

**Family Educational  
Services Foundation**

Financial Statements  
For the year ended June 30, 2020

# **Family Educational Services Foundation**

Financial Statements  
For the year ended June 30, 2020

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF FAMILY EDUCATIONAL SERVICES FOUNDATION

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the annexed financial statements of **Family Educational Services Foundation** (the Foundation), which comprise the statement of financial position as at June 30, 2020, and the statement of income and expenditure, the statement of changes in net assets, the 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, the statement of income and expenditure, the statement of changes in net assets and the 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 June 30, 2020 and of the income and expenditure, the changes in net assets and its cash flows for the year then ended.

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information includes Founder's note and financial summary.

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

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

*DIA*

## **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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Foundation as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of income and expenditure, the statement of changes in net assets and the 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 account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Foundation's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

*Deloitte Yousuf Adil*  
Chartered Accountants

Place: Karachi

Date: 11 2 OCT 2020

**FAMILY EDUCATIONAL SERVICES FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>Assets</b>			
<b>Non-Current Assets</b>			
Operating fixed assets	4	68,941,794	73,980,588
Intangible asset	5	497,221	529,171
Long term loans	6	711,906	1,058,058
Long term deposits	7	750,773	738,773
		<u>70,901,694</u>	<u>76,306,590</u>
<b>Current Assets</b>			
Loans and advances	8	2,849,307	4,613,790
Prepayments	9	2,582,772	1,598,085
Accrued interest		108,005	532,618
Other receivables		560,798	203,770
Investments	10	130,516,020	127,385,037
Cash and bank balances	11	127,177,810	41,956,350
		<u>263,794,712</u>	<u>176,299,650</u>
<b>Total Assets</b>		<u><u>334,696,406</u></u>	<u><u>252,606,240</u></u>
<b>Fund And Liabilities</b>			
<b>Fund</b>			
General		316,128,360	251,819,759
<b>Current Liabilities</b>			
Deferred donation	12	13,517,868	-
Accrued liabilities		4,643,839	422,816
Payable to provident fund		406,339	363,665
		<u>18,568,046</u>	<u>786,481</u>
<b>Total Fund and Liabilities</b>		<u><u>334,696,406</u></u>	<u><u>252,606,240</u></u>
<b>Contingency and commitments</b>	13		

The annexed notes from 1 to 26 form an integral part of these financial statements.

R/A

  
Director

  
Director

  
Chief Executive Officer

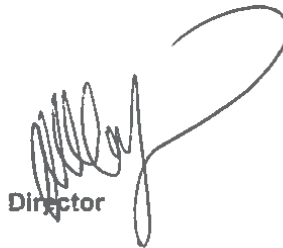
**FAMILY EDUCATIONAL SERVICES FOUNDATION  
STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>Income</b>			
Income from operating activities	14	283,729,957	215,543,310
<b>Expenditure</b>			
Operational expenses	15	213,880,288	188,184,843
Administrative and management expenses	16	12,534,038	10,812,426
		(226,414,326)	(198,997,269)
Other income	17	13,032,957	9,633,824
Other expenses	18	(5,883,064)	(11,463,889)
Finance cost		(156,923)	(154,312)
Surplus of income over expenditure - before taxation		64,308,601	14,561,664
Taxation		-	-
Surplus of income over expenditure - after taxation		64,308,601	14,561,664
Other comprehensive income for the year		-	-
Total comprehensive income for the year		64,308,601	14,561,664

The annexed notes from 1 to 26 form an integral part of these financial statements.

TS

  
Director

  
Director

  
Chief Executive Officer

**FAMILY EDUCATIONAL SERVICES FOUNDATION  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Net Assets Rupees</b>
<b>Balance as at July 01, 2018</b>	<u>237,258,095</u>
Surplus for the year	14,561,664
Other comprehensive income for the year	-
<b>Balance as at June 30, 2019</b>	<u>251,819,759</u>
Surplus for the year	64,308,601
Other comprehensive income for the year	-
<b>Balance as at June 30, 2020</b>	<u><u>316,128,360</u></u>

The annexed notes from 1 to 26 form an integral part of these financial statements.


*PKA*



Director



Director



Chief Executive Officer



**FAMILY EDUCATIONAL SERVICES FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

	2020 Rupees	2019 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus of income over expenditure - before taxation	64,308,601	14,561,664
Adjustments for:		
Depreciation	11,019,573	11,641,406
Amortisation	116,700	108,224
Loss / (gain) on disposal of operating fixed assets	78,535	(1,576,068)
Gain on disposal of investments	(5,114,846)	-
Bad debts written off	20,000	1,834
Finance cost - bank charges	156,923	154,312
Exchange gain	(4,745)	(259,159)
Dividend income	(3,230,891)	(3,421,096)
Unrealised (gain) / loss on remeasurement of investments	(1,414,961)	5,159,318
	<b>1,626,288</b>	<b>11,808,771</b>
Decrease / (increase) in current assets		
Loans and advances	1,744,483	14,269,304
Prepayments	(984,687)	(960,863)
Accrued interest	424,613	(335,009)
Other receivables	(357,028)	247,073
	<b>827,381</b>	<b>13,220,505</b>
Increase / (decrease) in current liabilities		
Deferred donation	13,517,868	(11,664,884)
Accrued liabilities	4,221,023	260,977
Payable to provident fund	42,674	168,665
	<b>84,543,835</b>	<b>28,355,698</b>
Finance cost - bank charges paid	(156,923)	(154,312)
<b>Net cash generated from operating activities</b>	<b>84,386,912</b>	<b>28,201,386</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments encashed / (made) - net	6,629,715	(24,184,658)
Additions to operating fixed assets	(6,079,314)	(26,255,592)
Addition to intangible asset	(84,750)	-
Sale proceeds from disposal of operating fixed assets	20,000	2,460,820
Long term security deposits given	(12,000)	(103,994)
Long term loans repaid	346,152	309,038
<b>Net cash used in investing activities</b>	<b>819,803</b>	<b>(47,774,386)</b>
<b>Net increase in cash and cash equivalents (A+B)</b>	<b>85,206,715</b>	<b>(19,573,000)</b>
Cash and cash equivalents at beginning of the year	41,966,350	61,280,191
Effects of exchange rate changes on bank balances held in foreign currency	4,745	259,159
<b>Cash and cash equivalents at end of the year</b>	<b>127,177,810</b>	<b>41,966,350</b>

The annexed notes from 1 to 26 form an integral part of these financial statements.

Director

Director

Chief Executive Officer

**FAMILY EDUCATIONAL SERVICES FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**1. LEGAL STATUS AND OPERATIONS**

**1.1** Family Educational Services Foundation ('the Foundation') was established in 2002 as a limited company. It is a non profit educational voluntary organisation and is rendering services in the field of education, teacher training and academic / voluntary training for deaf students. It is registered under Section 42 of the Companies Act, 2017 (previously the Companies Ordinance, 1984). The registered office of the Foundation is located at office # 302, 3<sup>rd</sup> floor, Plot No. 16 - C, Rahat Lane 3, Phase VI, DHA, Karachi, Sindh, Pakistan. Currently, the Foundation conducts following projects:

- Deaf Reach Training Centre;
- Eduserve Training Program;
- Community Service Program;
- Technology - Based Deaf Education Project; and
- Pakistan Sign Language Program.

The geographical location and address of business unit are as under:

<b>Location</b>	<b>Address</b>
Karachi - Head office	Office # 302, 3 <sup>rd</sup> floor, Plot No. 16-C, Rahat Lane 3, Phase VI, DHA, Karachi
Karachi	Deaf Reach School and Training Centre, Gullistan-e-Jauhar, Block-12, behind CNG Station, near telephone exchange, Karachi
Rashidabad	Deaf Reach School, Rashidabad, Tando Allah Yar, Sindh
Hyderabad	House No. 282, Deh Sari Dhoraji, opposite Rani Bagh
Nawabshah	Essar Pura, opposite Haji Naseer Qabristan, New Sabzi Mandi Road
Sukkur	Inside GVIB – Govt. Polytechnic Institute, Qureshi Goth Road, near Shar chowk, Golimar
Lahore	14-Hunza Block, Main Boulevard, Allama Iqbal Town
Jhelum	Naqeeb Plaza, Kala Gujran Morr, G. T. Road, Jhelum

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organisations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan 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 Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

## 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain investments that are stated at market values.

## 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the functional currency of the Foundation. Amounts presented in the financial statements have been rounded off to the nearest Rupee, unless otherwise stated.

## 2.4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with approved accounting and reporting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of accounting 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 judgements 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 on-going 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.

### Novel Coronavirus (Covid-19)

A novel strain of coronavirus (Covid-19) was classified as a pandemic by the World Health Organisation on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non - essential services and factories have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The potential impacts from Covid-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. However, the impact varies from industry to industry in respective jurisdictions. The main operations of the Foundation is to serve the Deaf community in our society by providing free educational and training services through purposefully developed chain of schools throughout Pakistan. The operations were disrupted during the fourth quarter of fiscal year 2020 as the government announced the closure of schools to contain the spread of the virus. The restriction continues and was in place as at reporting date.

However, the Foundation appropriately responded to the change in circumstances by implementing Distance Learning Program, all digital resources in Pakistan Sign Language (PSL) are loaded on low-cost computer units and distributed to our students and their families. as its student body is characterised by negligible household and child access to internet / digital platforms, low level of literacy amongst parents and limited space and financial means. Furthermore, the Foundation has provided a monthly basic food basket of Rs. 5,000 each to more than 1,200 deaf students and their families, as well as more than 100 of our lower income staff and their families. Furthermore, during the current year, the Foundation has received Zakat amounting to Rs. 41.4 million in the Holy month of Ramadan which is 120% more than last year as a result of approaching new donors remotely. Donations from the Government of Sindh have also been received amounting to Rs. 55 million during the year. As a result, no significant cost-cutting measures were taken by the Foundation.

Based on management's assessment, we were able to dilute the impact of this pandemic on the Foundation considering continued support of donors, availability of sustainability fund and no external borrowings of the Foundation.

### Critical judgements

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of operating fixed assets (note 3.1);
- Useful lives, residual values and amortisation method of intangible asset (note 3.2);
- Provision for retirement benefit obligation (note 3.6); and
- Impairment of financial and non - financial assets (note 3.9.2 and 3.11).

The revisions to accounting estimates (if any) 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.

## 2.5 Changes in accounting standards and interpretations

### 2.5.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations are either not relevant to the Foundation's operations or are not expected to have significant impact on the Foundation's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
IFRS 16 'Leases'.	January 01, 2019
IFRS 14 'Regulatory Deferral Accounts'.	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlements.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

### 2.5.2 New accounting standards and amendments that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Foundation's operations or are not expected to have significant impact on the Foundation's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS.	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material.	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform.	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid - 19 related rent concessions.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current.	January 01, 2023
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework.	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use.	January 01, 2022

Effective from accounting period  
beginning on or after:

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' -  
Onerous Contracts — cost of fulfilling a contract.

January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 17 - Insurance Contracts

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Foundation for the year ended June 30, 2019.

#### 3.1 Operating fixed assets

All items of operating fixed assets are initially stated at cost. Assets received as donation are recognised at fair value. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to the statement of income and expenditure using the reducing balance method at the rates specified in the note 4 to the financial statements. Proportionate depreciation is charged for addition and disposal of assets during the year.

Repairs and maintenance are charged to the statement of income and expenditure as and when renewals and improvements are capitalised only when it is probable that the future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Disposal of assets is recognised when significant risk and rewards incidental to the ownership have been transferred.

Gains or losses arising from the retirement or disposal of assets are recognised in the statement of income and expenditure.

The carrying values of operating fixed assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The residual values and useful lives of operating fixed assets are reviewed and adjusted, if appropriate, at each reporting date.

#### 3.2 Intangible asset

Intangible asset is stated at cost less amortisation using straight line method at the rates stated in note 5 to the financial statements.

Amortisation is charged from the month in which the amortisable assets are available for use and on disposal, up to the month of disposal.

Gains or losses arising from the retirement or disposal of intangible assets are recognised in the statement of income and expenditure.

The Foundation reviews the residual value and useful life of the intangible asset for possible impairment on an annual basis. The effect of changes in estimate is accounted for on prospective basis.

#### 3.3 Loans to employees

Loans to employees are carried at original amount less current maturity of the loans and provision is made for the doubtful loans based on review of all outstanding amounts at each reporting date. The effect of measurement of these loans at amortised cost is not material in the overall context of these financial statements.

### **3.4 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash in hand, current and deposit accounts held with banks.

### **3.5 Taxation**

The Foundation has been approved as a non - profit organisation under Section 2(36)(c) of the Income Tax Ordinance, 2001 (the Ordinance). The Foundation is allowed 100% tax credit against the tax liability including minimum tax and final taxes, under Section 100C of the Ordinance. The management intends to avail a tax credit equal to 100% of the tax payable. Accordingly, no tax charge has been recorded in the financial statements.

### **3.6 Retirement benefit obligation - defined contribution plan**

The Foundation also operates a voluntarily provident fund scheme for the permanent employees. Contributions to fund are made monthly by the Foundation and employee at the rate of 8.33% of the basic salary. The Foundation's contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

### **3.7 Income recognition**

Donations for operation of projects are recognised as income as and when received.

Donation in kind is recognised at fair value when received. If the fair value of donated asset exceeds the capitalisation limit, it is recognised as an item of operating fixed assets in accordance with the Foundation's policy and the amount of donation is recognised as deferred income and amortised over the useful life of asset from the date asset is available for intended use. Donation received in kind which are below the capitalisation limit are recognised as income for the year.

Donation from USAID, Grant in Aid, Planning & Development Authority of Sindh, Net Hope, Government of Sindh (GoS), Zakat and others are deferred and recognised as income on a systematic basis to match them with the related costs that they are intended to compensate.

Income from voluntary participation from parents are recognised as and when received.

Dividend income is recognised when the right to received dividend is established.

Income on deposit accounts is recognised on a time proportionate using the effective rate of return.

### **3.8 Allocation of expenses**

All the expenses incurred by the Foundation are apportioned between administrative and management expenses and operational expenses as per defined percentages approved by the Board of Directors.

### **3.9 Financial instruments**

#### **3.9.1 Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### **Financial assets at amortised cost**

Instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is 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 fair value through income and expenditure (FVTIE)**

Financial assets that do not meet the criteria for being measured at amortised cost are measured at fair value through income and expenditure (FVTIE). Specifically, investment in mutual funds are classified as at FVTIE.

Financial assets at FVTIE are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the statement of income and expenditure.

#### **3.9.2 Impairment of financial assets**

For financial assets, the Foundation recognises lifetime Expected Credit Losses (ECL) when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Foundation measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The ECL is estimated as the difference between all contractual cash flows that are due to the Foundation in accordance with the contract and all the cash flows that the Foundation expects to receive, discounted at the original effective interest rate.

#### **3.9.3 Financial liabilities**

All financial liabilities are recognised initially at fair value less directly attributable cost, if any, and subsequently measured at amortised cost.

##### **Derecognition of financial liabilities**

The Foundation derecognises financial liabilities when, and only when, the Foundation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of income and expenditure.

#### **3.10 Off setting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Foundation intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

#### **3.11 Impairment of non-financial assets**

The Foundation assesses at each reporting date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in the statement of income and expenditure. The recoverable amount is the higher of an asset's 'fair value less costs to sell' and 'value in use'.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised. Reversal of impairment loss is recognised as income.

#### **3.12 Foreign currency transactions and translation**

Foreign currency transactions are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities, denominated in foreign currencies are translated into reporting currency equivalents using reporting date spot foreign exchange rates. Non-monetary assets / liabilities are translated using exchange rates that existed when these were initially recognised.

Gains or losses arising on retranslation are included in the statement of income and expenditure for the period.

4. OPERATING FIXED ASSETS

Particulars	Region				Total
	Karachi, Hyderabad and Lahore	Sukkur	Nawabshah	Rashidabad	
Note	4.1	4.2	4.3	4.4	
	----- Rupees -----				
Furniture and fittings	7,543,909	465,990	932,335	9,665,565	18,607,799
Vehicles	9,318,551	588,740	627,925	6,300,895	16,836,111
Office equipments	13,180,424	3,893,230	2,452,892	6,072,534	25,599,080
Computer equipments	3,730,001	195,418	1,195,977	135,266	5,256,662
Office renovation	2,589,444	-	52,698	-	2,642,142
	<b>2020</b>	<b>5,143,378</b>	<b>5,261,827</b>	<b>22,174,260</b>	<b>68,941,794</b>
	<b>2019</b>	<b>5,518,518</b>	<b>5,719,028</b>	<b>25,190,844</b>	<b>73,980,588</b>

4.1 Karachi, Hyderabad and Lahore region

Particulars	Cost		Accumulated depreciation		Annual rate of depreciation %
	As at July 01, 2019	Additions / (disposals) during the year	As at July 01, 2019	Charge for the year / (disposals)	
			As at June 30, 2020	As at June 30, 2020	Carrying value as at June 30, 2020
	----- Rupees -----				
Furniture and fittings	14,318,400	129,966	14,448,366	833,482	7,543,909
Vehicles	23,384,000	1,336,500	24,720,500	2,218,262	9,318,551
Office equipments	25,783,448	935,090 (20,000)	26,698,538	1,422,622 (4,993)	13,180,424
Computer equipments	11,334,935	2,685,182 (80,000)	13,940,117	1,464,730 (45,212)	3,730,001
Office renovation	4,472,573	-	4,472,573	287,716	2,589,444
	<b>2020</b>	<b>5,086,738</b>	<b>84,280,094</b>	<b>6,226,812</b>	<b>36,362,329</b>
	<b>2019</b>	<b>12,399,687</b>	<b>79,293,356</b>	<b>(50,205)</b>	<b>37,552,198</b>
		<b>(3,401,500)</b>		<b>6,111,087</b>	
				<b>(2,516,748)</b>	



4.2 Sukkur region

Particulars	Cost		Accumulated depreciation		Carrying value as at June 30, 2020	Annual rate of depreciation	
	As at July 01, 2019	Additions during the year	As at July 01, 2019	Charge for the year			As at June 30, 2020
	----- Rupees -----						%
Furniture and fittings	1,436,020	-	918,253	51,777	970,030	10	
Vehicles	5,483,353	-	4,747,428	147,185	4,894,613	20	
Office equipments	6,109,216	340,513	2,131,330	425,169	2,556,499	10	
Computer equipments	455,498	5,000	168,558	96,522	265,080	33	
	<b>2020</b>	<b>345,513</b>	<b>7,965,569</b>	<b>720,653</b>	<b>8,686,222</b>		
	<b>2019</b>	<b>1,472,935</b>	<b>7,153,906</b>	<b>811,663</b>	<b>7,965,569</b>		

4.3 Nawabshah region

Particulars	Cost		Accumulated depreciation		Carrying value as at June 30, 2020	Annual rate of depreciation	
	As at July 01, 2019	Additions / (disposals) during the year	As at July 01, 2019	Charge for the year			As at June 30, 2020
	----- Rupees -----						%
Furniture and fittings	2,098,252	-	1,062,324	103,593	1,165,917	10	
Vehicles	3,400,400	-	2,615,494	156,981	2,772,475	20	
Office equipments	3,809,979	278,253 (110,000)	1,319,655	266,945 (61,260)	1,525,340	10	
Computer equipments	2,741,039	-	1,412,176	132,886	1,545,062	33	
Office renovation	126,742	-	47,735	26,309	74,044	10	
	<b>2020</b>	<b>278,253 (110,000)</b>	<b>6,457,384</b>	<b>686,714 (61,260)</b>	<b>7,082,838</b>		
	<b>2019</b>	<b>1,428,135</b>	<b>5,697,429</b>	<b>759,955</b>	<b>6,457,384</b>		

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4.4 Rashidabad region

Particulars	Cost		Accumulated depreciation			Annual rate of depreciation %		
	As at July 01, 2019	Additions during the year	As at June 30, 2020	As at July 01, 2019	Charge for the year		As at June 30, 2020	
Furniture and fittings	16,074,119	-	16,074,119	5,334,602	1,073,952	6,408,554	9,665,565	10
Vehicles	10,311,204	-	10,311,204	2,435,085	1,575,224	4,010,309	6,300,895	20
Office equipments	9,943,891	368,810	10,312,701	3,571,481	668,686	4,240,167	6,072,534	10
Computer equipments	1,370,565	-	1,370,565	1,167,767	67,532	1,235,299	135,266	33
	<u>2020</u>	<u>368,810</u>	<u>38,068,589</u>	<u>12,508,935</u>	<u>3,385,394</u>	<u>15,894,329</u>	<u>22,174,260</u>	
	2019	10,954,835	37,699,779	8,550,234	3,958,701	12,508,935	25,190,844	

4.5 Depreciation charge for the year has been allocated as follows:

	Note	2020	2019
		Rupees	Rupees
Operational expenses	15	9,917,616	10,477,265
Administrative and management expenses	16	1,101,957	1,164,141
		<u>11,019,573</u>	<u>11,641,406</u>

*DA*

	Note	2020 Rupees	2019 Rupees
<b>5. INTANGIBLE ASSET</b>			
<b>Computer software</b>			
<b>Cost</b>			
Balance as at July 01		1,082,238	1,082,238
Addition during the year		84,750	-
Balance as at June 30		<u>1,166,988</u>	<u>1,082,238</u>
<b>Less: Amortisation for the year</b>			
Balance as at July 01		553,067	444,843
Charge for the year	16	116,700	108,224
Balance as at June 30		<u>669,767</u>	<u>553,067</u>
<b>Carrying value as at June 30</b>		<u>497,221</u>	<u>529,171</u>
Amortisation rate per annum (%)		<u>10</u>	<u>10</u>
<b>6. LONG TERM LOANS</b>			
<b>- Considered good</b>			
Vehicle loans to employees			
Car loan		977,058	1,684,678
Bike loan		140,520	46,562
		1,117,578	1,731,340
Less: current portion	8	(405,672)	(673,282)
		<u>711,906</u>	<u>1,058,058</u>
<b>6.1</b>			
These are interest free loans recoverable in monthly installments over a period ranging from 1 to 5 years. These loans are secured against employees' provident fund.			
		2020	2019
	Note	Rupees	Rupees
<b>7. LONG TERM DEPOSITS</b>			
<b>- Against</b>			
Rent		395,000	533,000
Utilities		355,773	205,773
		<u>750,773</u>	<u>738,773</u>
<b>8. LOANS AND ADVANCES</b>			
<b>- Unsecured - Considered good</b>			
Cash loans to employees		1,113,635	2,338,419
Current portion of long term loans	6	405,672	573,262
Advance to suppliers		1,330,000	1,602,089
		<u>2,849,307</u>	<u>4,613,790</u>
<b>9. PREPAYMENTS</b>			
It includes represents prepaid insurance against assets of the Foundation insured against fire, theft, etc.			

10. INVESTMENTS	Note	2020 Rupees	2019 Rupees
<b>- Amortised cost</b>			
<b>Monthly modaraba certificates</b>			
Meezan Bank Limited	10.1	600,000	68,000,000
<b>- At fair value through income and expenditure</b>			
<b>Mutual funds</b>			
NAFA Islamic Money Market Fund		41,824,589	-
UBL Al Ameen Islamic Sovereign Fund		19,012,827	-
Atlas Islamic Income Fund		32,985,451	1,069,057
Meezan Rozana Amdani Fund		36,093,153	-
Meezan Islamic Income Fund		-	10,968,156
Meezan Balanced Fund		-	17,359,223
NAFA Islamic Asset Allocation Fund		-	11,868,301
NAFA Islamic Income Fund		-	17,032,915
NAFA Islamic Stock Fund		-	17,938
NAFA Riba Free Savings Fund		-	704
UBL Al Ameen Islamic Cash Fund		-	1,068,743
	10.2	<u>129,916,020</u>	<u>59,385,037</u>
		<u>130,516,020</u>	<u>127,385,037</u>

10.1 These investments carry mark-up at the rate of 6.30% to 12.32% (2019: 9.35% to 9.85%) per annum.

10.2 Details of investment in mutual funds are as follows:

**2020**

Particulars	Number of units	Carrying value at June 30, 2020	Fair value at June 30, 2020	Unrealised gain / (loss) as at June 30, 2020
		----- Rupees -----		
NAFA Islamic Money Market Fund	4,464,225	44,743,150	44,860,726	57,576
UBL Al Ameen Islamic Sovereign Fund	327,993	36,093,153	33,174,592	(2,918,561)
Atlas Islamic Income Fund	65,332	36,296,091	32,985,451	(3,310,640)
Meezan Rozana Amdani Fund	379,180	18,955,251	18,955,251	-
<b>Total</b>		<u>136,087,645</u>	<u>129,916,020</u>	<u>(6,171,525)</u>

**2019**

Particulars	Number of units	Carrying value at June 30, 2019	Fair value at June 30, 2019	Unrealised gain / (loss) as at June 30, 2019
		----- Rupees -----		
Meezan Islamic Income Fund - Growth B	213,424	11,240,745	10,968,156	(272,589)
Meezan Balanced Fund	1,289,785	21,861,864	17,359,223	(4,502,641)
NAFA Islamic Asset Allocation Fund	863,714	14,749,934	11,868,301	(2,881,633)
NAFA Islamic Income Fund	1,788,683	17,009,971	17,032,915	22,944
NAFA Islamic Stock Fund	1,970	22,604	17,938	(4,666)
NAFA Riba Free Savings Fund	69	702	704	2
UBL Al Ameen Islamic Cash Fund	10,655	1,017,994	1,068,743	50,749
Atlas Islamic Income Fund	2,123	1,067,809	1,069,057	1,248
<b>Total</b>		<u>66,971,623</u>	<u>59,385,037</u>	<u>(7,586,586)</u>

	Note	2020 Rupees	2019 Rupees
<b>11. CASH AND BANK BALANCES</b>			
Cash in hand		635,413	1,709,227
Cash at banks:			
- Local currency			
Current accounts	11.1	88,056,779	31,517,669
Deposit accounts	11.2	37,839,195	7,403,719
		125,895,974	38,921,388
- Foreign currency			
Current accounts		646,423	1,335,735
		<u>127,177,810</u>	<u>41,966,350</u>

11.1 An amount of Rs.1,349,812 (2019: Rs.1,373,512 ) has been marked as lien against guarantee provided by Meezan Bank Limited in favour of GoS as disclosed in note 13.2 to the financial statements.

11.2 These carry markup at the rate of 3.25% to 7.06% (2019: 2.4% to 6.2% ) per annum.

	Note	2020 Rupees	2019 Rupees
<b>12. DEFERRED DONATION</b>			
Balance as at July 01		-	11,664,884
Received during the year		13,517,868	-
		<u>13,517,868</u>	<u>11,664,884</u>
Transferred to the statement of income and expenditure	12.2	-	(11,664,884)
Balance as at June 30	12.1 & 12.3	<u>13,517,868</u>	<u>-</u>

12.1 These are donations / contributions related to the expenses to be incurred in subsequent periods, and are therefore, transferred to income gradually over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

	2020 Rupees	2019 Rupees
<b>12.2 Breakup of the deferred donations realised during the year is as follows:</b>		
<i>(a) Designated for specific projects</i>		
Net Hope Project	-	1,478,301
USAID Sukkur Project	-	12,945
Planning and Development (P&D) Project Phase 6	-	481,194
KYI Grant	-	8,340,071
CJMF Foundation grant	-	1,352,373
	-	<u>11,664,884</u>
<i>(b) Non-designated</i>	-	-
	-	<u>11,664,884</u>

12.3 Breakup of the deferred donations as at reporting date is as follows:

KYI Grant	3,102,231	-
DKI Project	886,544	-
P&D Grant	9,529,093	-
	<u>13,517,868</u>	<u>-</u>

### 13. CONTINGENCY AND COMMITMENTS

#### 13.1 Contingency

There is no contingency as at June 30, 2020 and June 30, 2019.

#### 13.2 Commitments

Letters of guarantee amounting to Rs. 1,349,812 (2019: Rs. 1,373,512) was given by Meezan Bank Limited. The Foundation had entered into a project agreement with Planning and Development Department, GoS in 2017, according to which they are required to establish a Deaf Reach School in Rashidabad for which GoS provided funding of Rs. 26,996,240. According to the project agreement, the Foundation had to provide performance security at 5% of the total approved project cost in form of bank guarantee in favour of GoS amounting to Rs. 1,349,812 at reporting date.

	Note	2020 Rupees	2019 Rupees
<b>14. INCOME FROM OPERATING ACTIVITIES</b>			
Donation	14.1	275,958,075	201,851,693
Donation in kind	14.2	2,589,998	3,953,596
Voluntary participation from parents	14.3	5,181,884	9,738,021
	14.4	<u>283,729,957</u>	<u>215,543,310</u>
<b>14.1 Donation</b>			
<i>(a) Designated for specific projects</i>			
Nawabshah project		16,000,000	12,000,000
KYI project		10,557,187	14,500,000
DKI project		1,773,089	-
		<u>36,330,276</u>	<u>26,500,000</u>
<i>(b) Non-designated</i>	14.1.1	239,627,799	153,686,809
<i>(c) Deferred donation realised during the year</i>	12.2	-	11,664,804
		<u>275,958,075</u>	<u>201,851,693</u>
<b>14.1.1</b>	It includes sponsorships received from Department for International Development amounting to Rs. 8,338,511 (2019: Rs. 8,442,481). These funds are utilised according to the agreement.		
<b>14.2</b>	It includes Rs. 1,868,232 (2019: Rs. 2,019,442) and Rs. 596,766 (2019: Rs. 785,154) in respect of items of necessities and insurance services respectively.		
<b>14.3</b>	This represents voluntary payments from the parents of students against the educational services being rendered by the Foundation for their children.		
<b>14.4</b>	Major sources of donations are as follows:	2020 Rupees	2019 Rupees
Grants		36,656,251	39,262,167
Government		60,000,000	10,000,000
Donations from individuals - Foreign		8,041,770	5,179,811
Donations from corporate sector - Foreign		23,347,336	20,115,678
Donations from individuals - Local		49,051,694	48,150,408
Donations from corporate sector - Local		83,683,733	59,031,480
Donations from other Not-for-profit organisations		22,949,173	33,803,766
		<u>283,729,957</u>	<u>215,543,310</u>

	Note	2020 Rupees	2019 Rupees
<b>15. OPERATIONAL EXPENSES</b>			
Salaries and other benefits	15.1	129,583,112	107,670,164
Eduserve program		15,450,069	10,698,015
Depreciation	4.5	9,917,616	10,477,265
Events, function and fund raising program		14,364,833	9,275,298
Repair and maintenance		4,553,129	8,677,518
Vehicle running expense		7,545,850	6,396,910
Utilities		7,117,361	6,319,809
Student benefits		6,221,004	5,821,712
Rent, rates and taxes		5,344,651	4,841,361
Training costs		2,891,237	3,062,310
Transportation		1,427,227	2,965,013
Technology based deaf education project		294,190	2,960,401
Community service		1,693,176	2,818,023
Printing and stationery		2,813,115	2,538,322
Postage and communication		1,627,397	1,348,867
Insurance		882,747	1,169,986
Hospitality		693,877	758,746
Consultancy and professional charges		451,639	385,123
Pakistan Sign Language Program		1,008,058	-
		<b>213,880,288</b>	<b>188,184,843</b>

15.1 Salaries and other benefits include Rs. 3,494,071 (2019: Rs. 2,709,623) in respect of employees' provident fund.

	Note	2020 Rupees	2019 Rupees
<b>16. ADMINISTRATIVE AND MANAGEMENT EXPENSES</b>			
Salaries and other benefits	16.1	6,118,445	4,883,882
Depreciation	4.5	1,101,957	1,164,141
Utilities		1,677,614	1,394,621
Events, function and fund raising program		1,350,743	970,821
Repair and maintenance		441,612	468,770
Rent, rates and taxes		595,349	499,371
Transportation		151,264	317,779
Printing and stationery		292,505	279,899
Vehicle running expense		234,721	217,891
Amortisation	5	116,700	108,224
Hospitality		77,098	84,305
Insurance		62,375	129,998
Auditors' remuneration	16.2	125,000	125,000
Training costs		66,604	63,722
Postage and communication		89,442	61,211
Consultancy and professional charges		32,609	42,791
		<b>12,534,038</b>	<b>10,812,426</b>

16.1 Salaries and other benefits include Rs. 388,230 (2019: Rs. 301,069) in respect of employees' provident fund.

16.2 This represents only annual audit fee.

	2020 Rupees	2019 Rupees
<b>17. OTHER INCOME</b>		
Profit on deposit accounts	3,267,514	4,377,501
Exchange gain	4,745	259,159
Gain on disposal of operating fixed assets	-	1,576,068
Gain on disposal of investments	5,114,846	-
Dividend income	3,230,891	3,421,096
Unrealised gain on investments	1,414,961	-
	<b>13,032,957</b>	<b>9,633,824</b>

	2020 Rupees	2019 Rupees
<b>18. OTHER EXPENSES</b>		
Loss on disposal of operating fixed assets	78,535	-
Donation processing charges	1,397,035	785,377
Groceries and cleaning items	2,196,176	2,198,758
Bad debts written off	20,000	1,834
Unrealised loss on investments	-	5,159,318
Others	2,191,318	3,318,602
	<u>5,883,064</u>	<u>11,463,889</u>

**19. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

	Chief Executive Officer		Executives	
	2020	2019	2020	2019
	----- Rupees -----			
Managerial remuneration	<u>4,201,988</u>	<u>3,610,500</u>	<u>36,635,772</u>	<u>31,004,717</u>
Number of person	<u>1</u>	<u>1</u>	<u>12</u>	<u>10</u>

The Board of Directors have not drawn any remuneration from the Foundation.

**20. RELATED PARTY TRANSACTIONS**

Related parties comprise retirement benefit fund and key management personnel. The Foundation has not executed any transaction with related party during the year except for remuneration to the Chief Executive Officer as disclosed in note 19 to these financial statements.

	2020 Number	2019 Number
<b>21. NUMBER OF EMPLOYEES</b>		
- At June 30	269	313
- Average during the year	291	308
	2020 Rupees	2019 Rupees

**22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**22.1 Financial instruments by category**

**Financial assets**

*At amortised cost*

Investment in monthly modaraba certificates	600,000	68,000,000
Long term loans (including current portion)	1,117,578	1,731,340
Long term deposits	750,773	738,773
Loans to employees	1,113,635	2,338,419
Accrued interest	108,005	532,618
Other receivables	560,798	203,770
Cash and bank balances	127,177,810	41,966,350
	<u>131,428,599</u>	<u>115,511,270</u>

*At fair value through income and expenditure*

Investment in mutual funds	129,916,020	59,365,037
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**Financial liabilities**

*At amortised cost*

Accrued liabilities	4,643,839	422,816
Payable to provident fund	406,339	363,665
	<u>5,050,178</u>	<u>786,481</u>



## 22.2 FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Foundation's financial risk management. The responsibility includes developing and monitoring the Foundation's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Foundation's financial risk exposures. The Foundation has exposure to the risks associated with the financial instruments and the risk management policies and procedures summarised as follows:

### 22.2.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, relevant financial institution or counter parties, in case of placements or other arrangements, to fulfill their obligations.

#### Exposure to credit risk

Credit risk of the Foundation mainly arises from balances with banks, long term deposits, loan to employees, investments and other receivables on account of provision of different services. The maximum exposure to credit risk at the reporting date is as follows:

	2020 Rupees	2019 Rupees
Long term loans (including current portion)	1,117,578	1,731,340
Long term deposits	750,773	738,773
Loans to employees	1,113,635	2,338,419
Investments	130,516,020	127,385,037
Accrued interest	108,005	532,618
Other receivables	560,798	203,770
Bank balances	126,542,397	40,257,123
	<u>260,709,206</u>	<u>173,187,080</u>

#### Long term loans

The Foundation does not expect material loss as such loan is collateralised against the final settlement and retirement benefit accruing to the respective employees who availed the loan.

#### Long term deposits

The Foundation has deposited various amounts as security to suppliers against provision of different services. The management does not expect to incur material losses on such deposits and consider such amount is receivable upon termination of service contract from respective suppliers.

#### Loans and advances

The Foundation has given cash loans to employees. The management does not expect to incur material losses as loans are collateralised against the final settlement of employees.

#### Investments

The Foundation has invested in modaraba certificates of Meezan Bank Limited which has AA+ rating. The Foundation has also invested in mutual funds managed by Al Meezan Investment Management Limited, NBP Fund Management Limited. Mutual funds, Atlas Asset Management Limited and UBL Fund Managers Limited have ratings in the range of AA(f)- to AA(f).

#### Accrued interest

The Foundation has accrued interest on Modaraba certificates of Meezan Bank Limited which has AA+ rating.

#### Other receivables

This includes receivable from employees against payment to a health insurance company on their behalf. The Foundation does not expect to incur material losses on other receivables as it is collateralised against the final settlement of employees.



Currently, the Foundation is exposed to currency risk on account of foreign currency bank accounts.

	2020 Rupees	2019 Rupees
Foreign currency bank accounts	<u>646,423</u>	<u>1,335,735</u>
The following exchange rates have been applied:		
Euro to PKR	<u>188.61</u>	<u>182.32</u>
USD to PKR	<u>168.05</u>	<u>160.05</u>

#### Currency risk sensitivity analysis

At reporting date, if the Rupee is strengthened / weakened by 10% against the US dollar and Euro, with all other variables held constant, surplus for the year would have been lower/higher by Rs. 64,642 (2019: Rs. 133,574) mainly as a result of net foreign exchange loss / gain on translation of foreign currency bank accounts. This analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis is performed on the same basis as for 2019.

#### 22.2.3.2 Interest rate risk

The 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 has significant interest bearing assets where interest rate risk may arise due to fluctuations in the rates. At the reporting date, the interest rate profile of the Foundation's interest bearing financial assets are:

	2020 Rupees	2019 Rupees
<b>Financial assets</b>		
<b>Variable rate instruments</b>		
Monthly modaraba certificates	600,000	68,000,000
Deposit accounts	<u>37,839,195</u>	<u>7,403,719</u>
	<u>38,439,195</u>	<u>75,403,719</u>

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (increased) / decreased surplus of income over expenditure by the amount shown below. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis as for 2019.

	Effect on surplus of income over expenditure due to 100 basis points	
	(Increase)	Decrease
	-----Rupees-----	
<b>As at June 30, 2020</b>		
Cash flow sensitivity	<u>(32,675)</u>	<u>32,675</u>
<b>As at June 30, 2019</b>		
Cash flow sensitivity	<u>(43,775)</u>	<u>43,775</u>

#### 22.2.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Foundation is exposed to price risk with respect to equity investment. Investments are monitored through continuous trend prevailing in the market, leading to better management of funds in different investment avenues available in the market.

A 10% increase / (decrease) in share prices at year end would have increased / (decreased) the Foundation surplus in case of investments at fair value through income and expenditure as follows:

	Surplus change due to 10%	
	Increase	(Decrease)
	-----Rupees-----	
<b>As at June 30, 2020</b>		
Investment at fair value through income and expenditure	<u>12,991,602</u>	<u>(12,991,602)</u>
<b>As at June 30, 2019</b>		
Investment at fair value through income and expenditure	<u>5,938,504</u>	<u>(5,938,504)</u>

## 23. CAPITAL RISK MANAGEMENT

The Foundation is not exposed to any capital risk management as it has no borrowings from financial institutions and others.

## 24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

### Fair value hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

**Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Foundation does not hold any financial instrument which can be classified under the above mentioned levels except for investment in mutual funds as follows:

	2020			
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Investment in mutual funds	<u>129,916,020</u>	-	-	<u>129,916,020</u>
	<u>129,916,020</u>	-	-	<u>129,916,020</u>
	2019			
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Investment in mutual funds	<u>59,385,037</u>	-	-	<u>59,385,037</u>
	<u>59,385,037</u>	-	-	<u>59,385,037</u>

There were no transfers between the levels during the year.

**25. RECLASSIFICATION**

Comparative figures have been rearranged and re-classified for the purpose of better representation, the effect of which is not material.

**26. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Foundation on **10 7 OCT 2020**

*TS*



Director



Director



Chief Executive Officer