Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

Family Educational Services Foundation

Financial Statements
For the year ended June 30, 2019

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

Deloitte Yousuf Adil
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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, 2019, 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, 2019 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.

R/A

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

Date: October 16, 2019
Place: Karachi

Family Educational Services Foundation

Financial Statements
For the year ended June 30, 2019

FAMILY EDUCATIONAL SERVICES FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Assets			
Non-Current Assets			
Operating fixed assets	4	73,980,588	60,251,154
Intangible asset	5	529,171	637,395
Long term loans	6	1,058,058	1,367,096
Long term deposits	7	738,773	636,613
		76,306,590	62,892,258
Current Assets			
Loans and advances	8	4,613,790	18,883,094
Prepayments	9	1,598,085	637,222
Accrued interest		532,618	197,609
Other receivables		203,770	450,843
Investments	10	127,385,037	104,938,601
Cash and bank balances	11	41,966,350	61,280,191
		176,299,650	186,387,560
Total Assets		252,606,240	249,279,818
Fund And Liabilities			
Fund			
General		251,819,759	237,258,095
Current Liabilities			
Deferred donation	12	-	11,664,884
Accrued liabilities		422,816	161,839
Payable to provident fund		363,665	195,000
		786,481	12,021,723
Total Fund and Liabilities		252,606,240	249,279,818
Contingency and commitment	13		

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

R/A

Director

Director

Sarah Shaikh
Chief Executive Officer

FAMILY EDUCATIONAL SERVICES FOUNDATION
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Income			
Income from operating activities	14	**215,543,310**	284,986,599
Expenditure			
Operational expenses	15	**188,184,843**	215,743,568
Administrative and management expenses	16	**10,812,426**	8,509,373
		(198,997,269)	(224,252,941)
Other income	17	**9,633,824**	2,036,126
Other expenses	18	**(11,463,889)**	(7,489,057)
Finance cost		**(154,312)**	(274,569)
Surplus of income over expenditure - before taxation		**14,561,664**	55,006,158
Taxation		-	-
Surplus of income over expenditure - after taxation		**14,561,664**	55,006,158
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**14,561,664**	55,006,158

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

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Director

Director

Sarah Shaikh
Chief Executive Officer

FAMILY EDUCATIONAL SERVICES FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Net Assets Rupees
Balance as at July 1, 2017	182,251,937
Surplus for the year	55,006,158
Other comprehensive income for the year	-
Balance as at June 30, 2018	**237,258,095**
Surplus for the year	**14,561,664**
Other comprehensive income for the year	-
Balance as at June 30, 2019	**251,819,759**

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

Director **Director** **Chief Executive Officer**

FAMILY EDUCATIONAL SERVICES FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus of income over expenditure - before taxation	**14,561,664**	55,006,158
Adjustments for:		
Depreciation	**11,641,406**	8,861,266
Amortization	**108,224**	108,224
Gain on disposal of operating fixed assets	**(1,576,068)**	(97,133)
Gain on disposal of investment	**-**	(8,861)
Bad debts written off	**1,834**	1,103,044
Finance cost - bank charges	**154,312**	274,569
Exchange gain	**(259,159)**	(93,638)
Dividend income	**(3,421,096)**	(166,468)
Unrealized loss on remeasurement of investments	**5,159,318**	2,100,200
	11,808,771	12,081,203
(Increase) / decrease in current assets		
Loans and advances	**14,269,304**	(16,215,176)
Prepayments	**(960,863)**	976,748
Accrued interest	**(335,009)**	18,329
Other receivables	**247,073**	(363,837)
	13,220,505	(15,583,936)
Increase / (decrease) in current liabilities		
Deferred donation	**(11,664,884)**	(56,684,279)
Accrued liabilities	**260,977**	49,997
Payable to provident fund	**168,665**	161,839
	28,355,698	(4,969,018)
Finance cost - bank charges paid	**(154,312)**	(274,569)
Net cash generated from / (used in) operating activities	**28,201,386**	(5,243,587)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	**-**	383,318
Investments made - net	**(24,184,658)**	(18,000,000)
Purchase of operating fixed assets	**(26,255,592)**	(10,606,057)
Sale proceeds from disposal of operating fixed assets	**2,460,820**	555,050
Long term security deposits given	**(103,994)**	(22,229)
Long term loans repaid	**309,038**	543,064
Net cash used in investing activities	**(47,774,386)**	(27,146,854)
Net increase in cash and cash equivalents (A+B)	**(19,573,000)**	(32,390,441)
Cash and cash equivalents at beginning of the year	**61,280,191**	93,576,994
Effects of exchange rate changes on bank balances held in foreign currency	**259,159**	93,638
Cash and cash equivalents at end of the year	**41,966,350**	61,280,191

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, 2019

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 organization 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, 3rd floor, Plot No.16-C, Rahat Lane 3, Phase VI, DHA, Karachi, 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:

Location	**Address**
Karachi - Head office	Office # 302, 3rd floor, Plot No. 16-C, Rahat Lane 3, Phase VI, DHA. Karachi
Karachi	Deaf Reach School and Training Centre, Gulistan-e-Jauhar, Block-12, behind CNG Station, near telephone exchange
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	A-3, Govt. Cooperative Housing Society S.I.T.E. Chowk, Shikarpur Road
Lahore	14-Hunza Block, Main Boulevard, Allama Iqbal Town

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 Organizations (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 statement 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 Use of estimates and judgements

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Foundation's accounting policies. 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 amortization method of intangible asset (note 3.2);
- Provision for retirement benefit obligation (note 3.6); and
- Classification of investments (note 3.9.1).

The revisions to accounting estimates (if any) are recognized 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 end June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. 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 IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 4 'Insurance Contracts' - Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
IFRS 15 'Revenue from Contracts with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018

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	Effective from accounting period beginning on or after:
Amendments to IAS 40 'Investment Property' - Clarification on transfers of property to or from investment property.	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration' - Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

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 IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments' - Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020

	Effective from accounting period beginning on or after:
Amendments to References to the Conceptual Framework in IFRS Standards.	January 01, 2020

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 14 'Regulatory Deferral Accounts'
- 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, 2018 except for the change in the policy for income recognition and financial assets' recognition and measurement due to adoption of IFRS-15 and IFRS-9 respectively. The adoption of these standards have insignificant impact on these financial statements of the Foundation.

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 capitalized 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 recognized when significant risk and rewards incidental to the ownership have been transferred.

Gains and losses arising from the retirement or disposal of assets are recognized 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 amortization using straight line method at the rates stated in note 5 to the financial statements.

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

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Gains and losses arising from the retirement or disposal of intangible assets are recognized 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 made for the doubtful loans based on review of all outstanding amounts at each reporting date.

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 organization 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 an unrecognized 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 recognized as deferred income and amortized 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 recognized 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 recognized when the right to received dividend is established.

Income on deposit accounts is recognized 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.

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3.9 Financial instruments

Financial assets and liabilities are recognized when the Foundation becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Foundation loses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of income and expenditure.

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 amortized cost or fair value, depending on the classification of the financial assets.

Financial assets at amortized cost

Instruments that meet the following conditions are measured subsequently at amortized 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 profit or loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortized cost are measured at fair value through profit or loss (FVTPL). Specifically, investment in mutual funds are classified as at FVTPL.

Financial assets at FVTPL 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 recognizes 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 recognized 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.

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 recognized 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 amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

3.9.3 Financial liabilities

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

Derecognition of financial liabilities

The Foundation derecognizes 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 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 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 year-end spot foreign exchange rates. Non-monetary assets / liabilities are translated using exchange rates that existed when these were initially recognized.

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

4. OPERATING FIXED ASSETS

Particulars	Region: Karachi, Hyderabad and Lahore	Region: Sukkur	Region: Nawabshah	Region: Rashidabad	2019 Total	2018 Total
Note	4.1	4.2	4.3	4.4		
	Rupees					
Furniture and fittings	8,247,425	517,767	1,035,928	10,739,517	20,540,637	20,796,071
Vehicles	10,200,313	735,925	784,906	7,876,119	19,597,263	8,429,673
Office equipments	13,682,963	3,977,886	2,490,324	6,372,410	26,523,583	21,852,346
Computer equipments	2,544,337	286,940	79,007	202,798	3,113,082	4,499,705
Office renovation	2,877,160	-	1,328,863	-	4,206,023	4,673,359
2019	**37,552,198**	**5,518,518**	**5,719,028**	**25,190,844**	**73,980,588**	60,251,154
2018	32,148,350	4,857,246	5,050,848	18,194,710		

4.1 Karachi, Hyderabad and Lahore region

Particulars	Cost: As at July 01, 2018	Cost: Additions / (Disposals) during the year	Cost: As at June 30, 2019	Accumulated depreciation: As at July 01, 2018	Accumulated depreciation: Charge for the year / (Disposals)	Accumulated depreciation: As at June 30, 2019	Carrying value as at June 30, 2019	Annual rate of depreciation
	Rupees							%
Furniture and fittings	12,364,500	1,953,900	14,318,400	5,227,554	843,421	6,070,975	8,247,425	10
Vehicles	19,764,900	7,020,600 (3,401,500)	23,384,000	13,463,415	2,237,020 (2,516,748)	13,183,687	10,200,313	20
Office equipments	22,499,526	3,283,922	25,783,448	10,633,465	1,467,020	12,100,485	13,682,963	10
Computer equipments	11,193,670	141,265	11,334,935	7,546,657	1,243,941	8,790,598	2,544,337	33
Office renovation	4,472,573	-	4,472,573	1,275,728	319,685	1,595,413	2,877,160	10
2019	**70,295,169**	**12,399,687** **(3,401,500)**	**79,293,356**	**38,146,819**	**6,111,087** **(2,516,748)**	**41,741,158**	**37,552,198**	
2018	65,718,702	5,361,467 (785,000)	70,295,169	32,978,391	5,495,511 (327,083)	38,146,819	32,148,350	

4.2 Sukkur region

Particulars	Cost			Accumulated depreciation			Carrying value as at June 30, 2019	Annual rate of depreciation
	As at July 01, 2018	Additions during the year	As at June 30, 2019	As at July 01, 2018	Charge for the year	As at June 30, 2019		
	Rupees							%
Furniture and fittings	1,436,020	-	1,436,020	860,723	57,530	918,253	517,767	10
Vehicles	5,483,353	-	5,483,353	4,563,447	183,981	4,747,428	735,925	20
Office equipments	4,636,281	1,472,935	6,109,216	1,704,433	426,897	2,131,330	3,977,886	10
Computer equipments	455,498	-	455,498	25,303	143,255	168,558	286,940	33
2019	**12,011,152**	**1,472,935**	**13,484,087**	**7,153,906**	**811,663**	**7,965,569**	**5,518,518**	
2018	9,550,644	2,460,508	12,011,152	6,549,323	604,583	7,153,906	4,857,246	

4.3 Nawabshah region

Particulars	Cost			Accumulated depreciation			Carrying value as at June 30, 2019	Annual rate of depreciation
	As at July 01, 2018	Additions during the year	As at June 30, 2019	As at July 01, 2018	Charge for the year	As at June 30, 2019		
	Rupees							%
Furniture and fittings	2,098,252	-	2,098,252	947,221	115,103	1,062,324	1,035,928	10
Vehicles	3,400,400	-	3,400,400	2,419,267	196,227	2,615,494	784,906	20
Office equipments	2,381,844	1,428,135	3,809,979	1,058,126	261,529	1,319,655	2,490,324	10
Computer equipments	126,742	-	126,742	8,290	39,445	47,735	79,007	33
Office renovation	2,741,039	-	2,741,039	1,264,525	147,651	1,412,176	1,328,863	10
2019	**10,748,277**	**1,428,135**	**12,176,412**	**5,697,429**	**759,955**	**6,457,384**	**5,719,028**	
2018	10,621,535	126,742	10,748,277	5,004,827	692,602	5,697,429	5,050,848	

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4.4 **Rashidabad region**

Particulars	Cost			Accumulated depreciation			Carrying value as at June 30, 2019	Annual rate of depreciation
	As at July 01, 2018	Additions during the year	As at June 30, 2019	As at July 01, 2018	Charge for the year	As at June 30, 2019		
	Rupees							%
Furniture and fittings	16,074,119	-	16,074,119	4,141,322	1,193,280	5,334,602	10,739,517	10
Vehicles	693,204	9,618,000	10,311,204	466,055	1,969,030	2,435,085	7,876,119	20
Office equipments	8,607,056	1,336,835	9,943,891	2,876,337	695,144	3,571,481	6,372,410	10
Computer equipments	1,370,565	-	1,370,565	1,066,520	101,247	1,167,767	202,798	33
2019	**26,744,944**	**10,954,835**	**37,699,779**	**8,550,234**	**3,958,701**	**12,508,935**	**25,190,844**	
2018	24,087,604	2,657,340	26,744,944	6,481,664	2,068,570	8,550,234	18,194,710	

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

	Note	2019 Rupees	2018 Rupees
Operational expenses	15	**10,477,265**	7,975,139
Administrative and management expenses	16	**1,164,141**	886,127
		11,641,406	8,861,266

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5.	INTANGIBLE ASSET	Note	2019 Rupees	2018 Rupees
	Computer software			
	Cost			
	Balance as at July 01		**1,082,238**	1,082,238
	Additions during the year		**-**	-
	Balance as at June 30		**1,082,238**	1,082,238
	Less: Amortization for the year			
	Balance as at July 01		**444,843**	336,619
	Charge for the year	16	**108,224**	108,224
	Balance as at June 30		**553,067**	444,843
	Carrying value as at June 30		**529,171**	637,395
	Amortization rate per annum (%)		**10**	10

6.	LONG TERM LOANS - Considered good	Note	2019	2018
	Vehicle loans to employees			
	Car loan		**1,684,678**	1,938,968
	Bike loan		**46,662**	54,162
			1,731,340	1,993,130
	Less: current portion	8	**(673,282)**	(626,034)
			1,058,058	1,367,096

6.1 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.

7.	LONG TERM DEPOSITS	Note	2019 Rupees	2018 Rupees
	- Against			
	Rent		**533,000**	533,000
	Utilities		**205,773**	103,613
			738,773	636,613

8.	LOANS AND ADVANCES - Unsecured - Considered good	Note	2019	2018
	Cash loans to employees		**2,338,419**	1,047,519
	Current portion of long term loans	6	**673,282**	626,034
	Advance to suppliers		**1,602,089**	17,197,709
	Advance salary		**-**	11,832
			4,613,790	18,883,094

9. **PREPAYMENTS**

This represents prepaid insurance against assets of the Foundation insured against fire, theft, etc.

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	Note	2019 Rupees	2018 Rupees
10. INVESTMENTS			
- Amortized cost			
Monthly modaraba certificates			
Meezan Bank Limited	10.1	**68,000,000**	45,000,000
-At fair value through profit or loss			
Mutual funds			
Meezan Islamic Income Fund		**10,968,156**	10,615,970
Meezan Balanced Fund		**17,359,223**	19,909,516
NAFA Islamic Asset Allocation Fund		**11,868,301**	13,398,629
NAFA Islamic Income Fund		**17,032,915**	15,991,382
NAFA Islamic Stock Fund		**17,938**	22,448
NAFA Riba Free Savings Fund		**704**	656
UBL Al Ameen Islamic Cash Fund		**1,068,743**	-
Atlas Islamic Income Fund		**1,069,057**	-
	10.2	**59,385,037**	59,938,601
		127,385,037	104,938,601

10.1 These investments carry mark-up at the rate of 9.35% to 9.85% (2018: 4% to 4.5%) per annum.

10.2 Details of investment in mutual funds are as follows:

2019

Particulars	**Number of units**	**Carrying value at June 30, 2019**	**Fair value at June 30, 2019**	**Unrealized 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**
Total		**66,971,623**	**59,385,037**	**(7,586,586)**

2018

Particulars	Number of units	Carrying value at June 30, 2018	Fair value at June 30, 2018	Unrealized gain / (loss) as at June 30, 2018
		Rupees		
Meezan Islamic Income Fund	198,136	10,155,886	10,615,970	460,084
Meezan Balanced Fund	1,289,785	22,000,000	19,909,516	(2,090,484)
NAFA Islamic Asset Allocation Fund	863,714	15,060,432	13,398,629	(1,661,803)
NAFA Islamic Income Fund	1,600,419	15,052,453	15,991,382	938,929
NAFA Islamic Stock Fund	1,970	22,604	22,448	(156)
NAFA Riba Free Savings Fund	61	635	656	21
Total		62,292,010	59,938,601	(2,353,409)

		Note	2019 Rupees	2018 Rupees
11.	**CASH AND BANK BALANCES**			
	Cash in hand		**1,709,227**	912,646
	Cash at banks:			
	- Local currency			
	Current accounts	11.1	**31,517,669**	43,784,665
	Deposit accounts	11.2	**7,403,719**	16,007,749
			38,921,388	59,792,414
	- Foreign currency			
	Current accounts		**1,335,735**	575,131
			41,966,350	61,280,191

11.1 An amount of Rs. 1,373,512 (2018: Rs. 2,607,616) 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 2.4 % to 6.2% (2018: 4 % to 4.5%) per annum.

		Note	2019 Rupees	2018 Rupees
12.	**DEFERRED DONATION**			
	Balance as at July 01		**11,664,884**	68,349,163
	Received during the year		**-**	79,025,959
			11,664,884	147,375,122
	Transferred to the statement of income and expenditure	12.2	**(11,664,884)**	(135,710,238)
	Balance as at June 30	12.1 & 12.3	**-**	11,664,884

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.

		2019 Rupees	2018 Rupees
12.2	Breakup of the deferred donations realized during the year is as follows:		
	(a) Designated for specific projects		
	Net Hope Project	**1,478,301**	34,722,590
	USAID Sukkur Project	**12,945**	15,074
	Planning and Development (P&D) Project Phase 6	**481,194**	10,316,749
	KYI Grant	**8,340,071**	36,360,029
	CJMF Foundation grant	**1,352,373**	20,295,796
	Nawabshah project	**-**	2,000,000
		11,664,884	103,710,238
	(b) Non-designated	**-**	32,000,000
		11,664,884	135,710,238
12.3	Breakup of the deferred donations as at reporting date is as follows:		
	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
		-	11,664,884

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13. CONTINGENCY AND COMMITMENT

13.1 Contingency

There is no contingency as at June 30, 2019 and June 30, 2018.

13.2 Commitment

Two letter of guarantees amounting to Rs. 1,373,512 (2018: Rs. 2,607,616) were 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 Hyderabad and Rashidabad for which GoS provided funding of Rs. 26,996,250 each. 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 to Rs. 1,349,812 and Rs. 1,257,804 respectively. During the year, the project of Rashidabad is completed therefore bank guarantee is released.

14. INCOME FROM OPERATING ACTIVITIES

	Note	2019 Rupees	2018 Rupees
Donation	14.1	**201,851,693**	276,450,501
Donation in kind	14.2	**3,953,596**	2,965,218
Voluntary participation from parents	14.3	**9,738,021**	5,570,880
	14.4	**215,543,310**	284,986,599

14.1 Donation

	Note	2019 Rupees	2018 Rupees
(a) Designated for specific projects			
Nawabshah project		**12,000,000**	12,000,000
Rashidabad project		**-**	3,925,117
Sukkur project		**-**	7,203,242
KYI project		**14,500,000**	-
		26,500,000	23,128,359
(b) Non-designated	14.1.1	**163,686,809**	117,611,904
(c) Deferred donation realized during the year	12.2	**11,664,884**	135,710,238
		201,851,693	276,450,501

14.1.1 It includes sponsorships received from Department for International Development amounting to Rs. 8,442,481 (2018: Rs. 2,097,821). These funds are utilized according to the agreement.

14.2 It includes Rs. 2,019,442 (2018: Rs. 2,183,735) and Rs. 785,154 (2018: Rs. 656,483) in respect of items of necessities and insurance services respectively.

14.3 This represents voluntary payments from the parents of students against the educational services being rendered by the Foundation for their children.

14.4 Major sources of donations are as follows:

	2019 Rupees	2018 Rupees
Grants	**39,262,167**	134,646,262
Government	**10,000,000**	43,430,550
Donations from individuals - Foreign	**5,179,811**	3,849,393
Donations from corporate sector - Foreign	**20,115,678**	10,125,735
Donations from individuals - Local	**48,150,408**	23,697,850
Donations from corporate sector - Local	**59,031,480**	49,056,012
Donations from other Not-for-profit organizations	**33,803,766**	20,180,797
	215,543,310	284,986,599

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15. OPERATIONAL EXPENSES

	Note	2019 Rupees	2018 Rupees
Salaries and other benefits	15.1	**107,670,164**	93,205,834
Eduserve program		**10,698,015**	32,160,843
Depreciation	4.5	**10,477,265**	7,975,139
Events, function and fund raising program		**9,275,298**	7,488,306
Repair and maintenance		**8,677,518**	2,494,046
Vehicle running expense		**6,396,910**	4,768,499
Utilities		**6,319,809**	7,769,056
Student benefits		**5,821,712**	4,130,986
Rent, rates and taxes		**4,841,361**	7,899,291
Training costs		**3,062,310**	2,427,422
Transportation		**2,965,013**	2,021,428
Technology based deaf education project		**2,960,401**	38,278,434
Community service		**2,818,023**	231,851
Printing and stationery		**2,538,322**	1,668,548
Postage and communication		**1,348,867**	1,180,186
Insurance		**1,169,986**	1,052,737
Hospitality		**758,746**	474,862
Consultancy and professional charges		**385,123**	166,000
Pakistan Sign Language Program		**-**	350,100
		188,184,843	215,743,568

15.1 Salaries and other benefits include Rs. 2,709,623 (2018: Rs. 1,733,400) in respect of employees' provident fund.

16. ADMINISTRATIVE AND MANAGEMENT EXPENSES

	Note	2019 Rupees	2018 Rupees
Salaries and other benefits	16.1	**4,883,882**	5,271,136
Depreciation	4.5	**1,164,141**	886,127
Utilities		**1,394,621**	261,388
Events, function and fund raising program		**970,821**	17,814
Repair and maintenance		**468,770**	253,055
Rent, rates and taxes		**499,371**	170,637
Transportation		**317,779**	116,548
Printing and stationery		**279,899**	101,531
Vehicle running expense		**217,891**	30,038
Amortization	5	**108,224**	108,224
Hospitality		**84,305**	209,853
Insurance		**129,998**	35,803
Auditors' remuneration	16.2	**125,000**	125,000
Training costs		**63,722**	72,497
Postage and communication		**61,211**	646,722
Consultancy and professional charges		**42,791**	203,000
		10,812,426	8,509,373

16.1 Salaries and other benefits include Rs. 301,069 (2018: Rs. 192,600) in respect of employees' provident fund.

16.2 This represents only annual audit fee.

17. OTHER INCOME

	2019 Rupees	2018 Rupees
Profit on deposit accounts	**4,377,501**	1,670,026
Exchange gain	**259,159**	93,638
Gain on disposal of equipment	**1,576,068**	97,133
Gain on disposal of investment	**-**	8,861
Dividend income	**3,421,096**	166,468
	9,633,824	2,036,126

		2019 Rupees	2018 Rupees
18.	**OTHER EXPENSES**		
	Other expenses	6,302,737	4,285,813
	Bad debts written off	1,834	1,103,044
	Unrealized loss on investments	5,159,318	2,100,200
		11,463,889	7,489,057

19. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Executives	
	2019	2018	2019	2018
	---------- Rupees ----------			
Managerial remuneration	3,610,500	3,383,000	31,004,717	26,812,735
Number of person	1	1	10	10

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.

		2019 Number	2018 Number
21.	**NUMBER OF EMPLOYEES**		
	- At June 30	313	260
	- Average during the year	308	248

		2019 Rupees	2018 Rupees
22.	**FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**		
22.1	**Financial Instruments by category**		
	Financial assets		
	At amortized cost		
	Investment in monthly modaraba certificates	68,000,000	45,000,000
	At fair value through profit or loss		
	Long term loans (including current portion)	1,731,340	1,993,130
	Long term deposits	738,773	636,613
	Loans and advances	2,338,419	1,059,351
	Investment in mutual funds	59,385,037	59,938,601
	Accrued interest	532,618	197,609
	Other receivables	203,770	450,843
	Cash and bank balances	41,966,350	61,280,191
		106,896,307	125,556,338
	Financial liabilities		
	At amortized cost		
	Accrued liabilities	422,816	161,839

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 summarized 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:

	2019 Rupees	2018 Rupees
Long term loans (including current portion)	**1,731,340**	1,993,130
Long term deposits	**738,773**	636,613
Loans and advances	**2,338,419**	1,059,351
Investments	**127,385,037**	104,938,601
Accrued interest	**532,618**	197,609
Other receivables	**203,770**	450,843
Bank balances	**40,257,123**	60,367,545
	173,187,080	169,643,692

Long term loans

The Foundation does not expect material loss as such loan is collateralized 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 collateralized against the final settlement of employees.

Investments

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

Accrued interest

The Foundation has accrued interest on Modaraba certificate in 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 collateralized against the final settlement of employees.

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Bank balances

For bank balances, financial institutions with strong credit ratings are accepted. Credit risk on bank balances is limited as these are placed with banks having good credit ratings. The credit quality of cash at banks as per credit rating agencies are as follows:

Name of banks	**Rating**	
	Short-term	**Long-term**
Habib Bank Limited	A1+	AAA
Meezan Bank Limited	A1+	AA+
Allied Bank Limited	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	A1+	AAA
MCB Bank Limited	A1+	AAA
United Bank Limited	A1+	AAA
Sindh Bank Limited	A1	A+
Silk Bank Limited	A2	A-

22.2.2 Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. The Foundation finances its operations through donations and profits from investments with a view to maintaining an appropriate mix between various sources of finances to minimize risk.

The following are the contractual maturities of financial liabilities:-

	2019		
	Contractual cash flows	**Upto one year**	**More than one year**
	-----------**Rupees**-----------		
Non-derivative financial liabilities			
Accrued liabilities	**422,816**	**422,816**	**-**

	2018		
	Contractual cash flows	Upto one year	more than one year
	-----------Rupees-----------		
Non-derivative financial liabilities			
Accrued liabilities	161,839	161,839	-

22.2.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Foundation's income or the value of its holdings of financial instruments.

22.2.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency.

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

	2019 Rupees	2018 Rupees
Foreign currency bank accounts	**1,335,735**	575,131

The following exchange rates have been applied:

Euro to PKR	**182.32**	142.23
USD to PKR	**160.05**	122.09

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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. 133,574 (June 30, 2018: Rs. 57,513) 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 2018.

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:

	2019 Rupees	2018 Rupees
Financial assets		
Variable rate instruments		
Monthly modaraba certificates	**68,000,000**	45,000,000
Deposit accounts	**7,403,719**	16,007,749
	75,403,719	61,007,749

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 statement 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 2018.

	Effect on surplus of income over expenditure due to 100 basis points	
	(Increase)	**Decrease**
	---Rupees---	
As at June 30, 2019		
Cash flow sensitivity	**(43,775)**	**43,775**
As at June 30, 2018		
Cash flow sensitivity	(16,700)	16,700

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 for which an investment committee has been setup to take appropriate decision.

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 profit or loss as follows:

	Surplus change due to 10%	
	Increase	**(Decrease)**
	---Rupees---	
As at June 30, 2019		
Investment at fair value through profit or loss	**5,938,504**	**(5,938,504)**
As at June 30, 2018		
Investment at fair value through profit or loss	5,993,860	(5,993,860)

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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:

	2019			
	Level 1	Level 2	Level 3	Total
	Rupees			
Investment in mutual funds	127,385,037	-	-	127,385,037
	127,385,037	-	-	127,385,037

	2018			
	Level 1	Level 2	Level 3	Total
	Rupees			
Investment in mutual funds	104,938,601	-	-	104,938,601
	104,938,601	-	-	104,938,601

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 AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of the Foundation on 08 OCT 2019.

Director **Director** **Chief Executive Officer**