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HABIB UNIVERSITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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Independent Auditor's Report to the Board of Governors of Hablb University (the University)

Opinion

We have audited the financial statements of **Hablb University (the University)**, which comprise the statement of financial position as at 30 June 2018 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 2018, 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.

Signature



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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.


Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 29 September 2018

Place: Karachi

**HABIB UNIVERSITY
BALANCE SHEET
AS AT JUNE 30, 2018**

<u>ASSETS</u>	Note	2018 ------(Rupees in '000)-----	2017
NON-CURRENT ASSETS			
Fixed assets	6	30,033	19,547
Intangible assets	7	8,350	12,479
		38,383	32,026
CURRENT ASSETS			
Office and other supplies		6,912	4,338
Advances, deposits, prepayments and other receivables	8	31,906	19,122
Due from related party		1,889	-
Taxation- current		2,576	1,780
Student fee receivable	9	70,725	78,578
Cash and bank balances	10	26,419	41,060
		140,427	144,878
TOTAL ASSETS		178,810	176,904
<u>FUND AND LIABILITIES</u>			
FUND			
General fund		102,657	93,603
NON CURRENT LIABILITIES			
Security deposit from students		15,570	13,500
CURRENT LIABILITIES			
Trade and other payables		54,343	63,668
Advance admission fee	11	6,240	6,133
		60,583	69,801
TOTAL FUND AND LIABILITIES		178,810	176,904

The annexed notes from 1 to 22 form an integral part of these financial statements.



CHANCELLOR



PRESIDENT

HABIB UNIVERSITY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
Note	----- (Rupees in '000) -----	
INCOME		
Tuition fee	12 664,188	466,112
Application fee	2,744	1,496
Admission fee	11,560	7,602
	<u>678,492</u>	<u>475,210</u>
Donations	18 217,164	312,226
Other income	5,825	2,744
	<u>901,281</u>	<u>790,180</u>
LESS: EXPENDITURE		
Academic and programmatic expenditure	13 (771,722)	(669,479)
Administrative expenditure	14 (115,625)	(95,976)
Provision for doubtful debts	9.2 (4,880)	-
	<u>(892,227)</u>	<u>(765,455)</u>
SURPLUS FOR THE YEAR	<u>9,054</u>	<u>24,725</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

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CHANCELLOR



PRESIDENT

HABIB UNIVERSITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	2018 ----- (Rupees in '000) -----	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	9,054	24,725
Adjustment for non-cash and other items		
Depreciation	11,072	6,641
Amortization	5,676	4,352
Provision for leave encashment	3,489	1,367
Gain on sale of fixed assets	(1,947)	-
	<u>18,290</u>	<u>12,360</u>
Decrease in current assets		
Office and other supplies	(2,574)	(1,592)
Advances, deposits, prepayments & other receivables	(11,845)	(7,206)
Due from related party	(1,889)	-
Student fee receivable	7,853	(9,376)
	<u>(8,455)</u>	<u>(18,174)</u>
(Decrease) / increase in current liabilities		
Trade and other payable	(11,271)	15,557
Advance admission fees	107	2,033
	<u>(11,164)</u>	<u>17,590</u>
Security deposits	2,070	7,200
Payment for taxation	(1,736)	-
Payment for leave encashment	(1,543)	(1,420)
	<u>6,516</u>	<u>42,281</u>
NET CASH GENERATED FROM OPERATIONS		
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating fixed assets	(22,424)	(11,303)
Sales proceeds on disposal of fixed assets	2,813	-
Additions to intangible assets	(1,546)	(4,848)
	<u>(21,157)</u>	<u>(16,151)</u>
NET CASH USED IN INVESTING ACTIVITIES		
Net (decrease)/increase in cash and cash equivalents	(14,641)	26,130
Cash and cash equivalents at the beginning of the year	41,060	14,930
Cash and cash equivalents at the end of the year	<u>26,419</u>	<u>41,060</u>

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The annexed notes from 1 to 22 form an integral part of these financial statements.

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CHANCELLOR



PRESIDENT

HABIB UNIVERSITY
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund (Rupees in '000)
Balance as on June 30, 2016	68,878
Surplus for the year	<u>24,725</u>
Balance as on June 30, 2017	93,603
Surplus for the year	9,054
Balance as on June 30, 2018	<u><u>102,657</u></u>

The annexed notes 1 to 22 form an integral part of these financial statements.

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CHANCELLOR



PRESIDENT

HABIB UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL 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 and reporting standards as applicable in Pakistan. Approved accounting and auditing standards comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the Accounting Standard for Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (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 University's functional and presentation currency.

4. ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

4.1 New Standards, Interpretations and Amendments

The University has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

4.2 Note for new accounting standards, interpretations, and amendments applicable to the financial statements for the year ended 30 June 2018

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New Standards, Interpretations and Amendments

The University has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year

Standard or Interpretation

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

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4.3 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 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contract-(Amendments)	01 January 2018
IFRS 9 Financial Instruments	01 July 2018
IFRS 9 Prepayments Features with Negative Compensation-(Amendments)	01 January 2019
IFRS10 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
IFRS 15 – Revenue from Contracts with Customers	01 July 2018
IFRS 16 – Leases	01 January 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
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 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. 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.

4.4 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 6.1. Depreciation on additions is charged for the full month in which an asset is put to use and on disposal up to 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.

4.5 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.

4.6 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.

4.7 Advances, student fee and other receivables

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

4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost.

4.9 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.

4.10 Security deposits from students

These are stated at cost.

4.11 Taxation

The University is entitled to tax credit under section 100C of the Income Tax Ordinance, 2001 (the ordinance). The University received its recognition as a Non-Profit Organization (NPO) under section 2(36)c of the ordinance from the Commissioner Inland Revenue.

4.12 Minimum tax

The University is also exempt from minimum tax under section 113 of the Ordinance, in view of clause (11A) of Part IV of the second schedule to the Ordinance. Therefore no tax provision has been made in these financial statements.

4.13 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.

4.14 Staff retirement 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.

4.15 Employee compensated absences

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.

4.16 Revenue recognition

Tuition Fee received in lump sum 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.

Donations are recognized as income as and when received.

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4.17 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:

	Notes
- determining the residual values and useful lives of fixed assets	4.4 & 4.5
- employee compensated absences	4.15

6. FIXED ASSETS

	Note	2018 -----(Rupees. in '000')----	2017
Operating fixed assets	6.1	29,033	19,547
Capital work in-progress- advance against purchase of vehicle		1,000	-
		<u>30,033</u>	<u>19,547</u>

6.1 Operating fixed assets

	----- Cost -----			----- Depreciation -----		Book Value		Rate %
	As at July 01 2017	Additions/ (Disposals)	As at June 30 2018	As at July 01 2017	Charge for the year/(On Disposals)	As at June 30 2018	As at June 30 2018	
	----- Rupees in '000 -----							
Motor vehicles	12,584	2,263 (997)	13,850	5,382	1,940 (131)	7,191	6,659	20%
Computer and multimedia	15,439	16,494	31,933	5,120	8,397	13,517	18,416	33.33%
Furniture and fixture	108	283	391	13	63	76	315	20%
Office equipment	919	784	1,703	25	287	312	1,391	20%
Library books	1,179	1,600	2,779	142	385	527	2,252	20%
2018	<u>30,229</u>	<u>21,424</u> (997)	<u>50,656</u>	<u>10,682</u>	<u>11,072</u> (131)	<u>21,623</u>	<u>29,033</u>	

	----- 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 and 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	<u>18,926</u>	<u>11,303</u>	<u>30,229</u>	<u>4,041</u>	<u>6,641</u>	<u>10,682</u>	<u>19,547</u>	

- 6.1.1 The University land and other operating assets are owned by Habib University Foundation, a related party, and no depreciation is charged to the University.
- 6.1.2 Depreciation charge for the year has been allocated to academic expenditures and administrative expenditure, which are as follows :

	Note	2018 ----- (Rupees in '000)	2017 ----- (Rupees in '000)
Academic and programmatic expenditure	13	8,858	5,311
Administrative expenditure	14	2,214	1,330
		<u>11,072</u>	<u>6,641</u>

7. INTANGIBLE ASSETS

	Cost			Amortization		Book Value As at June 30 2018	Rate %
	As at July 01 2017	Additions	As at June 30 2018	As at July 01 2017	Charge for the year		
	Rupees in '000						
Software	4,848	1,546	6,394	343	1,684	2,027	33.33%
Project development cost – academic planning & modeling	19,973	-	19,973	11,999	3,991	15,990	20%
2018	<u>24,821</u>	<u>1,546</u>	<u>26,367</u>	<u>12,342</u>	<u>5,675</u>	<u>18,017</u>	

	Cost			Amortization		Book Value As at June 30 2017	Rate %
	As at July 01 2016	Additions	As at June 30 2017	As at July 01 2016	Charge for the year		
	Rupees in '000						
Software	-	4,848	4,848	-	343	343	33.33%
Project development cost – academic planning & modeling	19,973	-	19,973	7,990	4,009	11,999	20%
2017	<u>19,973</u>	<u>4,848</u>	<u>24,821</u>	<u>7,990</u>	<u>4,352</u>	<u>12,342</u>	<u>12,479</u>

- 7.1 Amortisation charge for the year has been allocated to academic expenditures and administrative expenditure, which are as follows:

	Note	2018 ----- (Rupees in '000)	2017 ----- (Rupees in '000)
Academic and programmatic expenditure	13	4,540	3,482
Administrative expenditure	14	1,135	870
		<u>5,675</u>	<u>4,352</u>

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		2018	2017
		------(Rupees in '000)-----	
8.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	
	Advances		
	Employees	221	765
	Suppliers	169	280
	Expenses	1,756	80
		<u>2,146</u>	<u>1,125</u>
	Deposits	2,843	335
	Prepayments		
	Insurance	1,525	1,697
	Utility charges	478	1,534
	Others	9,239	7,663
		<u>11,242</u>	<u>10,894</u>
	Other receivables	15,675	6,768
		<u>31,906</u>	<u>19,122</u>

8.1 Includes advance for travelling of Rs.1.34 million given to the President of the University, a related party.

8.2 Includes Rs.1.33 million (2017: Rs.1.65 million) with Habib Insurance Company Limited, a related party.

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

		2018	2017
		------(Rupees in '000)-----	
9.	STUDENT FEE RECEIVABLE	Note	
	Student Fee receivable	9.1 76,431	79,404
	Provision for doubtful debts	9.2 (5,706)	(826)
		<u>70,725</u>	<u>78,578</u>

9.1 Includes Rs.56.87 (2017: Rs.73.64) million on account of receivable from students in process of arranging a student loan facility from Habib Metropolitan Bank, a related party.

		2018	2017
		------(Rupees in '000)-----	
9.2	Movement for provision for doubtful debts	Note	
	Opening balance	(826)	(826)
	Provision recognized during the period	(4,880)	-
	Closing balance	<u>(5,706)</u>	<u>(826)</u>

Full

	Note	2018 ------(Rupees in '000)-----	2017 -----
10. CASH AND BANK BALANCES			
Cash in hand			
Local currency		57	-
Foreign currency		495	967
Cash at bank			
Saving account	10.1	20,341	39,486
Current account		5,526	607
	10.2	25,867	40,093
		<u>26,419</u>	<u>41,060</u>

10.1 This carries profit at the rate of 3.75% to 4.25% (2017: 4.6%) per annum

10.2 Includes an amount of Rs.25.617 million (2017: 40.093 million) deposited at Habib Metropolitan Bank, a related party.

	Note	2018 ------(Rupees in '000)-----	2017 -----
11 TRADE AND OTHER PAYABLES			
Payable to suppliers and contractors		1,075	767
Accrued expenses		20,569	40,229
Provision for leave encashment	11.1	18,568	16,622
Others	11.2	14,131	6,050
		<u>54,343</u>	<u>63,668</u>

11.1 Provision for leave encashment

Opening balance	16,622	16,675
Charge for the year	3,489	1,367
Payment made during the year	(1,543)	(1,420)
Closing balance	<u>18,568</u>	<u>16,622</u>

11.2 Others

Employees Old Age Benefits Institution payable	230	16
Salaries and fringe benefits	4,390	5,252
Staff transport	74	74
Leave fair assistance payable	8,424	467
Withholding Tax payable	561	13
Advance tax payable	-	107
Sales tax payable	452	121
	<u>14,131</u>	<u>6,050</u>

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	Note	2018 ------(Rupees in '000)-----	2017
12. TUTION FEE			
Self-funded		231,796	155,903
Funding for scholarship, grant and loan			
Scholarship from Habib University Foundation – a related party		237,508	162,836
Zakat from Habib University Foundation – a related party		112,577	71,377
Grant from Habib University Foundation – a related party		20,998	11,680
Student Loan scheme – Habib Metropolitan Bank – a related party		61,309	64,316
		<u>432,392</u>	<u>310,209</u>
		<u>664,188</u>	<u>466,112</u>
13. ACADEMIC AND PROGRAMMATIC EXPENDITURE			
Salaries and benefits		461,292	411,972
Faculty research grant		-	3,207
Faculty recruitment		5,300	4,331
Lab, studio and academic supplies		6,260	5,099
Library and other academic activities		13,448	7,972
Student transport and hostel		17,481	15,475
Health, sports, wellness and counselling		7,094	9,302
Conferences, seminars and workshops		25,444	5,854
Student recruitment, admission and marketing		24,449	28,817
Technology- licenses and hardware		23,294	17,607
Vehicle, supplies and others		23,133	17,468
Utilities		44,921	41,266
Building repair and maintenance		48,966	43,942
Insurance		9,312	8,461
Safety and security		13,765	13,481
Depreciation	6.1.2	8,858	5,311
Amortization	7.1	4,540	3,482
Travelling		27,858	11,218
Postage and Printing		1,504	13,970
Others		4,803	1,244
		<u>771,722</u>	<u>669,479</u>
14. ADMINISTRATIVE EXPENDITURE			
Salaries and benefits		77,256	62,624
Vehicle, supplies and others		5,405	3,852
Audit fee		377	515
Utilities		11,230	10,317
Building repairs and maintenance		12,244	10,986
Insurance		2,328	2,112
Safety and security		3,436	3,370
Depreciation	6.1.2	2,214	1,330
Amortization	7.1	1,135	870
		<u>115,625</u>	<u>95,976</u>

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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. 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.0.91 million (2017:Rs. 0.96 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:

	2018	2017
Cash Balances		
USD	2,947	8,162
GBP	230	1,830
AED	2,050	-

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

	2018 Rupees	2017 Rupees
Closing Exchange Rates		
USD	123.95	106.40
GBP	143.50	136.40
AED	33.46	-

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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.

	2018		2017	
	Effect on (Deficit) or Surplus	Effect on Funds	Effect on (Deficit) or Surplus	Effect on Funds
	-----Rupees-----			
10% appreciation of USD against PKR	36,528	36,528	86,845	86,845
10% depreciation of USD against PKR	(36,528)	(36,528)	(86,845)	(86,845)
10% appreciation of GBP against PKR	3,301	3,301	24,963	24,963
10% depreciation of GBP against PKR	(3,301)	(3,301)	(24,963)	(24,963)
10% appreciation of AED against PKR	6,859	6,859	-	-
10% depreciation of AED against PKR	(6,859)	(6,859)	-	-

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.

The University is exposed to credit risk mainly on bank balances and student fee receivable. The University seeks to minimize the credit risk exposure through having exposure only to banks considered credit worthy and student fee facilities arranged with banks.

	2018	2017
	----- (Rupees in '000) -----	
Bank balances		
Ratings		
A1+	<u>25,867</u>	<u>40,093</u>

	Not yet due	Less than 3 months	3 to 6 months	Over 6 Months	Total
	----- (Rupees in '000) -----				
Student fees receivable - 2018	<u>197</u>	<u>2,152</u>	<u>63,639</u>	<u>10,443</u>	<u>76,431</u>

	Not yet due	Less than 3 months	Less 3 to 6 months	Over 6 Months	Total
	----- (Rupees in '000) -----				
Student fees receivable - 2017	<u>-</u>	<u>1,715</u>	<u>33,516</u>	<u>44,173</u>	<u>79,404</u>

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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 - 2018	-	54,343	-	54,343

	On demand	Less than 3 months	3 to 12 Months	Total
	(Rupees in '000)			
Trade and other payables - 2017	-	63,668	-	63,668

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, members of the Board of Governors and other key management personnel. Related party transactions are disclosed below:

	2018	2017
	--- (Rupees in '000) ---	
Donation - Habib University Foundation	217,164	312,226
Profit on bank deposits and term deposits- Habib Metropolitan Bank limited	912	799
Tuition fee received under student loan scheme - Habib Metropolitan Bank Limited	66,364	59,195
Insurance premium paid - Habib Insurance Company limited	11,582	11,176
Purchase of vehicles - Indus Motors Company Limited	1,999	-

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19. REMUNERATION OF PRESIDENT AND DIRECTORS

19.1 The aggregate amounts charged in the financial statements in respect of remuneration, including all benefits, to the President of the University were as follows:

	2018	2017
	President	President
	----- (Rupees in '000) -----	
Remuneration	36,189	35,044
Retirement Benefits	908	893
Utilities	1,420	1,141
Others	1,766	1,602
	<u>40,283</u>	<u>38,680</u>

19.2 No fee was charged by any Director of the University.

19.3 There are 11 directors (2017: 11) of the University.

20. PROVIDENT FUND

20.1 General Disclosure

	2018 (unaudited) --- (Rupees in '000) ---	2017 (audited)
Size of the fund	82,003	64,086
Cost of Investment	74,562	60,695
Fair value of investment	80,939	63,612

20.2 Categories of investments as a percentage of total as a percentage of total assets of provident fund

	2018		2017	
	(Unaudited) Rupees '000	%	(Audited) Rupees '000	%
Cash at bank	3,076	3.8	1,733	2.7
Term deposit receipt	74,562	96.2	61,879	97.3

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21. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 29 SEP 2018 by the Board of Governors of the University.

22. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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CHANCELLOR



PRESIDENT