

**Building a better
working world**

**HABIB UNIVERSITY FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Habib University 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 2020, and income and expenditure statement, statement of comprehensive income, the statement of changes in funds, statement of cash flows, 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, income and expenditures statement, statement of comprehensive income, the statement of changes in funds and statement of cash flows 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 2020 and of the income and expenditure and 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.

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.



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, income and expenditure statement, statement of comprehensive income, the statement of changes in funds and statement of cash flows 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) 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 September 2020

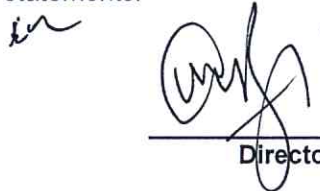
HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	-----Restricted Funds-----			2020 Total	2019 Total
		General Fund	Endowment Fund	Other Restricted Funds		
----- (Rupees `000) -----						
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	6	2,545,260	-	-	2,545,260	2,685,350
Intangible assets	7	1,370	-	-	1,370	54,325
Long-term investments	8	-	966,890	-	966,890	668,565
Long-term security deposits		2,020	-	-	2,020	2,020
		<u>2,548,650</u>	<u>966,890</u>	<u>-</u>	<u>3,515,540</u>	<u>3,410,260</u>
CURRENT ASSETS						
Short-term prepayments		16	-	-	16	41
Accrued profit		569	19,140	389	20,098	7,670
Other receivable		-	253	-	253	-
Short-term investments	9	-	670,212	-	670,212	268,692
Tax receivable		2,715	687	49	3,451	6,445
Bank balances	10	81,567	34,275	340,624	456,466	367,393
		<u>84,867</u>	<u>724,567</u>	<u>341,062</u>	<u>1,150,496</u>	<u>650,241</u>
TOTAL ASSETS		<u>2,633,517</u>	<u>1,691,457</u>	<u>341,062</u>	<u>4,666,036</u>	<u>4,060,501</u>
FUNDS AND LIABILITIES						
FUND BALANCES						
General Fund		2,596,768	-	-	2,596,768	2,737,817
Endowment Fund-Restricted	11	-	1,690,103	-	1,690,103	930,972
Other Restricted Funds						
HU Scholarship Fund	12	-	-	6,585	6,585	22,204
Zakat Fund	13	-	-	85,197	85,197	94,005
Grant Fund	14	-	-	5,786	5,786	27
HU Student Loan Fund	15	-	-	242,545	242,545	240,476
Other Projects Fund	16	-	-	694	694	-
		<u>-</u>	<u>-</u>	<u>340,807</u>	<u>340,807</u>	<u>356,712</u>
		<u>2,596,768</u>	<u>1,690,103</u>	<u>340,807</u>	<u>4,627,678</u>	<u>4,025,501</u>
CURRENT LIABILITY						
Trade and other payables	17	36,749	1,354	255	38,358	35,000
CONTINGENCIES AND COMMITMENTS						
	18					
TOTAL FUND AND LIABILITIES		<u>2,633,517</u>	<u>1,691,457</u>	<u>341,062</u>	<u>4,666,036</u>	<u>4,060,501</u>

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



Chief Executive



Director

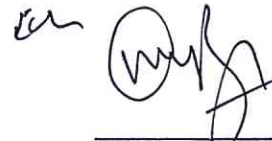
HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020

	Note	---Restricted Funds---			2020 Total	2019 Total
		General Fund	Endowment Fund	Other Restricted Funds		
-----Rupees in '000-----						
INCOME / CONTRIBUTIONS						
Donations	19	225,260	682,184	430,933	1,338,377	837,776
Donations for other project	20	-	-	2,500	2,500	5,209
Gain / (loss) on investments at fair value through profit or loss (FVTPL)	21	-	5,725	-	5,725	(60,977)
Other income	22	7,309	127,594	8,627	143,530	94,654
		<u>232,569</u>	<u>815,503</u>	<u>442,060</u>	<u>1,490,132</u>	<u>876,662</u>
LESS: EXPENDITURE						
Donations:						
Habib University students;						
- Scholarship		-	-	252,766	252,766	273,990
- Zakat		-	-	179,614	179,614	155,906
- Grants		-	-	25,784	25,784	25,277
Habib University – a related party		208,562	-	-	208,562	153,250
Ihsan Trust		321	-	-	321	-
Depreciation	6.1	181,025	-	-	181,025	212,387
Amortization	7	52,955	-	-	52,955	93,891
Administrative expenses	23	28,686	-	-	28,686	27,165
Investment management and related expenses		-	4,761	-	4,761	3,323
Expenditures on other project	20	-	-	1,870	1,870	-
		<u>471,549</u>	<u>4,761</u>	<u>460,034</u>	<u>936,344</u>	<u>945,189</u>
Surplus / (deficit) of income / contributions over expenditure for the year		<u>(238,980)</u>	<u>810,742</u>	<u>(17,974)</u>	<u>553,788</u>	<u>(68,527)</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 COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	---Restricted Funds---			2020 Total	2019 Total
	General Fund	Endowment Fund	Other Restricted Funds		
	-----Rupees in '000-----				
Surplus / (deficit) of income / contributions over expenditure for the year	(238,980)	810,742	(17,974)	553,788	(68,527)
Fair value gain / (loss) on investments classified as fair value through OCI (FVTOCI)	-	48,389	-	48,389	(37,455)
Total comprehensive income / (loss) for the year	<u>(238,980)</u>	<u>859,131</u>	<u>(17,974)</u>	<u>602,177</u>	<u>(105,982)</u>

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)
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Restricted Funds							Sub Total	Total
	General Fund	Endowment Fund Note 11	HU Scholarship Fund Note 12	Zakat Fund Note 13	Grant Fund Note 14	HU Student Loan Fund Note 15	Other Project Fund Note 16		
Balance as at June 30, 2018	3,042,806	813,494	42,566	70,093	(494)	163,018	-	275,183	4,131,483
Deficit of income / contributions over expenditure for the year	(203,773)	154,933	(20,362)	23,912	(23,237)	-	-	(19,687)	(68,527)
Other comprehensive loss for the year	-	(37,455)	-	-	-	-	-	-	(37,455)
Total comprehensive loss for the year	(203,773)	117,478	(20,362)	23,912	(23,237)	-	-	(19,687)	(105,982)
Contribution from general fund to Grant Fund during the year	(23,758)	-	-	-	23,758	-	-	23,758	-
Contribution from general fund to HU Student Loan Fund during the year	(77,458)	-	-	-	-	77,458	-	77,458	-
Balance as at July 01, 2019	2,737,817	930,972	22,204	94,005	27	240,476	-	356,712	4,025,501
(Deficit) / surplus of income / contributions over expenditure for the year	(238,980)	810,742	(15,619)	(8,808)	5,759	-	694	(17,974)	553,788
Other comprehensive income for the year	-	48,389	-	-	-	-	-	-	48,389
Total comprehensive income for the year	(238,980)	859,131	(15,619)	(8,808)	5,759	-	694	(17,974)	602,177
Transfer from endowment fund to general fund during the year	100,000	(100,000)	-	-	-	-	-	-	-
Transfer from HU student loan fund to general fund during the year	6,147	-	-	-	-	(6,147)	-	(6,147)	-
Contribution from general fund to HU student loan fund during the year	(8,216)	-	-	-	-	8,216	-	8,216	-
Balance as on June 30, 2020	2,596,768	1,690,103	6,585	85,197	5,786	242,545	694	340,807	4,627,678

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

Signature

Chief Executive


Signature

Director

HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		----- (Rupees `000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus / (deficit) of income / contributions over expenditure for the year		553,788	(68,527)
Adjustment for non-cash and other items			
Depreciation charge for the year		181,025	212,387
Amortization charge for the year		52,955	93,891
Profit on investments classified at FVTOCI		(18,361)	(18,450)
Profit on investments classified at amortized cost		(91,743)	(51,980)
Profit on deposit accounts		(16,460)	(14,370)
Realised (gain) / loss on sale of investments carried at FVTPL		(3,421)	2,697
Unrealised (gain) / loss on investments carried at FVTPL		(2,304)	58,280
Exchange gain		(5,110)	(215)
Dividend Income		(11,076)	(9,894)
Gain on disposal of operating fixed assets		-	(93)
		85,505	272,253
(Increase) / decrease in current assets:			
Short-term prepayments		25	103
Other receivables		(253)	427
		(228)	530
Increase / (decrease) in current liabilities:			
Trade and other payables		3,358	(20,267)
Due to a related party		-	(1,889)
		3,358	(22,156)
Cash generated from operations		642,423	182,100
Tax refunded during the year – net		2,994	1,888
NET GENERATED FROM OPERATING ACTIVITIES		645,417	183,988
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(40,935)	(24,181)
Proceeds from disposal of operating fixed assets		-	171
Investments made during the year		(744,579)	(252,284)
Investments encashed during the year		49,248	129,189
Dividend received		11,076	9,894
Profit received on investments classified at;			
- FVTOCI		17,463	17,515
- Amortized cost		36,329	1822
Profit received on deposit accounts		15,054	12,312
NET CASH USED IN INVESTING ACTIVITIES		(656,344)	(105,562)
Net (decrease) / increase in cash and cash equivalents		(10,927)	78,426
Cash and cash equivalents at the beginning of the year		467,393	388,967
Cash and cash equivalents at the end of the year		456,466	467,393
CASH AND CASH EQUIVALENTS			
Bank balances	10	456,466	367,393
Short-term investments	9	-	100,000
		456,466	467,393

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)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 is also engaged in 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;
- 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.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards or the Accounting Standards for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. BASIS OF MEASUREMENT

- 3.1** These financial statements have been prepared under the historical cost convention, except for certain long-term and short-term 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. Significant accounting judgments and estimates

The preparation of Foundation's financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates, assumptions and judgements made by the management that are subject to risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

	Note
- determining the residual values and useful lives of property, plant and equipment and intangible assets	5.3 & 5.4
- classification of financial Instruments	5.5
- provisions and contingencies	5.13 & 5.18

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New / Revised Standards, Amendments, Interpretations and Improvements

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

Standard or Interpretation:

- IFRS 9 - Prepayment Features with Negative Compensation (Amendments)
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 16 - Leases
- IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)
- IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)
- IFRIC 23 - Uncertainty over income tax treatments

Improvements to Accounting Standards Issued by the IASB in December 2017

- IFRS 3 - Business Combinations - Previously held Interests in a joint operation
- IFRS 11 - Joint Arrangements - Previously held Interests in a joint operation
- IAS 12 - Income Taxes - Income tax consequences of payments on financial instruments classified as equity
- IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalisation

IFRS 16 - "Leases"

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC-15 Operating Lease-Incentive and SIC 27 Evaluating the substance of Transactions involving the legal form of a Lease. The standard sets out the principle for the recognition, measurement, presentation and disclosure of lease under IFRS 16, distinction between operating and finance lease has been removed and all lease contracts, with limited exceptions, will be recognized in statement of financial position by way of right-of-use assets along with their corresponding lease liabilities. The adoption of the new standard did not have any material impact on these financial statements.

The adoption of the above standards, amendments, interpretation and improvements to accounting standards did not have any material effect on the financial statements.

5.2 Standards, interpretations 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 (annual periods beginning on or after)
IFRS 3	Definition of a Business (Amendments)	01 January 2020
IFRS 9 / IAS 39 / IFRS 7	Interest Rate Benchmark Reform (Amendments)	01 January 2020
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
IAS 1 / IAS 8	Definition of Material (Amendments)	01 January 2020
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)	01 January 2022

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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 the purpose of applicability in Pakistan.

Standard or Interpretation		IASB effective date (annual periods beginning on or after)
IFRS 1	First time adoption of IFRSs	01 January 2004
IFRS 17	Insurance Contracts	01 January 2021

5.3 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 statement using straight line method of the assets over their estimated useful lives at the rates specified in note 6.1 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 statement 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 statement 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.

5.4 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 7 to the financial statements.

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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 was applied requiring the amount to be carried at cost less any accumulated amortization and accumulated impairment losses, if any.

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.

5.5 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.

5.5.1 Financial assets

a) Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income or FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Foundation's business model for managing them. With the exception of trade receivables, the Foundation initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Foundation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Foundation commits to purchase or sell the asset.

b) Subsequent measurement

For purposes of subsequent measurement, the Foundation classifies its financial assets into following categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVTPL.

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Financial assets at amortized cost (debt instruments)

The Foundation measures financial assets at amortized 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.

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

Financial assets designated at FVTOCI (equity instruments)

Upon initial recognition, the Foundation can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in 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 FVTOCI are not subject to impairment assessment.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in statement of profit or loss and other comprehensive income.

This category also includes derivative instruments and listed equity investments which the Foundation had not irrevocably elected to classify at FVTOCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

c) 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 lower of the original carrying amount of the asset and the maximum amount of consideration that the Foundation could be required to repay.

5.5.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, trade 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.

b) Subsequent measurement

Financial liabilities at FVTPL

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

Financial liabilities at amortized cost

After initial recognition, borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in statement of profit or loss and other comprehensive income.

Borrowings, if any, are classified as current liabilities unless the Foundation has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

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c) 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 statement of profit or loss and other comprehensive income.

5.5.3 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when the Foundation has a legally enforceable right to set off and the Foundation intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

5.6 Prepayments

This is stated at cost less provision for doubtful balances, if any.

5.7 Other receivables

These are recognized and carried at original invoice amount being the fair value and subsequently measured at amortised cost. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of these receivables. Bad debts are written off when considered irrecoverable.

Exchange gains or losses, if any, arising in respect of these receivables in foreign currency are added to their respective carrying amounts.

5.8 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise bank balances and short-term highly liquid investments with original maturities of three months or less.

5.9 General 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 year.

5.10 Restricted Funds

The Foundation follows restricted fund method of accounting under which 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 income and expenses related to restricted resources. Endowment contributions are presented in the endowment fund.

5.10.1 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. In accordance with Endowment Fund rules, only the income derived from the Fund shall be applied towards meeting the expenses of Habib University or as recommended by the Board of Directors.



5.10.2 HU Scholarship Fund

This is a form of a restricted fund utilized for providing scholarships 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 and debited at the time of disbursement to Habib University students.

5.10.3 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.

5.10.4 Grant Fund

This is a form of a restricted fund utilized for providing grants to the deserving students of Habib University. The Fund is credited when the contributions are received and debited at the time of disbursement to Habib University students.

5.10.5 HU Student Loan Fund

The Foundation has provided guarantee against loans issued by a commercial bank to Habib University students by creating lien on a current account. The account is credited by an amount equivalent to the amount of loan disbursed by the bank to a student during the year and is debited when the loan is repaid by the students.

5.11 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.

5.12 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. Further, the name of Foundation was 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 current and deferred tax provision has been made in these financial statements.

5.13 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.

5.14 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 statement currently.

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5.15 Income**Donation**

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

5.16 Other Income

Other income is recognised to the extent it is probable that the economic benefits will flow to the Foundation and amount can be measured reliably. Other income is measured at the fair value of the consideration received or receivable and is recognised on the following basis:

- Profit on Defence Saving Certificates, Pakistan Investment Bonds, Term Deposit Receipts, Izafa Certificates and Treasury Bills is recognised on a constant rate of return to maturity.
- Profit on deposit accounts and Regular Income Certificates are recognized on accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.
- Gain or loss on sale of investments is recognized in income and expenditure account in the year in which it arises.

5.17 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 statement on a straight-line basis over the useful lives of asset from the date the asset is available for internal use.

5.18 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.

5.19 Other projects**5.19.1 Receipts**

Receipts in cash are recognized as and when received. Receipts in kind in the form of assets with no future related costs are recognized in the period in which it becomes receivable / received, at fair value.

5.19.2 Expenditures

Expenditures are recognized as and when incurred.

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6. PROPERTY, PLANT AND EQUIPMENT

	Note	2020 (Rupees `000)	2019
Operating fixed assets	6.1	2,521,134	2,676,580
Capital work-in-progress	6.2	24,126	8,770
		<u>2,545,260</u>	<u>2,685,350</u>

6.1 Operating fixed assets

	Cost		Accumulated Depreciation / Amortization			Book value		Rate (%)
	As at July 1, 2019	Additions / (Adjustment)* / (write-off)**	As at June 30, 2020	As at July 1, 2019	Charge for the year / (Adjustment)* / (write-off)**	As at June 30, 2020	as at June 30, 2020	
----- (Rupees `000) -----								
Freehold land – city campus	529,615	-	529,615	-	-	-	529,615	-
Building on freehold land	1,777,405	1,386	1,778,791	175,612	44,188	219,800	1,558,991	2.5
Leasehold land and building (note 6.1.1)	28,468	(28,468)*	-	28,468	(28,468)*	-	-	9.1
Machinery and electrical works	617,204	-	617,204	264,647	61,668	326,315	290,889	10
Motor vehicles	1,213	-	1,213	631	233	864	349	20
Office equipment	170,798	712	171,510	138,981	17,513	156,494	15,016	20
Lab equipment	95,607	17,214	112,821	70,477	14,970	85,447	27,374	20
Furniture and fixtures	293,595	2,814	296,409	167,071	36,426	203,497	92,912	14.3 to 20
Library books	15,753	-	15,753	14,003	615	14,618	1,135	20
Computers and multimedia	146,936	3,453 (121)**	150,268	140,124	5,412 (121)**	145,415	4,853	33
2020	3,676,594	25,579 (28,468)* (121)**	3,673,584	1,000,014	181,025 (28,468)* (121)**	1,152,450	2,521,134	
----- (Rupees `000) -----								
	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) -----								
Freehold land – city campus	529,615	-	529,615	-	-	-	529,615	-
Building on freehold land	1,677,714	99,691	1,777,405	130,652	44,960	175,612	1,601,793	2.5
Leasehold land and building	28,468	-	28,468	28,468	-	28,468	-	9.1
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
Computers and multimedia	145,696	1,412 (172)	146,936	129,201	11,028 (105)	140,124	6,812	33
2019	3,568,513	108,530 (449)	3,676,594	787,998	212,387 (371)	1,000,014	2,676,580	

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- 6.1.1 Represents lease expired which was not renewed.
- 6.1.2 Operating fixed assets include items having an aggregate cost of Rs. 196.543 million (2019: Rs. 225.011 million) which are fully depreciated and are still in use of the Foundation.
- 6.1.3 These include assets that are in possession and use of Habib University – a related party pursuant to an agreement therewith.

6.2 Capital work-in-progress

	Note	2020 ----- (Rupees `000) -----	2019 -----
Opening balance		8,770	93,119
Capital expenditure incurred/advances made during the year		40,935	24,181
Transfer to operating fixed assets		(25,579)	(108,530)
Closing balance	6.2.1	<u>24,126</u>	<u>8,770</u>

6.2.1 Capital work-in-progress – breakup

Building on freehold land	14,503	8,770
Lab equipment	9,623	-
	<u>24,126</u>	<u>8,770</u>

6.2.2 Commitments in respect of capital work in progress amounts to Rs. 22.553 million (2019: Nil).

7. INTANGIBLE ASSETS

	COST			ACCUMULATED AMORTIZATION			BOOK VALUE	Amortization rate %
	As at July 01, 2019	Additions	As at June 30, 2020	As at July 01, 2019	Charge for the year	As at June 30, 2020	As at June 30, 2020	
Computer software	31,163	-	31,163	28,607	1,186	29,793	1,370	33
Project development cost								
- Academic Planning and Modeling	420,890	-	420,890	369,121	51,769	420,890	-	20
- Networking and Partnership	59,017	-	59,017	59,017	-	59,017	-	20
2020	<u>511,070</u>	<u>-</u>	<u>511,070</u>	<u>456,745</u>	<u>52,955</u>	<u>509,700</u>	<u>1,370</u>	
	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
Project development cost								
- 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
2019	<u>511,070</u>	<u>-</u>	<u>511,070</u>	<u>362,854</u>	<u>93,891</u>	<u>456,745</u>	<u>54,325</u>	

7.1 Intangible assets include items having an aggregate cost of Rs. 507.070 million (2019: Rs. 86.180 million) which are fully amortized and are still in use of the Foundation.

7.2 These include assets are in possession and use of Habib University – a related party pursuant to an agreement therewith.

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	Note	2020 ----- (Rupees `000) -----	2019 ----- (Rupees `000) -----
8. LONG-TERM INVESTMENTS			
At amortised cost:			
Izafa Certificates		-	238,500
Accrued profit thereon		-	175,157
	9.1	-	413,657
Defence Saving Certificates (DSC)	8.1	110,100	100
Accrued profit thereon		9,747	4
		119,847	104
Regular Income Certificates (RIC)	8.2	220,100	110,100
Fair value through other comprehensive income:			
Pakistan Investment Bonds (PIBs)	8.3 & 8.4	626,943	144,704
	8.5	966,890	668,565

8.1 These carry profit yield ranging from 12.47% to 13.02% (2019: 12.47%) per annum and will mature latest by October 2029.

8.2 These carry profit at ranging from 12% to 12.96% (2019: 12%) per annum and will mature latest by October 2024.

8.3 These carry profit yield ranging from 7.57% to 9.59% (2019: 7.68% to 9.59%) per annum and will mature latest by August 2031.

8.4 The particulars of PIBs are as follows:

Issue Date	Tenor	Face Value			Balance as at 30 June 2020		
		As at 1 July 2019	Purchased during the year	As at 30 June 2020	Carrying value	Market Value	Appreciation/ (Diminution)
----- (Rupees in '000) -----							
18 August 2011	20 years	54,300	-	54,300	69,399	69,742	343
21 April 2016	10 years	118,900	-	118,900	124,740	121,851	(2,889)
19 September 2019	3 years	-	421,500	421,500	434,760	435,350	590
	2020				628,899	626,943	(1,956)
	2019				195,049	144,704	(50,345)

8.5 Long-term investments have been made entirely from the Endowment Fund.

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	Note	2020	2019
		----- (Rupees `000) -----	
9. SHORT-TERM INVESTMENTS			
At FVTPL			
Quoted shares			
Abbott Laboratories (Pakistan) Limited		8,619	6,170
Adamjee Insurance Company Limited		9,009	9,537
Attock Petroleum Limited		5,494	8,655
Colgate Palmolive (Pakistan) Limited		2,903	2,689
Fauji Fertilizer Company Limited		12,869	7,499
Engro Fertilizers Limited		8,499	9,659
Engro Corporations Limited		12,361	15,192
EFU Life Insurance Limited		5,913	6,463
Allied Bank Limited		8,041	-
Dolmen City REIT		6,534	-
HUB Power Company Limited		9,549	10,373
ICI Pakistan Limited		11,393	8,733
IGI Holdings Limited		-	6,328
Jubilee Life Insurance Company Limited		6,307	4,578
Lucky Cement Limited		12,740	10,501
Mari Petroleum Company Limited		5,101	8,327
Meezan Bank Limited		8,193	1,220
MCB Bank Limited		12,690	13,659
Oil and Gas Development Corporation Limited		8,938	11,966
Pakistan Oilfields Limited		5,491	4,124
Pakistan Petroleum Limited		4,343	11,320
Searle Company Limited		3,665	4,895
Shifa International Hospitals Limited		6,651	6,264
		175,303	168,152
At amortized cost			
Term Deposit Receipts		-	100,000
Accrued profit		-	540
		-	100,540
Izafa Certificates	9.1	238,500	-
Accrued profit		225,887	-
		464,387	-
Treasury Bills	9.2	29,996	-
Accrued profit		526	-
		30,522	-
	9.3	670,212	268,692

9.1 These carry profit yield at the rate of 12.25% (2019: 12.25%) per annum and will mature latest by November 2020. These certificates were issued by Habib Metropolitan Bank Limited, a related party.

9.2 These carry profit yield ranging from 13.14% to 13.25% (2019: Nil) per annum and will mature latest by January 2021.

9.3 Short-term investments have been made entirely from the Endowment Fund.

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	Note	2020 ----- (Rupees `000) -----	2019 ----- (Rupees `000) -----
10. BANK BALANCES			
Foreign currency			
- in current account		531	978
Local currency			
- in deposit accounts	10.1	216,281	152,665
- in current accounts		<u>239,654</u>	<u>213,750</u>
	10.2 & 10.3	<u>456,466</u>	<u>367,393</u>

10.1 These carry profit at rates ranging from 4.5% to 11.25% (2019: 5.5% to 10.25%) per annum.

	2020 ----- (Rupees `000) -----	2019 ----- (Rupees `000) -----
10.2 This includes the following restricted balances:		
Endowment Fund	34,275	19,438
HU Scholarship Fund	6,534	22,068
Zakat Fund	84,822	58,526
Grant Fund	5,781	-
HU Student Loan Fund	242,545	240,476
Other Project Fund	942	-
	<u>374,899</u>	<u>340,508</u>

10.3 This Includes accounts maintained with Habib Metropolitan Bank Limited, related party, having an aggregate balance of Rs. 456.210 million (2019: 367.262 million).

	Note	2020 ----- (Rupees `000) -----	2019 ----- (Rupees `000) -----
11. ENDOWMENT FUND – RESTRICTED			
Opening balance		930,972	826,384
Donations / contribution received during the year		682,184	137,143
Other income	22	133,319	21,113
Effect of adoption of IFRS 9		-	(12,890)
Unrealised gain / (loss) carried on investments at FVTOCI		48,389	(37,455)
Investment management and related expenses		(4,761)	(3,323)
Transfer from endowment fund to general fund during the year		<u>(100,000)</u>	-
Closing balance	11.1	<u>1,690,103</u>	<u>930,972</u>

11.1 Endowment Fund

Represented by:

Long term investment	8	966,890	670,696
Accrued profit		19,140	4,585
Other receivable		253	-
Short term investment	9	670,212	233,460
Tax receivable		687	3,638
Bank balances	10	34,275	19,438
Trade and other payable	17	<u>(1,354)</u>	<u>(845)</u>
		<u>1,690,103</u>	<u>930,972</u>

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	2020	2019
	----- (Rupees `000) -----	
12. HU SCHOLARSHIP FUND		
Opening balance	22,204	42,566
Donations / contribution during the year	235,745	251,434
Other income	1,402	2,194
Disbursement to Habib University students	<u>(252,766)</u>	<u>(273,990)</u>
Closing balance	<u>6,585</u>	<u>22,204</u>
13. ZAKAT FUND		
Opening balance	94,005	70,093
Donation / contribution during the year	163,750	174,711
Other income	7,056	5,107
Disbursement to Habib University students	<u>(179,614)</u>	<u>(155,906)</u>
Closing balance	<u>85,197</u>	<u>94,005</u>
14. GRANT FUND		
Opening balance	27	(494)
Donations / contribution during the year	31,438	2,000
Other income	105	40
Disbursement to Habib University students	<u>(25,784)</u>	<u>(25,277)</u>
Contribution from general fund to Grant Fund during the year	<u>-</u>	<u>23,758</u>
Closing balance	<u>5,786</u>	<u>27</u>
15. HU STUDENT LOAN FUND		
Opening balance	240,476	163,018
Transfer from HU student loan fund to general fund during the year	<u>(6,147)</u>	-
Contribution from general fund to HU student loan fund during the year	<u>8,216</u>	<u>77,458</u>
Closing balance	<u>242,545</u>	<u>240,476</u>
16. OTHER PROJECT FUND		
Opening balance	-	-
Donations / contribution during the year	2,500	-
Other income	64	-
Disbursement for Farabi Project	<u>(1,870)</u>	-
Closing balance	<u>694</u>	-
17. TRADE AND OTHER PAYABLES		
Payable to suppliers and contractors	32,730	32,988
Accrued liabilities	<u>5,628</u>	<u>2,012</u>
	<u>38,358</u>	<u>35,000</u>
18. CONTINGENCIES AND COMMITMENTS		
18.1 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 restraining CBF from taking any coercive action against the Foundation. The management is confident based on the opinion of legal advisor that the matter is expected to be decided in favor of the Foundation and accordingly no provision has been made in these financial statements.

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18.2 Commitments

Outstanding guarantee to Habib Metropolitan Bank Limited, a related party for providing education loans to Habib University students by creating a lien on current account. The commercial bank has disbursed loans amounting to Rs. 242.545 (2019: Rs. 240.476) million.

	General fund	Endowment fund	Other Restricted Funds	2020 Total	2019 Total
Note	(Rupees `000)				

19. DONATIONS

From related parties	27	190,308	667,001	355,984	1,213,293	734,165
Others		34,952	15,183	74,949	125,084	103,611
		<u>225,260</u>	<u>682,184</u>	<u>430,933</u>	<u>1,338,377</u>	<u>837,776</u>

20. DONATIONS FOR OTHER PROJECT

Represents donations / contributions received / expenditures incurred by the Foundation for Farabi Project wherein the Foundation has been given the responsibility to undertake and upgrade a school owned by the Government of Sindh (GoS) pursuant to an agreement between the Foundation and GoS. Further, donations received and expenses incurred for this project are kept distinct from other funds of the Foundation.

21. GAIN / (LOSS) ON INVESTMENTS AT FVTPL

	2020	2019
	(Rupees `000)	
Realised gain / (loss) on sale of investments carried at FVTPL	3,421	(2,697)
Unrealised gain / (loss) on investments carried at FVTPL	2,304	(58,280)
	<u>5,725</u>	<u>(60,977)</u>

	General fund	Endowment fund	Other Restricted Funds	2020 Total	2019 Total
	(Rupees `000)				

22. OTHER INCOME

Profit on deposit accounts	5,743	5,530	5,251	16,524	14,370
Profit on long-term investments classified at:					
- Amortized cost	-	32,839	-	32,839	2,135
- FVTOCI	-	18,361	-	18,361	17,449
Profit on short-term investments classified at amortized cost	-	55,528	3,376	58,904	49,845
Dividend income	-	11,076	-	11,076	9,894
Claim received	635	-	-	635	93
Exchange gain	850	4,260	-	5,110	215
Liability written back	81	-	-	81	653
	<u>7,309</u>	<u>127,594</u>	<u>8,627</u>	<u>143,530</u>	<u>94,654</u>

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HABIB UNIVERSITY FOUNDATION

	Note	2020 ----- (Rupees `000) -----	2019
23. ADMINISTRATIVE EXPENSES			
Salaries		15,204	13,599
Legal and professional charges		3,709	9,435
Training expense		4,791	-
Security charges		1,410	1,310
Rent, rates and taxes		1,221	1,264
Travelling		913	713
Auditors' remuneration	23.1	830	544
Others		608	300
		<u>28,686</u>	<u>27,165</u>

23.1 Auditors' remuneration

Audit fee	390	325
Fee for review of half yearly financial statements	210	175
Out of pocket expenses	230	44
	<u>830</u>	<u>544</u>

24. FINANCIAL INSTRUMENTS BY CATEGORY

	Interest / Mark-up bearing				Non-Interest / Mark-up bearing				Total
	No Maturity /on demand	Maturity upto one year	Maturity after one year	Subtotal	No Maturity /on demand	Maturity upto one year	Maturity after one year	Subtotal	
	----- Rs in `000 -----								
2020									
Financial assets									
Fair value through OCI									
Long-term investments	-	-	626,943	626,943	-	-	-	-	626,943
Fair value through profit and loss									
Short-term investments	-	-	-	-	175,303	-	-	175,303	175,303
Amortized cost									
Long-term investments	-	-	339,947	339,947	-	-	-	-	339,947
Short-term investments	494,909	-	-	494,909	-	-	-	-	494,909
Long-term security deposits	-	-	-	-	-	-	2,020	2,020	2,020
Accrued Profit	-	-	-	-	-	20,098	-	20,098	20,098
Other receivables	-	-	-	-	253	-	-	253	253
Bank balances	216,281	-	-	216,281	240,185	-	-	240,185	456,466
	<u>711,190</u>	-	<u>966,890</u>	<u>1,678,080</u>	<u>415,741</u>	<u>20,098</u>	<u>2,020</u>	<u>437,859</u>	<u>2,115,939</u>
Financial liability									
Trade and other payables	-	-	-	-	-	38,358	-	-	38,358

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	Interest / Mark-up bearing				Non-Interest / Mark-up bearing				Total
	No Maturity /on demand	Maturity upto one year	Maturity after one year	Subtotal	No Maturity /on demand	Maturity upto one year	Maturity after one year	Subtotal	
----- Rs in '000 -----									
2019									
Financial assets									
Fair value through OCI									
Long-term investments	-	-	144,704	144,704	-	-	-	-	144,704
Fair value through profit and loss									
Short-term investments	-	-	-	-	168,152	-	-	168,152	168,152
Amortized cost									
Long-term investments	-	-	523,861	523,861	-	-	-	-	523,861
Short-term investments	-	100,540	-	100,540	-	-	-	-	100,540
Long-term security deposits	-	-	-	-	-	-	2,020	2,020	2,020
Accrued Profit	-	-	-	-	-	7,670	-	7,670	7,670
Bank balances	152,665	-	-	152,665	214,728	-	-	214,728	367,393
	<u>152,665</u>	<u>100,540</u>	<u>668,565</u>	<u>921,770</u>	<u>382,880</u>	<u>7,670</u>	<u>2,020</u>	<u>392,570</u>	<u>1,314,340</u>
Financial liability									
Trade and other payables	-	-	-	-	-	35,000	-	-	35,000

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

25.1 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.

Credit risk arises from Regular Income Certificates, Defense Saving Certificates, Pakistan Investment Bonds, Long-term security deposits, Accrued profit, Other receivables, Treasury Bills, Izafa Certificates 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.

The carrying values of financial assets which are neither past due nor impaired are as under:

	2020	2019
	----- (Rupees `000) -----	
Long-term investment	966,890	668,565
Long-term security deposits	2,020	2,020
Accrued profit	20,098	7,670
Other receivables	253	-
Short-term investment	494,909	100,540
Bank balances	<u>456,466</u>	<u>367,393</u>
	<u>1,940,636</u>	<u>1,146,188</u>

The credit quality of Foundation's bank balances and short-term investments can be assessed with reference to external credit ratings as follows:

	Rating agency	Rating
Bank Balances		
Habib Metropolitan Bank Limited (HMBL)	JCR-VIS	A-1+
Dubai Islamic Bank	JCR-VIS	A-1+
National Bank of Pakistan	JCR-VIS	A-1+
United Bank Limited	JCR-VIS	A-1+
Short term investments		
HMBL - Izafa Certificates	JCR-VIS	A-1+

25.2 Market risk

Market risk is the risk that the value of the financial instruments may fluctuate as a result of changes in market currency rates, interest rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. There has been no change in the Foundation's exposure to market risk or the manner in which this risk is managed and measured.

Under market risk the Foundation is exposed to currency risk, interest rate risk and other price risk (equity price risk).

25.2.1 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. Currency risk arises on foreign currency current account. The Foundation primarily has currency exposures in US Dollar (USD).

As at June 30, 2020, had the exchange rates of USD appreciated or depreciated against the currency with all other variables held constant, the change in income / expenditure would have been as follows:

Currency	Profit / Loss	2020		2019	
		%	Rs. '000	%	Rs. '000
USD	lower / higher	10%	53	10%	98

The Foundation manages its currency risk by close monitoring of currency markets.

25.2.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Foundation's exposure to interest rate risk arises primarily from bank balances in deposit accounts and term deposit receipts.

The Foundation analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available.

At June 30, 2020, had interest rates on Foundation's investments and bank balances been 1% higher / lower with all other variables held constant, surplus for the year would have been lower / higher by Rs. 2.163 million (2019: Rs. 1.53 million).

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25.2.3 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. 175.303 million (2019: Rs. 168.151 million). A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 17.530 million (2019: Rs. 16.815 million) on the income and expenditure statement 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 income and expenditure statement with the similar amount.

25.2.4 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 the basis of expected cash flows considering the level of liquid assets necessary to mitigate the liquidity risk.

The maturity profile of the Foundation's liabilities based on contractual maturities is disclosed in note 24 to these financial statements.

25.3 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.

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

The 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.

2020	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Listed shares	175,303	-	-	175,303
Pakistan investment bonds	-	626,943	-	626,943
	<u>175,303</u>	<u>626,943</u>	<u>-</u>	<u>802,246</u>
2019	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Listed shares	168,152	-	-	168,152
Pakistan investment bonds	-	144,704	-	144,704
	<u>168,152</u>	<u>144,704</u>	<u>-</u>	<u>312,856</u>

There were no transfers amongst levels during the year.

The market price of listed shares and PIBs have been obtained from Pakistan Stock Exchange and Mutual Funds Association of Pakistan respectively.

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27. TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of the directors, entities having directors in common with the Foundation, other and key management personnel. Details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements, are as follows:

Nature of relationship	Nature of transaction	2020	2019
		----- (Rupees `000) -----	
Common directorship	Donation received	<u>1,213,293</u>	<u>734,165</u>
	Investments in term deposit receipts	<u>180,000</u>	<u>300,000</u>
	Encashment of term deposit receipts	<u>280,000</u>	<u>233,000</u>
	Profit on bank deposits and term deposit receipts	<u>23,347</u>	<u>16,713</u>

The Foundation has allowed free of cost use of it's property, plant and equipment to Habib University.

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
Habib University Foundation U.S. Inc.	Common directorship	Donation received.
Habib University Stiftung Switzerland	Common directorship	Donation received.
Habib Education Trust	Common directorship	Donation received.
Indus Motor Company Limited	Common directorship	Donation received.
Hinovex Marketing	Common directorship	Donation received.
Muhammad Ali Habib Welfare Trust	Common directorship	Donation received.
Meherafroze Habib	Relative of director	Donation received.
Sooty Enterprises (Private) Limited	Common directorship	Donation received
Habib Metropolitan Bank Limited	Common directorship	Donation received, banking and related services.
Towfiq Chinoy	Director	Donation received
Gul Ahmed Textile	Common directorship	Donation received
Thal Limited	Common directorship	Donation received
Mohamedali Rafiq Habib	Director	Donation received.
Dawood Habib Memorial Trust	Common directorship	Donation received.
Hamid D Habib Memorial Trust	Common directorship	Donation received
Parvez Ghias	Director	Donation received.
Feroze & Shernaz Bhandara Charitable Trust	Key management personnel	Donation received.
Feroze J. Cawasji	Key management personnel	Donation received.
Maliha Subhani	Relative of director	Donation received

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 Foundation was Rs. 13.80 (2019: Rs. 12.75) million.

29. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 4 (2019: 3) and the average number of persons employed during the year were 4 (2019: 3).

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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 04-09-2020 by the Board of Directors of the Foundation.



Chief Executive



Director