

FAMILY EDUCATIONAL SERVICES FOUNDATION

Financial Statements
for the year ended
June 30, 2021

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, 2021, 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, 2021 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 not been provided with the other information and therefore, we do not report on it.

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.


Chartered Accountants

Place: Karachi

Date: October 18, 2021

FAMILY EDUCATIONAL SERVICES FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
Assets			
Non-Current Assets			
Operating fixed assets	6	71,358,216	68,941,794
Intangible asset	7	380,521	497,221
Long term loans	8	3,293,902	711,906
Long term deposits	9	524,763	750,773
		<u>75,557,402</u>	<u>70,901,694</u>
Current Assets			
Loans and advances	10	3,829,445	2,849,307
Prepayments	11	3,801,448	2,582,772
Accrued interest		563,298	108,005
Other receivables		1,509,126	560,798
Investments	12	264,678,196	130,516,020
Cash and bank balances	13	131,376,958	127,177,810
		<u>405,758,471</u>	<u>263,794,712</u>
Total Assets		<u><u>481,315,873</u></u>	<u><u>334,696,406</u></u>
Funds And Liabilities			
Funds			
Unrestricted			
General fund to meet operational deficit		355,301,121	316,128,360
Restricted			
Strategic fund	14	100,000,000	-
Zakat fund	14	24,382,502	-
		<u>479,683,623</u>	<u>316,128,360</u>
Current Liabilities			
Deferred donation	5	-	13,517,868
Accrued liabilities		1,632,250	4,643,839
Payable to provident fund		-	406,339
		<u>1,632,250</u>	<u>18,568,046</u>
Total Fund and Liabilities		<u><u>481,315,873</u></u>	<u><u>334,696,406</u></u>
Contingency and commitments	15		

The annexed notes from 1 to 28 form an integral part of these financial statements.

Director

Director

Chief Executive Officer

**FAMILY EDUCATIONAL SERVICES FOUNDATION
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
Income			
Income from operating activities	16	240,862,804	283,729,957
Expenditure			
Operational expenses	17	209,836,942	213,880,288
Administrative and management expenses	18	11,808,076	12,534,038
		(221,645,018)	(226,414,326)
Other income	19	13,028,499	13,032,957
Other expenses	20	(6,460,053)	(5,883,064)
Finance cost		(131,339)	(156,923)
Surplus of income over expenditure - before taxation		25,654,893	64,308,601
Taxation		-	-
Surplus of income over expenditure - after taxation		25,654,893	64,308,601
Other comprehensive income for the year		-	-
Total comprehensive income for the year		25,654,893	64,308,601

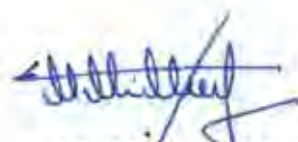
The annexed notes from 1 to 28 form an integral part of these financial statements.



Director



Director





Chief Executive Officer

FAMILY EDUCATIONAL SERVICES FOUNDATION
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General fund to meet operational deficit	Restricted Funds		Total
		Strategic Fund	Zakat Fund	
		----- Rupees -----		
Balance as at June 30, 2019	251,819,759	-	-	251,819,759
Surplus for the year	64,308,601	-	-	64,308,601
Other comprehensive income for the year	-	-	-	-
Balance as at June 30, 2020	316,128,360	-	-	316,128,360
Balance as at July 01, 2020 (as previously reported)	316,128,360	-	-	316,128,360
"Effect of change in accounting policy (Note 5)"	13,517,868	-	-	13,517,868
Balance as at July 01, 2020 (restated)	329,646,228	-	-	329,646,228
Surplus for the year	25,654,893	-	-	25,654,893
Surplus from donations	-	100,000,000	24,382,502	124,382,502
Other comprehensive income for the year	-	-	-	-
Balance as at June 30, 2021	355,301,121	100,000,000	24,382,502	479,683,623

The annexed notes from 1 to 28 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, 2021**

	2021 Rupees	2020 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus of income over expenditure - before taxation	25,654,893	64,308,601
Adjustments for:		
Depreciation	11,258,459	11,019,573
Amortisation	116,700	116,700
Loss on disposal of operating fixed assets	18,885	78,535
Gain on disposal of investments	(1,903,131)	(5,114,846)
Bad debts written off	2,000	20,000
Finance cost - bank charges	131,339	156,923
Exchange gain / (loss)	39,402	(4,745)
Dividend income	(8,860,061)	(3,230,891)
Unrealised gain on remeasurement of investments	(210,699)	(1,414,961)
	592,894	1,626,288
Decrease / (increase) in current assets		
Loans and advances	(980,138)	1,744,483
Prepayments	(1,218,676)	(984,687)
Accrued interest	(455,293)	424,613
Other receivables	(948,328)	(357,028)
	(3,602,435)	827,381
Increase / (decrease) in current liabilities		
Deferred donation	-	13,517,868
Accrued liabilities	(3,011,589)	4,221,023
Payable to provident fund	(406,339)	42,674
	19,227,424	84,543,835
Finance cost - bank charges paid	(131,339)	(156,923)
Net cash generated from operating activities	19,096,085	84,386,912
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (made) / encashed - net	(123,188,285)	6,629,715
Additions to operating fixed assets	(13,756,217)	(6,079,314)
Addition to intangible asset	-	(84,750)
Sale proceeds from disposal of operating fixed assets	62,451	20,000
Long term security deposits released / (given)	226,010	(12,000)
Long term loans (given) / repaid	(2,583,996)	346,152
Net cash (used in) / generated from investing activities	(139,240,037)	819,803
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Strategic Funds received	100,000,000	-
Zakat Funds received	24,382,502	-
Net cash generated from Financing activities	124,382,502	-
Net increase in cash and cash equivalents (A+B+C)	4,238,550	85,206,715
Cash and cash equivalents at beginning of the year	127,177,810	41,968,350
Effects of exchange rate changes on bank balances held in foreign currency	(39,402)	4,745
Cash and cash equivalents at end of the year	131,376,958	127,177,810

The annexed notes from 1 to 28 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, 2021**

1. LEGAL STATUS AND OPERATIONS

1.1 Family Educational Services Foundation ('the Foundation') was established in 2002 as a limited company [registered under Section 42 of the Companies Act, 2017 (previously the Companies Ordinance, 1984)]. 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. The registered office of the Foundation is located at Deaf Reach School and Training Centre, Gulistan-e-Jauhar, Block-12, behind CNG Station, near telephone exchange, Karachi, Sindh, Pakistan. Currently, the Foundation is managing 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	Deaf Reach School and Training Centre, Gulistan-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 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 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 through out 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) were loaded on low-cost computer units and distributed to 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 their lower income staff and their families. Furthermore, during the current year, the Foundation has received Zakat amounting to Rs. 24.38 million in the Holy month of Ramadan which is 41% less than last year as a result of approaching new donors remotely. Donations from the Government of Sindh have also been received amounting to Rs. 100 million during the year. As a result, no significant cost-cutting measures were taken by the Foundation.

Based on management's assessment, the impact of this pandemic on the Foundation was diluted 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 3.7); and
- Impairment of financial and non - financial assets (note 3.10.2 and 3.3).

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, 2021

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards / Amendments / Interpretation

Effective from accounting period beginning on or after:

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions

June 01, 2020

Standards / Amendments / Interpretation	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
(Certain annual improvements have also been made to a number of IFRSs)	

2.5.2 New accounting standards, amendments and IFRS interpretations 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 Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
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
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction	January 01, 2023
(Certain annual improvements have also been made to a number of IFRSs)	

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

- 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, 2020.

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 6 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 7 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 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.

3.4 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.

3.5 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.

3.6 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.



3.7 Retirement benefit obligation - defined contribution plan

The Foundation also operates a voluntary provident fund scheme for 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.

3.8 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.

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.

3.9 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.

3.10 Financial instruments

3.10.1 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.

3.10.2 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.

3.10.3 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.

3.11 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.

3.12 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. Restricted Fund

4.1 Strategic Fund

It represents fund received from Sindh government to create sustainability of the Deaf Reach Schools system in the province of Sindh. The Board has decided to invest these funds (restricted fund) and only utilize profits to cover the operational expenses of the schools.

4.2 Zakat Fund

Zakat fund mainly include amount received in the Holy month of Ramadan. Such funds are used for operational purposes of the Foundation as per approved shahriah principles.

5. Change in Accounting Policy

During the current year, the Foundation has changed its policy of income recognition from deferral method to fund method.

In prior years, the Foundation was using deferral method as it was receiving unrestricted contributions from donors. During the current year, donors of the Fund are restricting the use of the funds donated and therefore management believes that fund accounting method will present a more true and fair view as compared to deferral method.

As it is impracticable to determine either the period-specific effects or the cumulative effect of the change for one or more prior periods presented, the management of Foundation have decided to apply the revised accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable and this change has been accounted for in financial statements in accordance with 'IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors' is as follows.

	2021 Rupees	2020 Rupees
DEFERRED DONATION		
Balance as at July 01 (as previously reported)	13,517,868	-
Effect of change in accounting policy	(13,517,868)	-
Balance as at July 01 (restated)	-	-
Received during the year	-	13,517,868
Balance as at June 30	-	13,517,868

6. OPERATING FIXED ASSETS

Particulars	-----Region-----				2021	2020
	Karachi, Hyderabad and Lahore	Sukkur	Nawabshah	Rashidabad	Total	Total
Note	6.1	6.2	6.3	6.4		
-----Rupees-----						
Furniture and fittings	11,133,380	419,391	839,101	8,733,383	21,125,255	18,607,799
Vehicles	7,454,841	470,992	502,340	5,040,716	13,468,889	16,836,111
Office equipment	16,482,081	3,594,345	2,224,838	5,680,336	27,981,600	25,599,080
Computer equipment	5,386,719	130,285	797,358	90,182	6,404,544	5,256,662
Office renovation	2,330,500	-	47,428	-	2,377,928	2,642,142
	2021	42,787,521	4,615,013	4,411,065	19,544,617	71,358,216
	2020	36,362,329	5,143,378	5,261,827	22,174,260	68,941,794

6.1 Karachi, Hyderabad and Lahore region

Particulars	Cost			Accumulated depreciation			Carrying value as at June 30, 2021	Annual rate of depreciation
	As at July 01, 2020	Additions / (disposals) during the year	As at June 30, 2021	As at July 01, 2020	Charge for the year / (disposals)	As at June 30, 2021		
-----Rupees-----								%
Furniture and fittings	14,448,366	4,645,490	19,093,856	6,904,457	1,056,019	7,960,476	11,133,380	10
Vehicles	24,720,500	-	24,720,500	15,401,949	1,863,710	17,265,659	7,454,841	20
Office equipment	26,698,538	4,939,335	31,588,306	13,518,114	1,603,043	15,106,225	16,482,081	10
Computer equipment	13,940,117	3,748,089	17,688,206	10,210,116	2,091,371	12,301,487	5,386,719	33
Office renovation	4,472,573	-	4,472,573	1,883,129	258,944	2,142,073	2,330,500	10
	2021	84,280,094	13,332,914	97,563,441	47,917,765	6,873,087	54,775,920	42,787,521
			(49,567)		(14,932)			
	2020	79,293,356	5,086,738	84,280,094	41,741,158	6,226,812	47,917,765	36,362,329
			(100,000)		(50,205)			

6.2 Sukkur region

Particulars	Cost			Accumulated depreciation			Carrying value as at June 30, 2021	Annual rate of depreciation
	As at July 01, 2020	Additions during the year	As at June 30, 2021	As at July 01, 2020	Charge for the year	As at June 30, 2021		
	----- Rupees -----							%
Furniture and fittings	1,436,020	-	1,436,020	970,030	46,599	1,016,629	419,391	10
Vehicles	5,483,353	-	5,483,353	4,894,613	117,748	5,012,361	470,992	20
Office equipment	6,449,729	94,550	6,544,279	2,556,499	393,435	2,949,934	3,594,345	10
Computer equipment	460,498	-	460,498	265,080	65,133	330,213	130,285	33
2021	13,829,600	94,550	13,924,150	8,686,222	622,915	9,309,137	4,615,013	
2020	13,484,087	345,513	13,829,600	7,965,569	720,653	8,686,222	5,143,378	

6.3 Nawabshah region

Particulars	Cost			Accumulated depreciation			Carrying value as at June 30, 2021	Annual rate of depreciation
	As at July 01, 2020	Additions / (disposals) during the year	As at June 30, 2021	As at July 01, 2020	Charge for the year	As at June 30, 2021		
	----- Rupees -----							%
Furniture and fittings	2,098,252	-	2,098,252	1,165,917	93,234	1,259,151	839,101	10
Vehicles	3,400,400	-	3,400,400	2,772,475	125,585	2,898,060	502,340	20
Office equipment	3,978,232	24,630 (12,300)	3,990,562	1,525,340	245,403 (5,019)	1,765,724	2,224,838	10
Computer equipment	2,741,039	-	2,741,039	1,545,062	398,619	1,943,681	797,358	33
Office renovation	126,742	-	126,742	74,044	5,270	79,314	47,428	10
2021	12,344,665	24,630 (12,300)	12,356,995	7,082,838	868,111 (5,019)	7,945,930	4,411,065	
2020	12,176,412	278,253 (110,000)	12,344,665	6,457,384	686,714 (61,260)	7,082,838	5,261,827	

6.4 Rashidabad region

Particulars	Cost			Accumulated depreciation			Carrying value as at June 30, 2021	Annual rate of depreciation
	As at July 01, 2020	Additions during the year	As at June 30, 2021	As at July 01, 2020	Charge for the year	As at June 30, 2021		
	----- Rupees -----							%
Furniture and fittings	16,074,119	37,500	16,111,619	6,408,554	969,682	7,378,236	8,733,383	10
Vehicles	10,311,204	-	10,311,204	4,010,309	1,260,179	5,270,488	5,040,716	20
Office equipment	10,312,701	266,623 (59,000)	10,520,324	4,240,167	619,401 (19,580)	4,839,988	5,680,336	10
Computer equipment	1,370,565	-	1,370,565	1,235,299	45,084	1,280,383	90,182	33
2021	38,068,589	304,123 (59,000)	38,313,712	15,894,329	2,894,346 (19,580)	18,769,095	19,544,617	
2020	37,699,779	368,810	38,068,589	12,508,935	3,385,394	15,894,329	22,174,260	

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

	Note	2021 Rupees	2020 Rupees
Operational expenses	17	10,132,613	9,917,616
Administrative and management expenses	18	1,125,846	1,101,957
		<u>11,258,459</u>	<u>11,019,573</u>

7. INTANGIBLE ASSET

Computer software Cost

Balance as at July 01		1,166,988	1,082,238
Addition during the year		-	84,750
Balance as at June 30		<u>1,166,988</u>	<u>1,166,988</u>
Less: Amortisation for the year			
Balance as at July 01		669,767	553,067
Charge for the year	18	116,700	116,700
Balance as at June 30		<u>786,467</u>	<u>669,767</u>
Carrying value as at June 30		<u>380,521</u>	<u>497,221</u>
Amortisation rate per annum (%)		<u>10</u>	<u>10</u>

8.	LONG TERM LOANS	Note	2021 Rupees	2020 Rupees
	- Considered good			
	Vehicle loans to employees			
	Car loan		4,217,852	977,058
	Bike loan		205,118	140,520
			4,422,970	1,117,578
	Less: current portion	10	(1,129,068)	(405,672)
			<u>3,293,902</u>	<u>711,906</u>
8.1	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.			
9.	LONG TERM DEPOSITS	Note	2021 Rupees	2020 Rupees
	- Against			
	Rent		200,000	395,000
	Utilities		324,763	355,773
			<u>524,763</u>	<u>750,773</u>
10.	LOANS AND ADVANCES			
	- Unsecured - Considered good			
	Cash loans to employees		1,473,414	1,113,635
	Current portion of long term loans	8	1,129,068	405,672
	Advance to suppliers		1,226,963	1,330,000
			<u>3,829,445</u>	<u>2,849,307</u>
11.	PREPAYMENTS			
	Prepaid insurance	11.1	3,614,255	2,565,822
	Prepaid rent		150,000	-
	Prepaid expenses		37,193	16,950
			<u>3,801,448</u>	<u>2,582,772</u>
11.1	It includes represents prepaid insurance against assets of the Foundation insured against fire, theft, etc.			
12.	INVESTMENTS	Note	2021 Rupees	2020 Rupees
	- Amortised cost			
	Modaraba certificates			
	Meezan Bank Limited	12.1	75,600,000	600,000
	- At fair value through income and expenditure			
	Mutual funds			
	NAFA Islamic Money Market Fund		-	41,824,589
	NAFA Islamic Mahana Amdani Fund		99,394,006	-
	UBL Al Ameen Islamic Sovereign Fund		34,838,296	19,012,827
	Atlas Islamic Income Fund		34,775,925	32,985,451
	Meezan Rozana Amdani Fund		20,019,089	36,093,153
	Meezan Islamic Income Fund - Growth B		50,880	-
		12.2	189,078,196	129,916,020
			<u>264,678,196</u>	<u>130,516,020</u>

12.1 These investments carry mark-up at the rate of 4% to 7.81% (2020: 6.30% to 12.32%) per annum.

12.2 Details of investment in mutual funds are as follows:

2021

Particulars	Number of units	Carrying value at June 30, 2021	Fair value at June 30, 2021	Unrealised gain / (loss) as at June 30, 2021
		----- Rupees -----		
NAFA Islamic Mahana Amdani Fund	9,890,640	99,304,945	99,394,006	89,061
UBL Al Ameen Islamic Sovereign Fund	343,923	34,785,745	34,838,296	52,551
Atlas Islamic Income Fund	68,743	34,709,724	34,775,925	66,200
Meezan Rozana Amdani Fund	400,382	20,015,330	20,019,089	3,759
Meezan Islamic Income Fund - Growth B	989	51,752	50,880	(872)
Total		188,867,496	189,078,196	210,699

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	44,800,726	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	-
Total		136,087,645	129,916,020	(6,171,625)

13. CASH AND BANK BALANCES	Note	2021	2020
		Rupees	Rupees
Cash in hand		390,262	635,413
Cash at banks:			
- Local currency			
Current accounts	13.1	108,417,011	88,056,779
Deposit accounts	13.2	21,962,663	37,839,195
		130,379,674	125,895,974
- Foreign currency			
Current accounts		607,022	646,423
		131,376,958	127,177,810

13.1 An amount of Rs.1,349,812 (2020: 1,349,812) had been marked as lien against guarantee provided by Meezan Bank Limited in favour of GoS but this has been released by the bank on completion of project during the financial year.

13.2 These carry markup at the rate of 3.5% to 7% (2020: 3.25% to 7.06%) per annum.

14 RESTRICTED FUNDS

14.1 Strategic Funds

This represents funds amounting to Rs. 100,000,000 received from Sindh government to the Deaf Reach Schools in Sindh to create sustainability. The Board of Trustees have agreed to invest the funds and only utilize profits to cover the operational expenses of the schools.

14.2 Zakat Funds

This represents zakat received during the period amounting to Rs. 24,382,502 and which remained un-utilized.

15. CONTINGENCY AND COMMITMENTS

15.1 Contingency

There is no contingency as at June 30, 2021 and June 30, 2020.

15.2 Commitments

There is no commitment as at June 30, 2021

	Note	2021 Rupees	2020 Rupees
16. INCOME FROM OPERATING ACTIVITIES			
Donation	16.1	190,451,436	275,958,075
Donation in kind	16.2	11,552,841	2,589,998
Voluntary participation from community	16.3	2,434,897	5,181,884
Distance Learning Program	16.4	36,423,629	-
	16.5	<u>240,862,804</u>	<u>283,729,957</u>
16.1 Donation			
<i>(a) Designated for specific projects</i>			
Nawabshah project		12,000,000	16,000,000
KYI project		17,668,669	18,557,187
DKI project		4,459,387	1,773,089
CISCO Project		4,817,045	-
		<u>38,945,101</u>	<u>36,330,276</u>
<i>(b) Non-designated</i>	16.1.1	<u>151,506,335</u>	<u>239,627,799</u>
		<u>190,451,436</u>	<u>275,958,075</u>
16.1.1	It includes sponsorships received from Department for International Development amounting to Rs.10,223,175 (2020: 8,338,511). These funds are utilised according to the agreement.		
16.2	It includes Rs. 1,704,930 (2020: Rs.1,868,232) and Rs. 599,015 (2020: Rs. 596,766) in respect of items of necessities and insurance services respectively. Further, it includes donated assets received during the period amounting to Rs. 9,248,896 (2020: Nil)		
16.3	This represents voluntary payments from the community of students against the educational services being rendered by the Foundation.		
16.4	This represents amounts received from donors for online Distance learning program due to Covid-19 situation. Due to uncertainty regarding the re-opening of schools, the Deaf Reach Management worked towards developing the Distance Learning Program- an initiative towards Technology based Deaf Education for all Deaf Reach students to ensure inclusivity for the Deaf Community.		
16.5	Major sources of donations are as follows:	2021 Rupees	2020 Rupees
Grants		49,618,000	36,656,251
Government		5,900,000	60,000,000
Donations from individuals - Foreign		11,305,100	8,041,770
Donations from corporate sector - Foreign		17,470,874	23,347,336
Donations from individuals - Local		22,953,859	49,051,694
Donations from corporate sector - Local		95,027,214	83,683,733
Donations from other Not-for-profit organisations		38,587,757	22,949,173
		<u>240,862,804</u>	<u>283,729,957</u>

17.	OPERATIONAL EXPENSES		2021 Rupees	2020 Rupees
	Salaries and other benefits	17.1	118,485,911	129,583,112
	Eduserve program		7,853,567	15,450,069
	Depreciation	6.5	10,132,613	9,917,616
	Events, function and fund raising program		5,397,390	14,364,833
	Repair and maintenance		7,204,399	4,553,129
	Vehicle running expense		6,021,780	7,545,850
	Utilities		6,785,517	7,117,361
	Student benefits		6,769,152	6,221,004
	Rent, rates and taxes		3,025,262	5,344,651
	Training costs		2,288,958	2,891,237
	Transportation		1,072,780	1,427,227
	Technology based deaf education project		-	294,190
	Community service		1,638,010	1,693,176
	Printing and stationery		1,312,132	2,813,115
	Postage and communication		2,850,933	1,627,397
	Insurance		1,087,341	882,747
	Hospitality		387,841	693,877
	Consultancy and professional charges		383,350	451,639
	Pakistan Sign Language Program		1,038,444	1,008,058
	Distance Learning Program		26,101,562	-
			<u>209,836,942</u>	<u>213,880,288</u>

17.1 Salaries and other benefits include Rs. 4,363,528 (2020: Rs. 3,494,071) in respect of employees' provident fund.

18.	ADMINISTRATIVE AND MANAGEMENT EXPENSES	Note	2021 Rupees	2020 Rupees
	Salaries and other benefits	18.1	6,722,501	6,118,445
	Depreciation	6.5	1,125,846	1,101,957
	Utilities		1,582,421	1,677,614
	Events, function and fund raising program		303,683	1,350,743
	Repair and maintenance		601,922	441,612
	Rent, rates and taxes		388,089	595,349
	Transportation		116,865	151,264
	Printing and stationery		145,792	292,505
	Vehicle running expense		217,402	234,721
	Amortisation	7	116,700	116,700
	Hospitality		43,094	77,098
	Insurance		67,949	62,375
	Auditors' remuneration	18.2	125,000	125,000
	Training costs		101,378	66,604
	Postage and communication		114,881	89,442
	Consultancy and professional charges		34,553	32,609
			<u>11,808,076</u>	<u>12,534,038</u>

18.1 Salaries and other benefits include Rs. 484,836 (2020: Rs. 388,230) in respect of employees' provident fund.

18.2 This represents only annual audit fee.

19.	OTHER INCOME		2021 Rupees	2020 Rupees
	Profit on deposit accounts		2,033,077	3,267,514
	Exchange gain		-	4,745
	Gain on disposal of operating fixed assets		21,531	-
	Gain on disposal of investments		1,903,131	5,114,846
	Dividend income		8,860,061	3,230,891
	Unrealised gain on investments		210,699	1,414,961
			<u>13,028,499</u>	<u>13,032,957</u>

20. OTHER EXPENSES	2021 Rupees	2020 Rupees
Loss on disposal of operating fixed assets	40,416	78,535
Donation processing charges	597,769	1,397,035
Groceries and cleaning items	2,166,679	2,196,176
Exchange loss - net	39,402	-
Bad debts written off	2,000	20,000
Others	3,613,787	2,191,318
	<u>6,460,053</u>	<u>5,883,064</u>

21. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Executives	
	2021	2020	2021	2020
	----- Rupees -----			
Managerial remuneration	<u>3,949,836</u>	<u>4,201,988</u>	<u>38,528,703</u>	<u>36,635,772</u>
Number of person	<u>1</u>	<u>1</u>	<u>12</u>	<u>12</u>

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

22. 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 21 to these financial statements.

23. NUMBER OF EMPLOYEES	2021 Number	2020 Number
- At June 30	280	269
- Average during the year	275	291

24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

24.1 Financial instruments by category

Financial assets	2021 Rupees	2020 Rupees
<i>At amortised cost</i>		
Investment in monthly modaraba certificates	75,600,000	600,000
Long term loans (including current portion)	4,422,970	1,117,578
Long term deposits	524,763	750,773
Loans to employees	1,473,414	1,113,635
Accrued interest	563,298	108,005
Other receivables	1,509,126	560,798
Cash and bank balances	131,376,958	127,177,810
	<u>215,470,529</u>	<u>131,428,599</u>
<i>At fair value through income and expenditure</i>		
Investment in mutual funds	<u>189,078,196</u>	<u>129,916,020</u>
Financial liabilities		
<i>At amortised cost</i>		
Accrued liabilities	1,632,250	4,643,839
Payable to provident fund	-	406,339
	<u>1,632,250</u>	<u>5,050,178</u>

24.2 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:

24.2.1 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:

	2021 Rupees	2020 Rupees
Long term loans (including current portion)	4,422,970	1,117,578
Long term deposits	524,763	750,773
Loans to employees	1,473,414	1,113,635
Investments	284,678,196	130,516,020
Accrued interest	563,298	108,005
Other receivables	1,509,126	560,798
Bank balances	130,986,695	126,542,397
	<u>404,158,462</u>	<u>260,709,206</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.

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-

24.2.2 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 minimise risk.

The following are the contractual maturities of financial liabilities:

	2021		
	Contractual cash flows	Upto one year	More than one year
	-----Rupees-----		
Non-derivative financial liabilities			
Accrued liabilities	1,632,250	1,632,250	-
Payable to provident fund	-	-	-
	1,632,250	1,632,250	
	-----Rupees-----		
Non-derivative financial liabilities			
Accrued liabilities	4,643,839	4,643,839	-
Payable to provident fund	406,339	406,339	-
	5,050,178	5,050,178	-

24.2.3 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.

24.2.3.1 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.

	2021 Rupees	2020 Rupees
Foreign currency bank accounts	<u>607,022</u>	<u>646,423</u>
The following exchange rates have been applied:		
Euro to PKR	<u>188.71</u>	<u>188.61</u>
USD to PKR	<u>158.30</u>	<u>168.05</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.60,702 (2020: Rs. 64,642) 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 2020.

24.2.3.2 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:

	2021 Rupees	2020 Rupees
Financial assets		
Variable rate instruments		
Modaraba certificates	75,600,000	600,000
Deposit accounts	21,962,663	37,839,195
	<u>97,562,663</u>	<u>38,439,195</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 2020.

	<u>Effect on surplus of income over expenditure due to 100 basis points</u>	
	<u>(Increase)</u>	<u>Decrease</u>
	<u>-----Rupees-----</u>	
As at June 30, 2021		
Cash flow sensitivity	<u>(20,331)</u>	<u>20,331</u>
As at June 30, 2020		
Cash flow sensitivity	<u>(32,675)</u>	<u>32,675</u>

24.2.3.3 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:

	<u>Surplus change due to 10%</u>	
	<u>Increase</u>	<u>(Decrease)</u>
	-----Rupees-----	
As at June 30, 2021		
Investment at fair value through income and expenditure	<u>18,907,820</u>	<u>(18,907,820)</u>
As at June 30, 2020		
Investment at fair value through income and expenditure	<u>12,991,602</u>	<u>(12,991,602)</u>

25. CAPITAL RISK MANAGEMENT

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

26. 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:

	2021			
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Investment in mutual funds	189,078,196	-		189,078,196
	<u>189,078,196</u>	<u>-</u>		<u>189,078,196</u>
	2020			
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Investment in mutual funds	129,916,020	-	-	129,916,020
	<u>129,916,020</u>	<u>-</u>	<u>-</u>	<u>129,916,020</u>

There were no transfers between the levels during the year.

27. RECLASSIFICATION

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

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Foundation on 07 OCT 2021.



Director



Director



Chief Executive Officer