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HABIB UNIVERSITY FOUNDATION

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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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 2021, 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 2021 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 October 2021

HABIB UNIVERSITY FOUNDATION
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	-----Restricted Funds-----			2021 Total	2020 Total
		General Fund	Endowment Fund	Other Restricted Funds		
----- (Rupees `000) -----						
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	6	2,396,783	-	27	2,396,810	2,545,260
Intangible assets	7	-	-	-	-	1,370
Long-term investments	8	-	1,453,149	-	1,453,149	966,890
Long-term security deposits		2,020	-	-	2,020	2,020
		2,398,803	1,453,149	27	3,851,979	3,515,540
CURRENT ASSETS						
Short-term prepayments		-	-	-	-	16
Accrued profit		306	31,022	94	31,422	20,098
Other receivable		-	-	-	-	253
Short-term investments	9	24,981	545,638	74,633	645,252	670,212
Tax receivable		2,760	687	49	3,496	3,451
Bank balances	10	130,280	2,772	230,177	363,229	456,466
		158,327	580,119	304,953	1,043,399	1,150,496
TOTAL ASSETS		2,557,130	2,033,268	304,980	4,895,378	4,666,036
FUNDS AND LIABILITIES						
FUND BALANCES						
General fund		2,523,831	-	-	2,523,831	2,596,768
Endowment Fund-Restricted	11	-	2,031,787	-	2,031,787	1,690,103
Other Restricted Funds						
HU Scholarship Fund	12	-	-	8,858	8,858	6,585
Zakat Fund	13	-	-	67,125	67,125	85,197
Grant Fund	14	-	-	4,685	4,685	5,786
HU Student Loan Fund	15	-	-	116,583	116,583	242,545
Other Projects Fund	16	-	-	3,316	3,316	694
		-	-	200,567	200,567	340,807
		2,523,831	2,031,787	200,567	4,756,185	4,627,678
CURRENT LIABILITY						
Trade and other payables	17	33,299	1,481	104,413	139,193	38,358
CONTINGENCIES AND COMMITMENTS						
TOTAL FUND AND LIABILITIES		2,557,130	2,033,268	304,980	4,895,378	4,666,036

The annexed notes from 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, 2021

	Note	General Fund	-----Restricted Funds-----		2021 Total	2020 Total
			Endowment Fund	Other Restricted Funds		
----- (Rupees `000) -----						
INCOME / CONTRIBUTIONS						
Donations	19	530,843	169,465	208,283	908,591	1,338,377
Donations for other project	20	-	-	10,500	10,500	2,500
Gain on investment at fair value through profit or loss (FVTPL)	21	-	36,080	-	36,080	5,725
Other income	22	13,130	156,362	4,949	174,441	143,530
		543,973	361,907	223,732	1,129,612	1,490,132
LESS: EXPENDITURE						
Donations:						
Habib University students;						
- Scholarship		296,745	-	20,062	316,807	252,766
- Zakat		-	-	207,598	207,598	179,614
- Grants		34,861	-	2,341	37,202	25,784
Habib University-a related party		118,896	-	-	118,896	208,562
Ihsan Trust		1,693	-	-	1,693	321
Depreciation	6.1	165,226	-	5	165,231	181,025
Recycling on sale of investment in debt instrument carried at FVTOCI		-	6,044	-	6,044	-
Amortization	7	1,370	-	-	1,370	52,955
Administrative expenses	23	19,909	6	8	19,923	28,686
Investment management and related expenses		-	5,948	-	5,948	4,761
Expenditures on other project	20	-	-	7,996	7,996	1,870
Provision against financial guarantee for student loan	15	-	-	104,172	104,172	-
		638,700	11,998	342,182	992,880	936,344
Surplus / (deficit) of income / contributions over expenditure for the year		(94,727)	349,909	(118,450)	136,732	553,788

The annexed notes from 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, 2021

	General Fund	-----Restricted Funds-----		2021 Total	2020 Total
		Endowment Fund	Other Restricted Funds		
----- (Rupees `000) -----					
Surplus / (deficit) of income / contributions over expenditure for the year	(94,727)	349,909	(118,450)	136,732	553,788
Fair value (loss) / gain on investments classified at fair value through OCI (FVTOCI)	-	(14,269)	-	(14,269)	48,389
Recycling on sale of investment in debt instrument carried at FVTOCI	-	6,044	-	6,044	-
Total comprehensive income for the year	<u>(94,727)</u>	<u>341,684</u>	<u>(118,450)</u>	<u>128,507</u>	<u>602,177</u>

The annexed notes from 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 FUND
FOR THE YEAR ENDED JUNE 30, 2021

-----Restricted Funds-----

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 Projects Fund Note 16	Sub Total	Total	
-----Rupees in '000-----									
Balance as at June 30, 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 at July 01, 2020	2,596,768	1,690,103	6,585	85,197	5,786	242,545	694	340,807	4,627,678
(Deficit) / surplus of income / contributions over expenditure for the year	(94,727)	349,909	2,273	(18,072)	(1,101)	(104,172)	2,622	(118,450)	136,732
Other comprehensive loss for the year	-	(8,225)	-	-	-	-	-	-	(8,225)
Total comprehensive income for the year	(94,727)	341,684	2,273	(18,072)	(1,101)	(104,172)	2,622	(118,450)	128,507
Transfer from HU student loan fund to general fund during the year	28,028	-	-	-	-	(28,028)	-	(28,028)	-
Contribution from general fund to HU student loan fund during the year	(6,238)	-	-	-	-	6,238	-	6,238	-
Balance as on June 30, 2021	2,523,831	2,031,787	8,858	67,125	4,685	116,583	3,316	200,567	4,756,185

The annexed notes from 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, 2021

	2021 ------(Rupees in '000) -----	2020 ------(Rupees in '000) -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus of income / contributions over expenditure for the year	136,732	553,788
Adjustment for non-cash and other items		
Depreciation charge for the year	6.1 165,231	181,025
Amortization charge for the year	7 1,370	52,955
Provision against financial guarantee for student loan	15 104,172	-
Profit on investments classified at FVTOCI	22 (70,943)	(18,361)
Profit on investments classified at amortized cost	22 (73,749)	(91,743)
Profit on deposit accounts	22 (11,929)	(16,460)
Realised gain on sale of investments carried at FVTPL	21 (3,914)	(3,421)
Unrealised gain on investments carried at FVTPL	21 (32,166)	(2,304)
Recycling on sale of investment in debt instrument carried at FVTOCI	6,044	-
Exchange gain	22 (2,943)	(5,110)
Dividend income	22 (14,877)	(11,076)
	66,296	85,505
Decrease / (increase) in current assets		
Short-term prepayments	16	25
Other receivables	253	(253)
	269	(228)
(Decrease) / increase in current liabilities		
Trade and other payables	(3,337)	3,358
Cash generated from operations	199,960	642,423
Tax (deducted) / refunded during the year – net	(45)	2,994
NET CASH GENERATED FROM OPERATING ACTIVITIES	199,915	645,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(16,780)	(40,935)
Investments made during the year	(1,287,472)	(744,579)
Investments encashed during the year	977,008	49,248
Dividend received	14,877	11,076
Profit received on investments classified at;		
- FVTOCI	70,486	17,463
- Amortized cost	34,168	36,329
Profit received on deposit accounts	13,837	15,054
NET CASH USED IN INVESTING ACTIVITIES	(193,876)	(656,344)
Net increase / (decrease) in cash and cash equivalents	6,039	(10,927)
Cash and cash equivalents at the beginning of the year	456,466	467,393
Cash and cash equivalents at the end of the year	462,505	456,466
CASH AND CASH EQUIVALENTS		
Bank balances	10 363,229	456,466
Short-term investments	9 99,276	-
	462,505	456,466

The annexed notes from 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, 2021**

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 Pakistani Rupees which is the Foundation's functional and presentation currency.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS 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 areas where various assumptions and estimates are significant to the Foundation's financial statements or where judgment was exercised in the application of accounting policies are as follows:

	Notes
- 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	5.14 & 5.18

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New / Revised Standards, Amendments, Interpretations and Improvements

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years.

New / revised standards, interpretations and amendments

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

Standard or Interpretation

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The adoption of the above amendments did not have any impact on these financial statements.

5.2 Standards, amendments and improvements to the approved accounting standards that are not yet

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan that 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	Reference to the Conceptual Framework (Amendments)	01 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	01 January 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)	01 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments)	01 January 2023
IAS 8	Definition of Accounting Estimates (Amendments)	01 January 2023
IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments)	01 January 2023
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)		
IFRS 1	First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	01 January 2022
IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	01 January 2022
IAS 41	Agriculture – Taxation in fair value measurements	01 January 2022
IFRS 16	Leases: Lease incentives	01 January 2022

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.

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 International Financial Reporting Standards	01 January 2004
IFRS 17	Insurance Contracts	01 January 2023

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5.3 Property, plant and equipment

Operating fixed assets

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

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.

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.

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 assessed 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.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the property and equipment recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the property and equipment does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the property, plant and equipment in prior years. Such reversal is recognised in the income and expenditure statement.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating assets in the course of construction, installation and borrowing costs for qualifying assets if its recognition criteria are met.

5.4 Intangible assets

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the Foundation and the cost of the asset can be measured reliably. Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

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.

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.

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

The carrying value of intangible assets is assessed 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 (FVTOCI) or fair through profit and loss (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 fair value through profit or loss, 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 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.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

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 (EIR) method and are subject to impairment. Gains and losses are recognised in income and expenditure statement when the asset is derecognised, modified or impaired.

Financial assets designated at FVTOCI (debt instruments)

For debt instruments at FVTOCI, interest income and impairment losses or reversals are recognised in the income and expenditure statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to income and expenditure.

The Foundation's debt instruments at FVTOCI are investments in Pakistan Investment Bonds included under long-term investments.

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 income and expenditure. Dividends are recognised as other income in income and expenditure 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 other comprehensive income. 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.

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

This category relates to investments in listed equity which the Foundation had not irrevocably elected to classify at FVTOCI. Dividends on listed equity investments are also recognised as other income in income and expenditure 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 income and expenditure statement. 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 trade and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in income and expenditure statement 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 income and expenditure statement and other comprehensive income.

Borrowings 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.

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 income and expenditure statement and other comprehensive income.

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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 Impairment

- Impairment of financial assets

The Foundation recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL.

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.

For debt instruments and bank balances, the Foundation measures expected credit losses using the probability of default (PD) and loss given default (LGD) estimates using the available information about these risk parameters.

For trade and other receivable 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.

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.

- Impairment of non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in income and expenditure statement. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in income and expenditure statement.

5.7 Prepayments

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

5.8 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.

5.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposit and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments and other purposes.

5.10 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.

5.11 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.

5.11.1 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.

5.11.2 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.

5.11.3 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.

5.11.4 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.

5.11.5 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.

5.12 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.

5.13 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.

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5.14 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.

5.15 Foreign currency translations

Foreign currency transactions are translated into Pakistani Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani 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.

5.16 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.

5.17 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 investments in 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 statement in the year in which it arises.

5.18 Contingencies

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.

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	2,387,401	2,521,134
Capital work-in-progress	6.2	9,409	24,126
		<u>2,396,810</u>	<u>2,545,260</u>

6.1 Operating fixed assets

	----- Cost -----		----- Accumulated Depreciation -----				Book Value		Depreciation Rates %
	As at June 30, 2020	Additions	As at June 30, 2021	As at June 30, 2020	Charge for for the year	As at June 30, 2021	As at June 30, 2021		
	(Rupees in '000)								
Freehold land – city campus	529,615	-	529,615	-	-	-	529,615	-	
Building on freehold land	1,778,791	4,187	1,782,978	219,800	44,429	264,229	1,518,749	2.5	
Machinery and electrical works	617,204	170	617,374	326,315	61,682	387,997	229,377	10	
Motor vehicles	1,213	-	1,213	864	233	1,097	116	20	
Office equipment	171,510	32	171,542	156,494	8,254	164,748	6,794	20	
Lab equipment	112,821	23,156	135,977	85,447	10,526	95,973	40,004	20	
Furniture and fixtures	296,409	2,293	298,702	203,497	36,732	240,229	58,473	14.3 to 20	
Library books	15,753	-	15,753	14,618	572	15,190	563	20	
Computers and multimedia	150,268	1,660	151,928	145,415	2,803	148,218	3,710	33	
2021	3,673,584	31,498	3,705,082	1,152,450	165,231	1,317,681	2,387,401		

	----- Cost -----		----- Accumulated Depreciation -----				Book Value		Depreciation Rates %
	As at June 30, 2019	Additions / (Adjustment)* (write-off)**	As at June 30, 2020	As at June 30, 2020	Charge for the year/ (disposals)	As at June 30, 2020	As at June 30, 2020		
	(Rupees in '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	28,468	-	-	28,468	-	-	-	9.1	
Machinery and electrical works	617,204	(28,468)*	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	95,807	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		

6.1.1 Operating fixed assets include items having an aggregate cost of Rs. 403.239 million (2020: Rs. 225.011 million) which are fully depreciated and are still in use of the Foundation.

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

	Note	2021 ------(Rupees in '000)-----	2020
6.2 Capital work-in-progress			
Opening balance		24,126	8,770
Capital expenditure incurred / advances made during the year		16,578	40,935
Transfer to operating fixed assets		(31,295)	(25,579)
Closing balance	6.2.1	<u>9,409</u>	<u>24,126</u>
6.2.1 Capital work-in-progress - break up			
Building on freehold land		9,409	14,503
Lab equipment		-	9,623
		<u>9,409</u>	<u>24,126</u>

6.2.2 Commitments in respect of capital work-in-progress amounts to Rs. Nil (2020: Rs.22.553 million).

7 INTANGIBLE ASSETS

	----- Cost -----			----- Accumulated amortization -----			Book Value As at June 30, 2021	Amortization rate %
	As at July 01, 2020	Additions / transfer	As at June 30, 2021	As at July 01, 2020	Charge for the year	As at June 30, 2021		
	----- Rupees in '000 -----							
Computer Softwares	31,163	-	31,163	29,793	1,370	31,163	-	33
Project development cost								
- Academic Planning & Modeling	420,890	-	420,890	420,890	-	420,890	-	20
- Networking and Partnership	59,017	-	59,017	59,017	-	59,017	-	20
	<u>511,070</u>	-	<u>511,070</u>	<u>509,700</u>	<u>1,370</u>	<u>511,070</u>	-	
	----- Rupees in '000 -----							
	----- Cost -----			----- Accumulated amortization -----			Book Value As at June 30, 2020	Amortization rate %
	As at July 01 2019	Additions / transfer	As at June 30 2020	As at July 01 2019	Charge for the year	As at June 30 2020		
	----- Rupees in '000 -----							
Computer Softwares	31,163	-	31,163	28,607	1,186	29,793	1,370	33
Project development cost								
- Academic Planning & Modeling	420,890	-	420,890	369,121	51,769	420,890	-	20
- Networking and Partnership	59,017	-	59,017	59,017	-	59,017	-	20
	<u>511,070</u>	-	<u>511,070</u>	<u>456,745</u>	<u>52,955</u>	<u>509,700</u>	<u>1,370</u>	

7.1 Intangible assets include items having an aggregate cost of Rs. 511.070 million (2020: Rs.507.070 million) which are fully amortized and are still in use of the Foundation.

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

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	Note	2021	2020
		----- (Rupees in '000) -----	
8 LONG-TERM INVESTMENTS			
At amortised cost:			
Defence Saving Certificates (DSC)	8.1	110,100	110,100
Accrued profit thereon		25,351	9,747
		135,451	119,847
Regular Income Certificates (RIC)	8.2	220,100	220,100
Fair value through other comprehensive income:			
Pakistan Investment Bonds (PIBs)	8.3 & 8.4	1,097,598	626,943
	8.5	1,453,149	966,890
8.1	These carry profit yield ranging from 12.47% to 13.01% (2020:12.47% to 13.01%) per annum and will mature latest by October 2029.		
8.2	These carry profit at ranging from 12% to 12.96% (2020: 12% to 12.96%) per annum and will mature latest by October 2024.		
8.3	These carry profit yield ranging from 7.44% to 9.37% (2020: 7.57% 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 2021			
		As at July 01, 2020	Purchased / (sold) during the year	As at June 30, 2021	Carrying value	Market Value	Appreciation / (Diminution)
----- (Rupees in '000) -----							
18 August 2011	20 years	54,300	-	54,300	68,535	64,708	(3,827)
21 April 2016	10 years	118,900	(70,500)	48,400	50,451	46,812	(3,639)
22 August 2011	3 years	-	69,400	69,400	69,584	69,808	224
19 September 2019	3 years	421,500	484,500	906,000	919,210	916,270	(2,940)
2021					1,107,780	1,097,598	(10,182)
2020					628,899	626,943	(1,956)

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

	Note	2021	2020
		----- (Rupees in '000) -----	
9 SHORT-TERM INVESTMENTS			
At FVTPL			
Quoted shares			
Abbott Laboratories (Pakistan) Limited		7,369	8,619
Adamjee Insurance Company Limited		-	9,009
Attock Petroleum Limited		6,260	5,494
Colgate Palmolive (Pakistan) Limited		3,563	2,903
Fauji Fertilizer Company Limited		17,666	12,869
Engro Fertilizers Limited		5,973	8,499
Engro Corporation Limited		23,480	12,361
EFU Life Insurance Limited		-	5,913
Allied Bank Limited		13,644	8,041
Arif Habib Dolmen Reit Management Limited		6,612	6,534
HUB Power Company Limited		14,119	9,549
ICI Pakistan Limited		11,034	11,393
Jubilee Life Insurance Company Limited		7,512	6,307
Lucky Cement Limited		29,961	12,740
Mari Petroleum Company Limited		6,380	5,101
Meezan Bank Limited		17,646	8,193
MCB Bank Limited		12,515	12,690
Oil and Gas Development Corporation Limited		10,596	8,938
Pakistan Oilfields Limited		6,837	5,491
Pakistan Petroleum Limited		4,346	4,343
Searle Company Limited		3,832	3,665
Shifa International Hospitals Limited		6,246	6,651
Frieslandmapina Engro Pakistan Limited		7,941	-
Highnoon Laboratories Limited		3,630	-
Nestle Paksitan Limited		4,640	-
Nimir Industries Chemical		4,647	-
Glaxosmith Consumer Healthcare System Limited		8,178	-
		15,042	-
		259,669	175,303
At amortized cost			
Term Deposit Receipts	9.1	99,276	-
Accrued profit		338	-
		99,614	-
Izafa Certificates		-	238,500
Accrued profit		-	225,887
		-	464,387
Treasury Bills	9.2	275,549	29,996
Accrued profit		10,420	526
		285,969	30,522
		645,252	670,212

- 9.1 These carry profit yield at the rate from 3.67% to 7.00% (2020: Nil) per annum and will mature latest by August 2021. These certificates were issued by Habib Metropolitan Bank Limited, a related party.
- 9.2 These carry profit yield ranging from 6.80% to 7.76% (2020: 13.14% to 13.25%) per annum and will mature latest by September 2021.

	Note	2021 ------(Rupees in '000) -----	2020
10 BANK BALANCES			
Foreign currency			
- in current account		106,843	531
Local currency			
- in deposit accounts	10.1	37,574	216,281
- in current accounts		218,812	239,654
	10.2 & 10.3	<u>363,229</u>	<u>456,466</u>

- 10.1 These carry profit at rates ranging from 3.69% to 5.75% (2020:4.35% to 11.25%) per annum.

	2021 ------(Rupees in '000) -----	2020
10.2 This includes the following restricted balances:		
Endowment Fund	2,772	34,275
HU Scholarship Fund	1,131	6,534
Zakat Fund	111	84,822
Grant Fund	4,670	5,781
HU Student Loan Fund	220,755	242,545
Other Projects Fund	3,510	942
	<u>232,949</u>	<u>374,899</u>

- 10.3 This includes accounts maintained with Habib Metropolitan Bank Limited, related party, having an aggregate balance of Rs. 358.626 million (2020: Rs. 456.210 million).

	Note	2021 ------(Rupees in '000) -----	2020
11 ENDOWMENT FUND – RESTRICTED			
Opening balance		1,690,103	930,972
Donations / contribution received during the year		169,465	682,184
Other income	22	192,442	133,319
Unrealised (loss) / gain carried on investments at FVTOCI		(14,269)	48,389
Recycling on sale of investment in debt instrument carried at FVTOCI		6,044	-
Investment management and related expenses		(11,998)	(4,761)
Transfer from endowment fund to general fund during the year		-	(100,000)
Closing balance	11.1	<u>2,031,787</u>	<u>1,690,103</u>

11.1 Endowment Fund

Represented by:

Long-term investments	8	1,453,149	966,890
Accrued profit		31,022	19,140
Other receivable		-	253
Short-term investments	9	545,638	670,212
Tax receivable		687	687
Bank balances	10	2,772	34,275
Trade and other payables	17	(1,481)	(1,354)
		<u>2,031,787</u>	<u>1,690,103</u>

12 HU SCHOLARSHIP FUND

Opening balance		6,585	22,204
Donations / contribution during the year		22,000	235,745
Other income		335	1,402
Disbursement to Habib University students		(20,062)	(252,766)
Closing balance		<u>8,858</u>	<u>6,585</u>

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	Note	2021 ------(Rupees in '000) -----	2020
13 ZAKAT FUND			
Opening balance		85,197	94,005
Donations / contribution during the year		185,250	163,750
Other income		4,276	7,056
Disbursement to Habib University students		(207,598)	(179,614)
Closing balance		<u>67,125</u>	<u>85,197</u>
14 GRANT FUND			
Opening balance		5,786	27
Donations / contribution during the year		1,030	31,438
Other income		210	105
Disbursement to Habib University students		(2,341)	(25,784)
Closing balance		<u>4,685</u>	<u>5,786</u>
15 HU STUDENT LOAN FUND			
Opening balance		242,545	240,476
Transfer from HU student loan fund to general fund during the year		(28,028)	(6,147)
Contribution from general fund to HU student loan fund during the year		6,238	8,216
Provision for impairment of financial guarantee	15.1	(104,172)	-
Closing balance		<u>116,583</u>	<u>242,545</u>
15.1	The Foundation has booked a provision for impairment of outstanding guarantee to Habib Metropolitan Bank Limited, a related party, for providing education loans to Habib University students on the basis of expected credit loss (note 18.2).		
	Note	2021	2020
		------(Rupees in '000) -----	
16 OTHER PROJECTS FUND			
Opening balance		694	-
Donations / contribution during the year		10,500	2,500
Other income		118	64
Disbursement for Farabi Projects		(7,996)	(1,870)
Closing balance		<u>3,316</u>	<u>694</u>
17 TRADE AND OTHER PAYABLES			
Payable to suppliers and contractors		32,798	32,730
Accrued liabilities		2,223	5,628
Payable against financial guarantee for student loan	15.1	104,172	-
		<u>139,193</u>	<u>38,358</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 in terms of which CBF is restrained from taking any coercive action against the Foundation. The management 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.			
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 with liability balance amounting to Rs. 220.755 (2020: Rs. 242.544) million.			



19 DONATIONS

	Note	General Fund	Endowment Fund	Other Restricted Funds	2021 Total	2020 Total
----- (Rupees '000) -----						
From related parties	27	492,517	117,600	161,565	771,682	1,213,293
Others		38,326	51,865	46,718	136,909	125,084
		<u>530,843</u>	<u>169,465</u>	<u>208,283</u>	<u>908,591</u>	<u>1,338,377</u>

20 DONATIONS FOR OTHER PROJECTS

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.

	2021	2020
----- (Rupees in '000) -----		
21 GAIN ON INVESTMENT AT FVTPL		
Realised gain on sale of investments carried at FVTPL	3,914	3,421
Unrealised gain on sale of investments carried at FVTPL	<u>32,166</u>	<u>2,304</u>
	<u>36,080</u>	<u>5,725</u>
22 OTHER INCOME		

	General fund	Endowment fund	Other Restricted Funds	2021 Total	2020 Total
----- (Rupees '000) -----					
Return on deposit account	4,747	4,959	2,223	11,929	16,524
Profit on long-term investments classified at:					
- Amortised cost	-	43,072	-	43,072	32,839
- FVTOCI	-	70,943	-	70,943	18,361
Profit on short-term investments classified at amortized cost	5,440	22,511	2,726	30,677	58,904
Dividend income	-	14,877	-	14,877	11,076
Claim received	-	-	-	-	635
Exchange gain	2,943	-	-	2,943	5,110
Liability written back	-	-	-	-	81
	<u>13,130</u>	<u>156,362</u>	<u>4,949</u>	<u>174,441</u>	<u>143,530</u>

	Note	2021	2020
----- (Rupees in '000) -----			
23 ADMINISTRATIVE EXPENSES			
Salaries		14,505	15,204
Legal and professional charges		1,651	3,709
Training expense		-	4,791
Security charges		1,497	1,410
Rent, rates and taxes		1,039	1,221
Travelling		98	913
Auditors' remuneration	23.1	708	830
Others		425	608
		<u>19,923</u>	<u>28,686</u>
23.1 Auditors' remuneration			
Audit fee		390	390
Fee for review of half yearly financial statements		210	210
Out of pocket expenses		108	230
		<u>708</u>	<u>830</u>

24 FINANCIAL INSTRUMENTS BY CATEGORY

	2021								Total
	Interest / Mark-up bearing				Non-Interest / Mark-up bearing				
	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	
	(Rupees '000)								
2021									
Financial assets									
Fair value through OCI									
Long-term investments	-	-	1,097,598	1,097,598	-	-	-	-	1,097,598
Fair value through profit and loss									
Short-term investments	-	-	-	-	259,669	-	-	259,669	259,669
Amortized cost									
Long-term investments	-	-	355,551	355,551	-	-	-	-	355,551
Short-term investments	285,969	99,614	-	385,583	-	-	-	-	385,583
Long-term security deposits	-	-	-	-	-	-	2,020	2,020	2,020
Accrued Profit	-	-	-	-	-	31,422	-	31,422	31,422
Other receivable	-	-	-	-	-	-	-	-	-
Bank balances	37,574	-	-	37,574	325,655	-	-	325,655	363,229
	323,543	99,614	1,453,149	1,876,306	585,324	31,422	2,020	618,766	2,495,072
Financial liabilities									
Trade and other payables	-	-	-	-	-	139,193	-	139,193	139,193

	2020								Total
	Interest / Mark-up bearing				Non-Interest / Mark-up bearing				
	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	
	(Rupees '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 receivable	-	-	-	-	253	-	-	253	253
Bank balances	216,281	-	-	216,281	240,185	-	-	240,185	456,466
	711,190	-	966,890	1,678,080	415,741	20,098	2,020	437,859	2,115,939
Financial liabilities									
Trade and other payables	-	-	-	-	-	38,358	-	38,358	38,358

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in the respective notes to these financial statements.

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 Directors review and agrees policies for managing each of these risks which are summarised below:

Credit risk

- 25.1 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 Defence Saving Certificates, Regular Income Certificates, Pakistan Investment Bonds, Long-term security deposits, Accrued profit, Other receivable, Term Deposit Certificates, Treasury Bills and Bank balances. The Foundation seeks to minimise the credit risk exposure through having exposure only to banks considered credit worthy and short-term and long-term investments arranged with banks.

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

	2021	2020
	----- (Rupees `000) -----	
Long-term investments	1,453,149	966,890
Long-term security deposits	2,020	2,020
Accrued profit	31,422	20,098
Other receivable	-	253
Short-term investments	385,583	494,909
Bank balances	363,229	456,466
	<u>2,235,403</u>	<u>1,940,636</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	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-Term Deposit Receipts	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 accounts. The Foundation primarily has currency exposures in US Dollar (USD).

As at June 30, 2021, 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	Income / Expenditure	2021		2020	
		%	Rs. '000	%	Rs. '000
USD	lower / higher	10	10,684	10	53

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

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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 account 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, 2021, 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. 0.38 million (2020: Rs.2.16 million).

25.2.3 Price risk

The Foundation'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. 259.667 million (2020: Rs. 175.303 million). A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 25.966 million (2020: Rs. 17.530 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 on the basis of the 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.

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2021	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Quoted shares	259,669	-	-	259,669
Pakistan Investment Bonds	-	1,097,598	-	1,097,598
	<u>259,669</u>	<u>1,097,598</u>	<u>-</u>	<u>1,357,267</u>
2020	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Quoted 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>

There were no transfers amongst levels during the year.

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

27 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise 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	2021	2020
		----- (Rupees '000) -----	
Common directorship	Donations received	751,084	1,149,421
	Investments in term deposit receipts	1,331,876	180,000
	Encashment of term deposit receipts	1,232,600	280,000
	Profit on bank deposits and term deposit receipts	19,528	23,347
Director	Donations received	20,334	13,500
Relative of director	Donations received	4	49,122
Key management personnel	Donations received	260	1,250

The Foundation has allowed free of cost use of its 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 Stiftung Switzerland	Common directorship	Donation received.
Habib Education Trust	Common directorship	Donation received.
Indus Motor Company Limited	Common directorship	Donation received.
Soorty Enterprises (Private) Limited	Common directorship	Donation received.
Habib Metropolitan Bank Limited	Common directorship	Donation received, banking and related services.
Gul Ahmed Textile	Common directorship	Donation received.
Thal Limited	Common directorship	Donation received.
Dawood Habib Memorial Trust	Common directorship	Donation received.
Hamid D Habib Memorial Trust	Common directorship	Donation received.
Arif Habib Corporation Limited	Common directorship	Donation received.
Hilton Pharma (Pvt.) Limited	Common directorship	Donation received.
Towfiq Chinoy	Director	Donation received.
Mohamedali Rafiq Habib	Director	Donation received.
Parvez Ghias	Director	Donation received.
Wasif A. Rizvi	Director	Donation received.
Zahida Habib	Director	Donation received.
Feroze J. Cawasji	Key management personnel	Donation received.
Amber Rizvi	Relative of director	Donation received.

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28 KEY MANAGEMENT PERSONNEL

28.1 No remuneration has been paid to the Chief Executive Officer.

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. 13.80 (2020: Rs. 13.80) million.

29 NUMBER OF EMPLOYEES

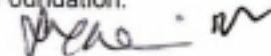
Number of persons employed as at year end were 4 (2020: 4) and the average number of persons employed during the year were 4 (2020: 4).

30 GENERAL

Figures have been rounded off to the nearest thousand rupees.

31 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 04-October-2021 by the Board of Directors of the Foundation.



Chief Executive



Director