worthy and short-term and long term investment arranged with banks.

	2019	2018
	----- (Rupees `000) -----	
<b>Exposure to credit risk</b>		
The Foundation's maximum exposure to credit risk at the reporting date is as follows:		
Security Deposit	2,020	2,020
Other receivables	-	427
	<u>2,020</u>	<u>2,447</u>

**Quality of financial assets**

The credit quality of financial assets can be assessed by reference to external credit ratings or default history of counter parties as shown below:

	2019	2018
	----- (Rupees `000) -----	
<b>Bank balances</b>		
<b>Short Term Ratings</b>		
A1+	367,393	352,744
A-1+	-	3,078
A1+/A-1+	-	145
	<u>367,393</u>	<u>355,967</u>
<b>Short term investments</b>		
<b>Term deposit receipts - Ratings</b>		
A1+	100,540	33,008
<b>Long term investments</b>		
<b>Izafa certificate - Ratings</b>		
AA+	413,657	368,804

**24.3 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 University believes that it is not exposed to any significant level of liquidity risk.

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

	2019			
	On demand	Less than 3 months	3 to 12 Months	Total
	----- (Rupees in '000) -----			
Trade and other payables	-	2,625	32,375	35,000
	-----			
	2018			
	On demand	Less than 3 months	3 to 12 Months	Total
	----- (Rupees in '000) -----			
Trade and other payables	-	22,892	32,375	55,267
Due to related party	-	1,889	-	1,889
	-	24,781	32,375	57,156
	-----			

**25. FAIR VALUE OF MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The table below analyses financial instrument carried at fair valuation method and different levels of fair valuation method have been defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

	2019			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Quoted shares	168,152	-	-	168,152
Pakistan investment bonds	-	144,704	-	144,704
	168,152	144,704	-	312,856
	-----			
	2018			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Quoted shares	209,781	-	-	209,781
Pakistan investment bonds	-	201,102	-	201,102
	209,781	201,102	-	410,883
	-----			

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.

**26. 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

**27. 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:

Nature of Transaction	Note	2019	2018
		----- (Rupees '000) -----	
Investments in term deposit receipts		300,000	622,000
Encashment of term deposit receipts		233,000	772,000
Contribution from restricted funds	13 & 14	455,173	379,002
Profit on bank deposits and term deposit receipts		15,233	13,253
Insurance premium		-	106

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27.1 Following are the related parties of the Foundation with whom the Foundation had entered into transactions or have arrangement/agreement in place.

Name of related parties	Basis of relationship	Nature of Transactions
Hinovex Marketing	Common directorship	Donation received.
Indus Motor Company Limited	Common directorship	Donation received.
Meherafroze Habib	Relative of director	Donation received.
Muhammad ali Habib Welfare Trust	Common directorship	Donation received.
Mohamed ali Rafiq Habib	Director	Donation received.
Muhammed H. Habib	Director	Donation received.
Parvez Ghias	Director	Donation received.
Soorty Enterprises (Private) Limited	Common directorship	Donation received.
Zaheda Habib	Relative of director	Donation received.
Dawood Habib Memorial Trust	Common Directorship	Donation received.
Towfiq Chinoy	Director	Donation received.
Feroze & Shernaz B. Charit. Trust	Common Directorship	Donation received.
Thal Limited	Common directorship	Donation received.
Habib Metropolitan Bank Limited	Common directorship	Donation received, banking and related services

**28. KEY MANAGEMENT PERSONNEL**

28.1 No remuneration has been paid to the Chief Executive.

28.2 Directors are not paid any fee for attending meetings

28.3 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. 12.753 (2018: Rs. 12.675) million.

**29. NUMBER OF EMPLOYEES**

Number of persons employed as at year end were 3 (2018: 2) and the average number of persons employed during the year were 3 (2018: 2).

**30. GENERAL**

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

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

**31. DATE OF AUTHORISATION FOR ISSUE**

These financial statements have been authorised for issue on 04 OCT 2019 by the Board of Directors of the Foundation.



Chief Executive

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Director