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HABIB UNIVERSITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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Independent auditors' report to Board of Governors

We have audited the accompanying financial statements of Habib University (the University) which comprise of statement of financial position as at 30 June 2016, and the income and expenditure account, the cash flow statement and the statement of changes in fund for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Board of Governors is responsible for the preparation and fair presentation of these financial statements in accordance with the Guidelines for Accounting and Financial Reporting by Non-Government / Non-Profit Organisations issued by the Institute of Chartered Accountants of Pakistan, and for such internal control as the Board of Governors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the approved auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Governors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University as at 30 June 2016 and of its excess of income over expenditure, cash flows and changes in fund for the year then ended in accordance with Guidelines for Accounting and Financial Reporting by Non-Government / Non-Profit Organisations issued by the Institute of Chartered Accountants of Pakistan.

Ernst & Young Ford Rhodes Sialat Aydar
Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Date: 29 July 2016

Place: Karachi

**HABIB UNIVERSITY
BALANCE SHEET
AS AT JUNE 30, 2016**


		2016	2015
<u>ASSETS</u>	Note	----- (Rupees in '000) -----	
NON-CURRENT ASSETS			
Operating fixed assets	5	14,885	11,218
Intangible assets	6	11,983	15,978
		26,868	27,196
CURRENT ASSETS			
Office and other supplies		2,746	-
Advances, prepayments and other receivables	7	13,696	10,690
Student fee receivable	8	69,202	27,288
Cash and bank balances	9	14,930	5,260
		100,574	43,238
		127,442	70,434
<u>FUND AND LIABILITIES</u>			
FUND			
General fund		68,878	28,304
NON CURRENT LIABILITIES			
Security deposit from students		6,300	2,650
CURRENT LIABILITIES			
Trade and other payables	10	48,164	36,910
Advance admission fee		4,100	2,570
		52,264	39,480
		127,442	70,434

The annexed notes from 1 to 25 form an integral part of these financial statements.

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CHANCELLOR



PRESIDENT

**HABIB UNIVERSITY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016**

2016 2015
------(Rupees in '000)-----

INCOME

Tuition fee	266,903	112,486
Application fee	1,470	684
Admission fee	9,800	7,055
Other income	401	719
	278,574	120,944

LESS: EXPENDITURE

Direct Instruction	183,680	107,646
Academic Support	24,964	35,595
Academic Management	20,345	31,283
Student Services	32,889	21,358
Student Recruitment and Admissions	66,086	71,884
Information Technology	35,399	24,890
Institutional Support	23,407	17,156
Facilities Operation and Management	192,690	137,947
University Secretariat and Governance	78,386	64,315
	657,846	512,074

NET OPERATING DEFICIT

(379,272)

Donations from Habib University Foundation - a related party

419,846

SURPLUS FOR THE YEAR

40,574

6,780

The annexed notes from 1 to 25 form an integral part of these financial statements.

E. H. Faruq



CHANCELLOR



PRESIDENT

HABIB UNIVERSITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

2016 2015
 -----(Rupees in '000)-----

CASH FLOWS FROM OPERATING ACTIVITIES

Surplus for the year 40,574 6,780

Adjustment for non-cash and other items

Depreciation	3,821	220
Amortization	3,995	3,995
Provision for leave encashment	3,029	15,008
Provision for doubtful receivables	826	-
Transfer of motor vehicles	-	(11,438)
	11,671	7,785

Working capital changes

Increase in current assets		
Increase in current liabilities	(47,665)	(37,978)
	9,873	22,570
	(37,792)	(15,408)

Security deposits	3,650	2,650
Payment for leave encashment	(945)	(423)

NET CASH GENERATED FROM OPERATING ACTIVITIES

17,158

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to operating fixed assets

(7,488)

-

Net increase in cash and cash equivalents

9,670

1,384

Cash and cash equivalents at the beginning of the year

5,260

3,876


Cash and cash equivalents at the end of the year

14,930

5,260

The annexed notes from 1 to 25 form an integral part of these financial statements.

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 CHANCELLOR


 PRESIDENT

**HABIB UNIVERSITY
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund Rupees in '000
Balance as on June 30, 2014	21,524
Surplus for the year	<u>6,780</u>
Balance as on June 30, 2015	28,304
Surplus for the year	40,574
Balance as on June 30, 2016	<u><u>68,878</u></u>

The annexed notes 1 to 25 form an integral part of these financial statements.

S. H. Farooq

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CHANCELLOR

[Signature]

PRESIDENT

HABIB UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 Guidelines") issued by The Institute of Chartered Accountants of Pakistan as approved by the Board.

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.

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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 Office and other supplies

Office supplies are valued at cost, determined on weighted average basis. Other supplies comprises of souvenirs of Habib University including USBs, T-shirts and notebooks which are stated at lower of cost and net realizable value.

4.6 Provision for doubtful receivables

The University makes provisions for doubtful receivables when the collection of a balance is no longer probable.

4.7 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.

4.8 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.

4.9 Security deposits from students

These are stated at cost.

4.10 Taxation

The University is a not-for-profit organization and its income was exempt from tax in terms of Clauses 92 and 58A, Part I of the First Schedule to the Income Tax Ordinance, 2001 up to 30 June 2014. Through the Finance Act, 2013 and 2014, Clauses 92 and 58A were deleted, however a corresponding section 100C was introduced wherein a similar exemption has been duly provided. Accordingly, no current tax provision has been made in the financial statement for the year.

4.11 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.

4.12 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.

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4.13 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 recognised as income at the time of commencement of session.

Application fee income is recognised on receipt basis.

4.14 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

	Cost			As at July 01, 2015	As at June 30, 2016	Depreciation Charge for the year	As at June 30, 2016	Book Value As at June 30, 2016	Rate %
	As at July 01, 2015	Additions	Rupees in '000						
Motor vehicles	11,438	1,146	220	220	12,584	2,555	2,775	9,809	20
Computer Accessories	-	6,082	-	-	6,082	1,251	1,251	4,831	33.3
Multimedia	-	260	15	-	260	15	15	245	33.3
2016	11,438	7,488	220	220	18,926	3,821	4,041	14,885	

	Cost			As at July 01, 2014	As at June 30, 2015	Depreciation Charge for the year	As at June 30, 2015	Book Value As at June 30, 2015	Rate %
	As at July 01, 2014	Transfer (5.1)	Rupees in '000						
Motor vehicles - 2015	-	11,438	11,438	-	220	220	220	11,218	20

5.1 Represents transfers during the year ended 30 June 2015 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

	Cost			As at July 01, 2015	As at June 30, 2016	Amortization Charge for the year	As at June 30, 2016	Book Value As at June 30, 2016	Rate %
	As at July 01, 2015	Additions	Rupees in '000						
Project development cost - academic planning & modelling - 2016	19,973	-	3,995	3,995	19,973	3,995	7,990	11,983	20

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

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2016 2015
------(Rupees in '000)-----

7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances

Employees	837	1,737
Suppliers	-	6
Expenses	<u>67</u>	<u>-</u>
	<u>904</u>	<u>1,743</u>

Prepayments

Insurance	1,808	1,329
Utility charges	4,843	6,047
Others	3,666	368
	<u>10,317</u>	<u>7,744</u>

Other receivables

	<u>2,475</u>	<u>1,203</u>
	<u>13,696</u>	<u>10,690</u>

7.1 Includes Rs.0.340 million (2015: Rs.1.099 million) 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.

8. STUDENT FEE RECEIVABLE

Student fee receivable	8.1	70,028	27,288
Provision for doubtful debts	16	<u>(826)</u>	<u>-</u>
		<u>69,202</u>	<u>27,288</u>

8.1 Includes Rs. 68.52 million (2015: Rs. 27.253 million) on account of receivable from students in process of arranging student loan facility from a commercial bank.

9. CASH AND BANK BALANCES

Cash in hand

Local currency	-	141
Foreign currency	<u>2,519</u>	<u>580</u>
	<u>2,519</u>	<u>721</u>

Cash at bank

Saving account	12,364	-	4,539
Current account	47	-	-
	<u>12,411</u>	<u>4,539</u>	<u>4,539</u>
	<u>14,930</u>	<u>5,260</u>	<u>5,260</u>

9.1 This carries profit at the rate of 4.5% (2015: Nil) per annum.

9.2 Represents balance with a related party, Habib Metropolitan Bank Limited (2015: Includes Rs. 4.366 million).

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Habib University

2016 2015
------(Rupees in '000)-----

10. TRADE AND OTHER PAYABLES

Payable to suppliers and contractors
Accrued expenses
Provision for leave encashment

	64	542
	31,425	21,783
	16,675	14,585
	<u>48,164</u>	<u>36,910</u>

11. TUTION FEE

Represented by:

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

	137,767	62,771
	90,519	39,275
	38,617	10,440
	<u>266,903</u>	<u>112,486</u>

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:

Direct Instruction	This includes faculty, academic staff, laboratories and Student Academic Support Center, Curriculum Review Workshops.
Academic Support	This includes Library, Academic lectures and conferences, Student Academic Activities, Center for Pedagogical Excellence, Careers, Internships and Placements, Global Engagement and Research Grants for faculty.
Academic Management	This includes the Provost office, Academic operations management, Faculty recruitment, Institutional Research.
Student Services	This includes Student Life Recreation & Wellbeing, Student Transport, Work Study Program, Student Counseling, Scholarships and Financial Aid Office.
Student Recruitment & Admissions	This includes Student recruitment and admissions and Marketing & Communications.
Information Technology	This includes IT function, Hardware Maintenance, Software Licenses and Subscriptions.
Institutional Support	This includes Finance, Human Resources, Internal Audit, Legal and Professional Fee.
Facilities operation and maintenance	This includes General Administration, External Affairs, Facility Management, Utilities, Safety & Security, Insurance, Campus Maintenance, Vehicle Maintenance, Printing and Communication, Supplies and Depreciation
University Secretariat and Governance	This includes President Office, Resource Development and University Governance.

13. DIRECT INSTRUCTION

Faculty cost
Other academic staff
Laboratories supplies
Others

	2016	2015
	153,950	93,032
	21,911	10,776
	4,886	3,321
	2,933	517
	<u>183,680</u>	<u>107,646</u>

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Note 2016 2015
 -----(Rupees in '000)-----

14. ACADEMIC SUPPORT

Staff cost
 Library subscription and supplies
 Lectures and conferences
 Global Engagement
 Research and grants

8,983	24,620
3,548	101
5,539	6,839
5,903	3,780
991	255
<u>24,964</u>	<u>35,595</u>

15. ACADEMIC MANAGEMENT

Staff cost
 Faculty guest house
 Faculty recruitment
 Others

13,426	26,277
3,003	1,782
3,136	2,925
780	299
<u>20,345</u>	<u>31,283</u>

16. STUDENT SERVICES

Staff cost
 Student transport
 Workstudy program
 Provision for doubtful receivables
 Student life recreational activities

16,868	12,955
10,282	4,267
2,012	2,264
826	-
2,901	1,872
<u>32,889</u>	<u>21,358</u>

17. STUDENT RECRUITMENT AND ADMISSIONS

Staff cost
 Recruitment and admission activities
 Marketing and communication

33,455	24,390
25,106	36,345
7,525	11,149
<u>66,086</u>	<u>71,884</u>

18. INFORMATION TECHNOLOGY

Staff cost
 Hardware maintenance
 Software licenses and subscriptions

21,567	16,910
4,324	758
9,508	7,222
<u>35,399</u>	<u>24,890</u>

19. INSTITUTIONAL SUPPORT

Staff cost
 Legal and professional charges
 Audit fee
 Others

20,728	16,288
2,003	678
275	190
401	-
<u>23,407</u>	<u>17,156</u>

20. FACILITIES OPERATION AND MAINTENANCE

Staff cost
 Utilities
 Security
 Campus maintenance
 Insurance
 Vehicle maintenance
 Depreciation
 Supplies
 Printing and communication

48,599	28,801
48,007	48,977
19,203	12,276
44,293	30,017
9,341	6,182
8,242	4,034
3,821	220
5,699	3,742
5,485	3,698
<u>192,690</u>	<u>137,947</u>

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Note 2016 2015
 -----(Rupees in '000)-----

21. UNIVERSITY SECRETARIAT AND GOVERNANCE

Staff cost		55,926	48,506
University governance		11,991	8,840
Amortisation	6	3,995	3,992
Resource development		1,445	376
Travelling		5,029	2,601
		<u>78,386</u>	<u>64,315</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.

23. CORRESPONDING FIGURES

Certain prior year's figures have been rearranged, as a result of certain changes in the current year's presentation, for more appropriate comparison and for better presentation, where necessary. The details of major classifications are as follows:

Components	Reclassification				Rupees in '000
	from	Note to financial statements 2015	To	Note to financial statements 2016	
Income and expenditure	Research and Grants – Faculty and Staff Cost and Research grants	17	Academic Support – Staff Cost and Research and grants	14	15,254
Income and expenditure	Academic Support – Staff Cost	14	Direct Instruction – Other Academic Staff and Others	13	2,538
Income and expenditure	Academic Support – Staff Cost	14	Academic Management – Staff Cost	15	7,287
Income and expenditure	Academic Management – Staff Cost and Student Recruitment and Admissions	15	Student recruitment and admissions – Staff Cost and Recruitment and admission activities	17	54,416
Income and expenditure	University Secretariat – Staff Cost and Marketing and Communications	21	Student recruitment and admissions – Staff Cost and Marketing and Communication	17	17,470
Income and expenditure	University Secretariat – Staff Cost and Global Engagement	21	Academic Support – Staff Cost and Global Engagement	14	3,840

24. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 29-07-16 by the Board of Governors of the University.

25. GENERAL

Figures have been rounded off to the nearest thousand rupees. *Sybil*

CHANCELLOR

PRESIDENT