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## HABIB UNIVERSITY

### FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

EY Ford Rhodes  
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## Independent Auditor's Report to the Board of Governors of Habib University (the University)

### *Opinion*

We have audited the financial statements of **Habib University (the University)**, which comprise the statement of financial position as at 30 June 2017 and the income and expenditure account, cash flow statement and statement of changes in funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with the approved accounting and reporting standards as applicable in Pakistan.

### *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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the University 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.

### *Responsibilities of Board of Governors for the Financial Statements*

The Board of Governors are responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting and reporting standards as applicable in 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.

In preparing the financial statements, Board of Governors are responsible for assessing the University'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 University or to cease operations, or has no realistic alternative but to do so.

The Board of Governors are responsible for overseeing the University'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.



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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 University'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 University'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 University 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 those charged with governance 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.

*EY Fiaz Rehman*

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Date: 10 October 2017

Place: Karachi

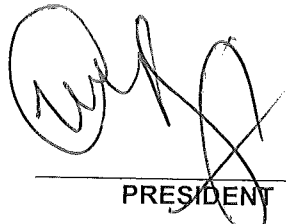
**HABIB UNIVERSITY  
BALANCE SHEET  
AS AT JUNE 30, 2017**

	Note	2017 ------(Rupees in '000)-----	2016
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
Operating fixed assets	6	19,547	14,885
Intangible assets	7	12,479	11,983
		<b>32,026</b>	<b>26,868</b>
<b>CURRENT ASSETS</b>			
Office and other supplies		4,338	2,746
Advances, deposits, prepayments and other receivables	8	20,902	13,696
Student fee receivable	9	78,578	69,202
Cash and bank balances	10	41,060	14,930
		<b>144,878</b>	<b>100,574</b>
<b>TOTAL ASSETS</b>		<b>176,904</b>	<b>127,442</b>
<b><u>FUND AND LIABILITIES</u></b>			
<b>FUND</b>			
General fund		93,603	68,878
<b>NON CURRENT LIABILITIES</b>			
Security deposit from students		13,500	6,300
<b>CURRENT LIABILITIES</b>			
Trade and other payables		63,668	48,164
Advance admission fee	11	6,133	4,100
		<b>69,801</b>	<b>52,264</b>
<b>TOTAL FUND AND LIABILITIES</b>		<b>176,904</b>	<b>127,442</b>

The annexed notes from 1 to 20 form an integral part of these financial statements.

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**CHANCELLOR**

  
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**PRESIDENT**

**HABIB UNIVERSITY**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

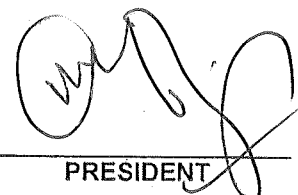
	Note	2017 ------(Rupees in '000)-----	2016
<b>INCOME</b>			
Tuition fee	12	466,112	266,903
Application fee		1,496	1,470
Admission fee		7,602	9,800
		475,210	278,173
Donations from a related party	18	312,226	419,846
Other income		2,744	401
		790,180	698,420
<b>LESS: EXPENDITURE</b>			
Academic and programmatic expenditure	13	(669,479)	(557,631)
Administrative expenditure	14	(95,976)	(100,215)
		(765,455)	(657,846)
<b>SURPLUS FOR THE YEAR</b>		<b>24,725</b>	<b>40,574</b>

The annexed notes from 1 to 20 form an integral part of these financial statements.

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**CHANCELLOR**




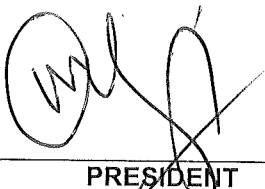
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**PRESIDENT**

**HABIB UNIVERSITY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 ------(Rupees in '000)-----	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year		24,725	40,574
<b>Adjustment for non-cash and other items</b>			
Depreciation		6,641	3,821
Amortization		4,352	3,995
Provision for leave encashment		-	3,029
Provision for doubtful receivables		-	826
		10,993	11,671
<b>Working capital changes</b>			
Increase in current assets		(18,174)	(47,665)
Increase in current liabilities		17,537	9,873
		(637)	(37,792)
Security deposits		7,200	3,650
Payment for leave encashment		-	(945)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		42,281	17,158
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to operating fixed assets		(11,303)	(7,488)
Additions to intangible assets		(4,848)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(16,151)	(7,488)
Net increase in cash and cash equivalents		26,130	9,670
Cash and cash equivalents at the beginning of the year		14,930	5,260
Cash and cash equivalents at the end of the year	10	41,060	14,930

The annexed notes from 1 to 20 form an integral part of these financial statements.

  
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CHANCELLOR

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PRESIDENT

**HABIB UNIVERSITY  
STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**


**General Fund**


(Rupees in '000)

Balance as on June 30, 2015	28,304
Surplus for the year	<u>40,574</u>
Balance as on June 30, 2016	68,878
Surplus for the year	24,725
Balance as on June 30, 2017	<u><u>93,603</u></u>

The annexed notes 1 to 20 form an integral part of these financial statements.

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**CHANCELLOR**

  
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**PRESIDENT**

**HABIB UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**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 approved accounting standards as applicable in Pakistan, Approved accounting standards comprise of international Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and the Accounting Standard for Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as required under ATR-17 (Revised 2017) of ICAP.

**3. BASIS OF MEASUREMENT**

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

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Adoption of approved accounting standards**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year. From the current year, the University has prepared its financial statements in accordance with IFRSs and the Accounting Standards for NPOs issued by ICAP in Compliance with the requirements of ATR-17. Uptil last year, the University was preparing its financial statements in accordance with the Guidelines for Accounting and Financial Reporting by Non-Government / Non-Profit Organizations issued by ICAP.

The adoption of the approved accounting standards did not have any effect on the financial statements except for additional disclosures.

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#### 4.2 Standards and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (accounting periods Beginning on or after)
IFRS 2 Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with Insurance Contracts – (Amendments)	01 January 2018
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the University's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. The University expects that such improvements to the standards will not have any impact on the University's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019
IFRS 17 – Insurance Contracts	01 January 2021

#### 4.3 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 6. 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.

#### **4.4 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.

#### **4.5 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.

#### **4.6 Advances, student fee and other receivables**

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

#### **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 Second 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.

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**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.

**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 recognized 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. SIGNIFICANT ACCOUNTING JUDGEMENTS ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the University's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following judgments and estimates which are significant to the financial statements:

	<b>Notes</b>
- determining the residual values and useful lives of property, plant and equipment and intangibles	4.3 & 4.4
- compensated absences	4.12

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## 6. OPERATING FIXED ASSETS

	Cost			Depreciation		Book Value		Rate %
	As at July 01 2016	Additions	As at June 30 2017	As at July 01 2016	Charge for the year	As at June 30 2017	As at June 30 2017	
	Rupees in '000							
Motor vehicles	12,584	-	12,584	2,775	2,607	5,382	7,202	20
Computer & multimedia	6,342	9,097	15,439	1,266	3,854	5,120	10,319	33.33%
Furniture and Fixture	-	108	108	-	13	13	95	20%
Office Equipment	-	919	919	-	25	25	894	20%
Library Books	-	1,179	1,179	-	142	142	1,037	20%
2017	18,926	11,303	30,229	4,041	6,641	10,682	19,547	
2016	11,438	7,488	18,926	220	3,821	4,041	14,885	

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

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

	Note	2017 (Rs. in 000')	2016
Academic and programmatic expenditure	13	5,311	3,057
Administrative expenditure	14	1,330	764
		<u>6,641</u>	<u>3,821</u>

## 7. INTANGIBLE ASSETS

	Cost			Amortization		Book Value		Rate %
	As at July 01 2016	Additions	As at June 30 2017	As at July 01 2016	Charge for the year	As at June 30 2017	As at June 30 2017	
	Rupees in '000							
Software	-	4,848	4,848	-	343	343	4,505	85%
Project development cost - academic planning & modeling	19,973	-	19,973	7,990	4,009	11,999	7,974	20%
2017	19,973	4,848	24,821	7,990	4,352	12,342	12,479	
2016	19,973	-	19,973	3,995	3,995	7,990	11,983	

7.1 Amortization charge for the year has been allocated as follows :

	Note	2017 (Rs. in 000')	2016
Academic and programmatic expenditure	13	3,482	3,196
Administrative expenditure	14	870	799
		<u>4,352</u>	<u>3,995</u>

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## Habib University

		2017	2016
		----- (Rupees in '000) -----	
<b>8.</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	<b>Advances</b>		
	Employees	765	837
	Suppliers	280	-
	Expenses	80	67
		<u>1,125</u>	<u>904</u>
	<b>Deposits</b>	335	-
	<b>Prepayments</b>		
	Insurance	1,697	1,808
	Utility charges	1,534	4,843
	Others	7,663	3,666
		<u>10,894</u>	<u>10,317</u>
	<b>Other receivables</b>	8,548	2,475
		<u>20,902</u>	<u>13,696</u>

8.1 Includes Rs. 1.65 million (2016: Rs.0.340 million) with Habib Insurance Company Limited, a related party.

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

		2017	2016
		----- (Rupees in '000) -----	
<b>9.</b>	<b>STUDENT FEE RECEIVABLE</b>		
	Student Fee receivable	79,404	70,028
	Provision for doubtful debts	(826)	(826)
		<u>78,578</u>	<u>69,202</u>

9.1 Includes Rs.73.64 (2016: Rs. 68.52) million on account of receivable from students in process of arranging student loan facility from a commercial bank.

		2017	2016
		----- (Rupees in '000) -----	
<b>10.</b>	<b>CASH AND BANK BALANCES</b>		
	<b>Cash in hand</b>		
	Foreign currency	967	2,519
	<b>Cash at bank</b>		
	Saving account	39,486	12,364
	Current account	607	47
		<u>40,093</u>	<u>12,411</u>
		<u>41,060</u>	<u>14,930</u>

10.1 This carries profit at the rate of 4.6% (2016:4.5%) per annum

10.2 Represents balance with a related party, Habib Metropolitan Bank Limited

54/20

Habib University

	2017	2016
Note	------(Rupees in '000)-----	
<b>11. TRADE AND OTHER PAYABLES</b>		
Payable to suppliers and contractors	767	64
Accrued expenses	40,229	31,425
Provision for leave encashment	16,622	16,675
Others	6,050	-
	<u>63,668</u>	<u>48,164</u>
<b>11.1 Provision for leave encashment</b>		
Opening balance	16,675	14,585
Charge for the year	1,367	3,030
Payment made during the year	(1,420)	(940)
Closing balance	<u>16,622</u>	<u>16,675</u>
<b>12. TUTION FEE</b>		
Represented by:		
Self-funded	155,903	84,933
Funded through Scholarship from Habib University Foundation – a related party	162,836	90,519
Funded through Zakat from Habib University Foundation – a related party	71,377	30,263
Funded through grant from Habib University Foundation – a related party	11,680	8,355
Student Loan scheme	64,316	52,833
	<u>310,209</u>	<u>181,970</u>
	<u>466,112</u>	<u>266,903</u>
<b>13. ACADEMIC AND PROGRAMMATIC EXPENDITURE</b>		
Salaries	411,972	325,563
Faculty research grant	3,207	979
Faculty recruitment	4,331	3,136
Lab, studio and academic supplies	5,099	4,886
Library and other academic activities	7,972	7,481
Student transport and hostel	15,475	11,370
Health, sports, wellness and counselling	9,302	4,283
Conferences, seminars and workshops	5,770	7,064
Student recruitment, admission and marketing	28,817	32,706
Technology- licences and hardware	17,607	13,832
Vehicle, supplies and others	17,468	17,071
Utilities	41,266	38,976
Building and equipment maintenance	43,942	35,295
Insurance	8,461	7,473
Safety and security	13,481	15,361
Depreciation	5,311	3,057
Amortization	3,482	3,196
Other	26,516	25,902
	<u>669,479</u>	<u>557,631</u>

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2017                      2016  
------(Rupees in '000)-----

**14. ADMINISTRATIVE EXPENDITURE**

Salaries	62,624	70,107
Vehicle, supplies and others	3,852	3,993
Audit Fee	515	275
Utilities	10,317	9,744
Building and equipment maintenance	10,986	8,824
Insurance	2,112	1,868
Safety and security	3,370	3,841
Depreciation	1,330	764
Amortization	870	799
	<u>95,976</u>	<u>100,215</u>

**15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The main risks arising from the University's financial instruments are market risks, credit risk and liquidity risk. The Board of Governors reviews and agrees policies for managing each of these risks which are summarized below:

**15.1 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

**(i) Interest rate risk**

Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The University is exposed to interest rate risk in respect of bank deposits, Pakistan Investment Bonds and term deposit receipts. Management of the University estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the deficit / increase the surplus by Rs.0.96 million (2016:Rs. 0.79 million) and a 1% decrease would result in the increase / decrease in the University's deficit / surplus by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

**(ii) Foreign currency risk**

Foreign currency risk is the risk that the value of financial assets or financial liabilities will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currencies. The University's exposure to foreign currency risk is as follows:

	2017 USD	2016 USD
Cash Balances		
USD	8,162	2,519
GBP	<u>1,830</u>	<u>-</u>

The following significant exchange rates have been applied at the reporting dates:

	2017 Rupees	2016 Rupees
Closing Exchange Rates		
USD	106.4	104.7
GBP	<u>136.4</u>	<u>-</u>

*ETPR*

**Sensitivity analysis:**

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar's exchange rate, with all other variables held constant, of the University's profit before tax and the University's equity.

	Change in USD's rate	Effect on (Deficit) or Surplus	Effect on Funds
		--- (Rupees in '000) ---	
2017	+10%	111,808	(111,808)
	-10%	(111,808)	(111,808)
		--- (Rupees in '000) ---	
2016	+10%	26,373	26,373
	-10%	(26,373)	(26,373)

**15.2 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.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the University's performance to developments affecting a particular industry.

The University is exposed to credit risk mainly on short term investments and bank balances. The University seeks to minimize the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

	2017	2016
	----- (Rupees in '000) -----	
<b>Bank balances</b>		
<b>Ratings</b>		
A1+	<u>40,093</u>	<u>12,411</u>

**15.3 Liquidity risk**

Liquidity risk is the risk that the University will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the University believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the University on the basis of expected cash flow considering the level of liquid assets necessary to mitigate the liquidity risk.

	On demand	Less than 3 months	3 to 12 Months	Total
	----- (Rupees in '000) -----			
Trade and other payables - 2017	-	63,668	-	<u>63,668</u>
	On demand	Less than 3 months	3 to 12 Months	Total
	----- (Rupees in '000) -----			
Trade and other payables - 2016	-	48,164	-	<u>48,164</u>

EYFA



**16. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction other than in a forced or liquidation sale. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values

**17. CAPITAL RISK MANAGEMENT**

The University's objectives when managing capital is to maintain an optimal capital structure to reduce the cost of capital. The University is currently financing majority of its operations through funds and working capital. The capital structure of the University is fund based with no financing through long term borrowings.

**18. 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 and includes an amount of Rs.312.226 million (2016: Rs.419.846 million) received from Habib University Foundation in respect of operational deficit.


**19. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on 14-09-2017 by the Board of Governors of the University.

**20. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

  
\_\_\_\_\_  
CHANCELLOR

*EYA*  
  
\_\_\_\_\_  
PRESIDENT