



Building a better  
working world

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### Independent Auditors' Report to the Board of Governors

We have audited the annexed balance sheet of **Habib University (the University)** as at **30 June 2015** and the related income and expenditure account, cash flow statement and statement of changes in fund together with the notes forming part thereof (hereinafter referred to as the "financial statements") for the year then ended.

It is the responsibility of the Board to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University as at **30 June 2015** and of the surplus, its cash flows and changes in fund for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

*Ernst & Young Ford Rhodes Sidat Hyder*  
Chartered Accountants  
Audit Engagement Partner: Riaz A. Rehman Chamdia  
Date: 09 October 2015  
Place: Karachi

HABIB UNIVERSITY  
BALANCE SHEET  
AS AT JUNE 30, 2015

2015 2014  
------(Rupees in '000)-----

**ASSETS**

**NON-CURRENT ASSETS**

	2015	2014
Operating fixed assets	11,218	-
Intangible assets	15,978	19,973
	<u>27,196</u>	<u>19,973</u>

**CURRENT ASSETS**

Advances, prepayments and other receivables	10,690	-
Student fee receivable	27,288	-
Cash and bank balances	5,260	3,876
	<u>43,238</u>	<u>3,876</u>
<b>TOTAL ASSETS</b>	<u>70,434</u>	<u>23,849</u>

**FUND AND LIABILITIES**

**FUND**

General fund	28,304	21,524
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**NON CURRENT LIABILITIES**

Security deposit from students	2,650	-
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**CURRENT LIABILITIES**

Trade and other payables	36,910	225
Advance admission fee	2,570	2,100
	<u>39,480</u>	<u>2,325</u>

**TOTAL FUND AND LIABILITIES**

	<u>70,434</u>	<u>23,849</u>
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The annexed notes from 1 to 24 form an integral part of these financial statements.

  
CHANCELLOR



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PRESIDENT

**HABIB UNIVERSITY  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
Note	----- (Rupees in '000) -----	
<b>INCOME</b>		
11 Tuition fee	112,486	-
Application fee	684	1,676
Admission fee	7,055	-
Other income	719	-
	<b>120,944</b>	<b>1,676</b>
<b>LESS: EXPENDITURE</b>		
12 Direct Instruction	105,108	-
Academic Support	26,356	-
Academic Management	78,412	-
Student Services	21,356	-
Research and Grants	15,224	-
Information Technology	24,890	-
Institutional Support	17,156	150
Facilities Operation and Management	137,947	-
University Secretariat	85,625	-
	<b>512,074</b>	<b>150</b>
	<b>(391,130)</b>	<b>1,526</b>
<b>NET OPERATING (DEFICIT) / SURPLUS</b>		
Donations from Habib University Foundation - a related party	397,910	10,116
	<b>6,780</b>	<b>11,642</b>

The annexed notes from 1 to 24 form an integral part of these financial statements.

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CHANCELLOR

  
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PRESIDENT

**HABIB UNIVERSITY**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

2015  
 -----(Rupees in '000)-----  
 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

Surplus for the year 6,780 11,642

**Adjustment for non-cash and other items**

Depreciation	220	
Amortization	3,995	-
Provision for leave encashment	15,008	-
Transfer of motor vehicles	(11,438)	-
	<u>7,785</u>	<u>-</u>

**Working capital changes**

Increase in current assets	(37,978)	-
Increase in current liabilities	22,570	2,325
	<u>(15,408)</u>	<u>2,325</u>

Security deposits 2,650

Payment for leave encashment (423)

**NET CASH GENERATED FROM OPERATING ACTIVITIES**

1,384 13,967

**CASH FLOWS FROM INVESTING ACTIVITIES**

Additions to intangible assets

-

Net increase in cash and cash equivalents

1,384 3,876


Cash and cash equivalents at the beginning of the year

3,876

Cash and cash equivalents at the end of the year

8 3,876

The annexed notes from 1 to 24 form an integral part of these financial statements.

  
 CHANCELLOR

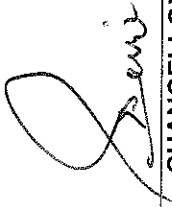


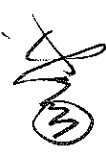
PRESIDENT

HABIB UNIVERSITY  
STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Accumulated Fund Rupees in '000
Balance as on June 30, 2013	9,882
Surplus for the year	11,642
Balance as on June 30, 2014	21,524
Surplus for the year	6,780
Balance as on June 30, 2015	<u>28,304</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

  
CHANCELLOR

  
PRESIDENT

**HABIB UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**1. STATUS AND NATURE OF BUSINESS**

Habib University (the University) is a not-for-profit, non-commercial, degree awarding institution, incorporated on October 8, 2012 under the Habib University Act, 2012 (the Act) passed by the Sindh Assembly. The principal objectives of the University are to design, prepare and offer educational courses of international standard and to undertake, organize and promote research and dissemination of knowledge. The University is situated at Gulistan-e-Jauhar. The University has commenced its operations in August 2014.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the Guidelines for Accounting and Financial Reporting by Non-Government / Non-Profit Organizations (hereinafter referred to as "the Guideline") issued by The Institute of Chartered Accountants of Pakistan.

**3. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Operating fixed assets**

These are stated at cost less accumulated depreciation.

Depreciation is charged to income and expenditure account using straight line method so as to write off the cost of the assets over their estimated useful lives at the rates specified in note 5. Depreciation on additions is charged for the full month in which an asset is put to use and on disposal upto the month immediately preceding the disposals. Assets residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

Maintenance and normal repairs are charged to income and expenditure account as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the University.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use.

Gains and losses are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the income and expenditure account in the period in which they arise.

**4.2 Intangible assets**

Project development cost comprises of cost in relation to development of academic planning & modeling and networking and partnership frameworks. Following initial recognition of the development expenditure as an asset, the cost model will be applied requiring the amount to be carried at cost less any accumulated amortization and accumulated impairment losses, if any. Capitalized development cost will be amortized on a straight-line basis over the period of expected future benefit from the date of completion / development of these assets and the asset is available for use.

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

*Estimate*

**4.3 Impairment**

The University assesses at each balance sheet date whether there is any indication that the assets may be impaired. If such indications exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income and expenditure account.

**4.4 Advances, student fee and other receivables**

These are stated at cost less provision for doubtful balances, if any.

**4.5 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and bank balances.

**4.6 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for the goods and services received, whether or not billed to the University.

**4.7 Security deposits from students**

These are stated at cost.

**4.8 Taxation**

The University is exempt from taxation under Second Schedule Part-I (clause 92) to the Income Tax Ordinance, 2001. Accordingly, no provision is required for current / deferred tax in these financial statements.

**4.9 Provisions**

Provisions are recognized when the University has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**4.10 Employees' benefits**

The University operates a contributory provident fund for all eligible employees. Equal monthly contributions are made by the University and the employees to the fund at the rate of 8.33% of basic salary. Contributions are charged to income and expenditure account.

The University accounts for employees' leave encashment on the basis of un-availed earned leave balance of each employee at the end of the year.

**4.11 Revenue recognition**

Donations are recognized as income as and when received.

Tuition Fee received in lumpsum or in installments are attributed to each semester and recognised as income based on completion of each semester. Fees received in advance are recorded as unearned revenue and credited to income and expenditure account on semester basis.

Admission fee income is recognized as income at the time of commencement of session.

Application fee income is recognised on receipt basis.

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## 4.12 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to income and expenditure account currently.

## 5. OPERATING FIXED ASSETS

	As at July 01 2014	As at June 30 2015	As at July 01 2014	Depreciation Charge for the year	As at June 30 2015	Book Value As at June 30 2015	Rate %
	Rupees in '000						
Motor vehicles		11,438		220	220	11,218	20

5.1 Represent transfers during the year from Habib University Foundation, a related party.

5.2 The University land and other operating assets are owned by Habib University Foundation, a related party, and no depreciation is charged to the University.

## 6. INTANGIBLE ASSETS

	As at July 01 2014	As at June 30 2015	As at July 01 2014	Amortization Charge for the year	As at June 30 2015	Book Value As at June 30 2015	Rate %
	Rupees in '000						
Project development cost - academic planning & modeling	19,973	19,973		3,995	3,995	15,978	20

## 7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

## Advances

Employees  
Suppliers

## Prepayments

Insurance  
Utility charges

## Other receivables

	2015	2014	Note	(Rupees in '000)
Advances	1,737	-		
Employees Suppliers	6	-		
Prepayments	1,743	-		
Insurance Utility charges	7.1 7.2	1,329 6,415		
	7,744	-		
Other receivables	1,203	-		
	10,690	-		

7.1 Includes Rs.1.099 million (2014: Nil) with Habib Insurance Company Limited, a related party.

7.2 Represents amount paid to Sui Southern Gas Company on account of installation of pipeline adjusted on monthly basis against utility bills.



Habib University

	2015	2014
Note	-----(Rupees in '000)-----	-----(Rupees in '000)-----
8.1	27,288	-

**8. STUDENT FEE RECEIVABLE**

8.1 Includes Rs.27.253 million on account of receivable from students in process of arranging student loan facility from a commercial bank.

	2015	2014
Note	-----(Rupees in '000)-----	-----(Rupees in '000)-----
9.1	141	-
9.1	580	-
	721	-

**9. CASH AND BANK BALANCES**

Cash in hand

Local currency  
Foreign currency

Cash in bank – in current accounts

	4,539	3,876
	5,260	3,876

9.1 Includes Rs.4.366 million (2014: Rs. 3.692 million) with a related party, Habib Metropolitan Bank Limited.

**10. TRADE AND OTHER PAYABLES**

Payable to suppliers and contractors  
Accrued expenses  
Provision for leave encashment

	2015	2014
-----(Rupees in '000)-----	-----(Rupees in '000)-----	-----(Rupees in '000)-----
9.1	542	100
	21,783	125
	14,585	-
	36,910	225

**11. TUTION FEE**

Represented by:

Self-funded  
Funded through Scholarship from Habib University Foundation  
Funded through Zakat from Habib University Foundation

	62,771	-
	39,275	-
	10,440	-
	112,486	-

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12. EXPENDITURES

The University's operating expenses have been classified according to activity based model in line with framework approved by the Board of Governors as follows:

<b>Direct Instruction</b>	This includes faculty, academic staff, academic activities, laboratories and other direct academic costs
<b>Academic Support</b>	This includes Library, Student Academic Support Center, Academic lectures and conferences, Careers, Internships and Placements and Study Abroad Initiative
<b>Academic Management</b>	This includes the Provost office, Academic operations management, Faculty recruitment, Student recruitment and admissions, Institutional Research
<b>Student Services</b>	This includes Student Life, Recreation & Wellbeing, Student Transport, Work Study Program, Student Counseling, Scholarships and Financial Aid Office
<b>Research &amp; Grants</b>	This includes Research & Continuing Education and Research Grants for faculty
<b>Information Technology</b>	This includes IT function, Hardware Maintenance, Software Licenses and Subscriptions
<b>Institutional Support</b>	This includes Finance, Human Resources, Internal Audit, Legal and Professional Fee.
<b>Facilities operation and maintenance</b>	This includes General Administration, External Affairs, Facility Management, Utilities, Safety & Security, Insurance, Campus Maintenance, Vehicle Maintenance, Printing and Communication, Supplies and Depreciation
<b>University Secretariat</b>	This includes President Office, Marketing & Communication, Resource Development and University Governance.

2015                      2014  
------(Rupees in '000)-----

13. DIRECT INSTRUCTION

Faculty cost	93,031	-
Other academic staff	8,523	-
Laboratories supplies	3,321	-
Others	233	-
	<u>105,108</u>	<u>-</u>

14. ACADEMIC SUPPORT

Staff cost	17,782	-
Library subscription and supplies	101	-
Lectures and conferences	8,473	-
	<u>26,356</u>	<u>-</u>

15. ACADEMIC MANAGEMENT

Staff cost	37,110	-
Student recruitment and admissions	36,345	-
Others	4,957	-
	<u>78,412</u>	<u>-</u>

16. STUDENT SERVICES

Staff cost	12,955	-
Student transport	4,266	-
Student life	4,135	-
	<u>21,356</u>	<u>-</u>

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2015                      2014  
 -----(Rupees in '000)-----  
 Note

**17. RESEARCH AND GRANTS**

Faculty and staff cost	14,969	-
Research grants	255	-
	<u>15,224</u>	<u>-</u>

**18. INFORMATION TECHNOLOGY**

Staff cost	16,910	-
Hardware maintenance	758	-
Software licenses and subscriptions	7,222	-
	<u>24,890</u>	<u>-</u>

**19. INSTITUTIONAL SUPPORT**

Staff cost	16,288	-
Legal and professional charges	678	-
Audit fee	190	150
	<u>17,156</u>	<u>150</u>

**20. FACILITIES OPERATION AND MAINTENANCE**

Staff cost	28,801	-
Utilities	48,977	-
Security	12,276	-
Campus maintenance	30,017	-
Insurance	6,182	-
Vehicle maintenance	4,034	-
Depreciation	220	-
Supplies	3,742	-
Printing and communication	3,698	-
	<u>137,947</u>	<u>-</u>

**21. UNIVERSITY SECRETARIAT**

Staff cost	56,164	-
University governance	8,840	-
Amortisation	3,992	-
Marketing and communications	14,028	-
Travelling	2,601	-
	<u>85,625</u>	<u>-</u>

**22. RELATED PARTIES TRANSACTIONS**

The related parties include Habib University Foundation, entities having directors in common with the Habib University Foundation, governors and other key management personnel. Related party transactions are disclosed in the respective notes to the financial statements.

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23. DATE OF AUTHORIZATION FOR ISSUE


These financial statements have been authorized for issue on 09-10-15 by the Board of Governors of the University.

24. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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CHANCELLOR

  
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PRESIDENT