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# HABIB UNIVERSITY FOUNDATION

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Ernst & Young Ford Rhodes Sidiat Hyder  
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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Habib University Foundation (the Foundation)** as at **30 June 2016** and the related income and expenditure account, cash flow statement and statement of changes in funds together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Foundation's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Foundation as required by the Companies Ordinance, 1984;
- b) in our opinion :
  - i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4 to the accompanying financial statements with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Foundation's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Foundation.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in funds together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Foundation's affairs as at **30 June 2016** and of the deficit, its cash flows and changes in funds for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

*EY Ford Rhodes*

Chartered Accountants  
Audit Engagement Partner: Riaz A. Rehman Chamdia  
Date: 19 August 2016  
Place: Karachi

**HABIB UNIVERSITY FOUNDATION  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)  
BALANCE SHEET  
AS AT JUNE 30, 2016**

Note                      2016                      2015

----- (Rupees '000) -----

**ASSETS**

**NON-CURRENT ASSETS**

Property, plant and equipment	7	3,234,225	3,254,958
Intangible assets	8	345,503	447,815
Long term investments	9	384,159	342,731
		<u>3,963,887</u>	<u>4,045,504</u>

**CURRENT ASSETS**

Advances	10	1,498	11,740
Deposits and short term prepayments	11	4,020	3,306
Accrued profit		154	291
Other receivables	12	1,077	4,317
Short term investments	13	122,117	139,420
Taxation – net		4,483	4,416
Cash and bank balances	14	228,369	156,743
		<u>361,718</u>	<u>320,233</u>

**TOTAL ASSETS**

4,325,605                      4,365,737

**FUNDS AND LIABILITIES**

**FUNDS**

General Fund	15	3,523,374	3,657,691
Endowment Fund	16	554,833	435,241
Zakat Fund	17	72,901	29,848
Sinking Fund	18	596	-
HU TOPS Fund		56,189	-
		<u>4,207,893</u>	<u>4,122,780</u>

**NON-CURRENT LIABILITIES**

Non-monetary government grant	19	570	3,986
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**CURRENT LIABILITIES**

Trade and other payables	20	113,726	235,555
Current portion of non-monetary government grant	19	3,416	3,416
		<u>117,142</u>	<u>238,971</u>

**CONTINGENCIES AND COMMITMENTS**

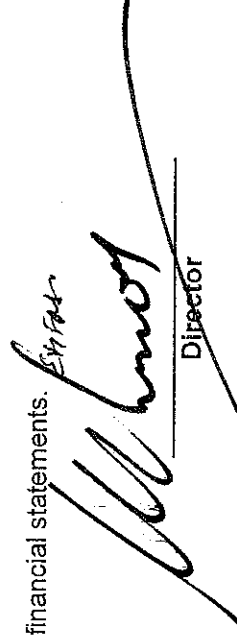
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**TOTAL FUND AND LIABILITIES**

4,325,605                      4,365,737

The annexed notes 1 to 36 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director

**HABIB UNIVERSITY FOUNDATION  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2016**

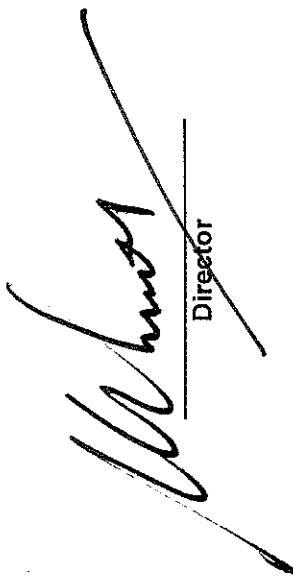
	Note	2016	2015
		(Rupees `000)	
<b>INCOME</b>			
Donations	23	633,592	1,026,040
Other income	24	3,545	9,162
		<b>637,137</b>	<b>1,035,202</b>
<b>EXPENDITURE</b>			
Donations to related parties	25	(348,032)	(347,396)
Scholarship to Habib University students		(90,519)	(39,275)
Depreciation	7.1.2	(212,955)	(88,661)
Amortization	8	(103,113)	(54,117)
Program and administrative expenses	26	(4,306)	(5,208)
		<b>(758,925)</b>	<b>(534,657)</b>
		<b>(121,788)</b>	<b>500,545</b>
Net deficit on projects	27	(11,933)	(8,271)
(Deficit) / surplus for the year		<b>(133,721)</b>	<b>492,274</b>

The annexed notes 1 to 36 form an integral part of these financial statements.

*E. V. F. A.*



\_\_\_\_\_  
Chief Executive



\_\_\_\_\_  
Director

**HABIB UNIVERSITY FOUNDATION  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016	2015
			----- (Rupees `000) -----

**CASH FLOWS FROM OPERATING ACTIVITIES**

Deficit / surplus for the year		(133,721)	492,274
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**Adjustment for non-cash and other items**

Depreciation	214,914	93,166	
Amortization	103,113	54,117	
Amortization of non monetary government grant	(3,416)	(3,416)	
Profit on deposit accounts	(3,540)	(7,820)	
Transfer of motor vehicles	-	11,438	
Exchange gain	(5)	(93)	
Gain on sale of fixed assets	-	(1,249)	
	311,066	146,143	

**Working capital changes**

Decrease in current assets	12,701	24,057	
(Decrease) / increase in current liabilities	(121,829)	80,631	
	(109,128)	104,688	
Payment for compensated absences	-	(8,169)	
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>68,217</b>	<b>734,936</b>	

**CASH FLOWS FROM INVESTING ACTIVITIES**

Fixed capital expenditure	(194,982)	(709,609)	
Sale proceeds on disposal of operating fixed assets	-	4,384	
Investments made during the year	-	(238,500)	
Profit received on deposit accounts	9,611	22,230	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(185,371)</b>	<b>(921,495)</b>	

**CASH FLOWS FROM FINANCING ACTIVITIES**

Contribution received in Endowment Fund	143,463	102,104	
Disbursement to Habib University from Endowment Fund	(71,813)	(51,000)	
Zakat received	81,670	40,288	
Disbursement to Habib University from Zakat Fund	(38,617)	(10,440)	
Contribution received in HU TOPS Fund	56,990	-	
Utilization of HU TOPS fund	(801)	-	
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>170,892</b>	<b>80,952</b>	

Net increase / (decrease) in cash and cash equivalents  
Cash and cash equivalents at the beginning of the year  
Cash and cash equivalents at the end of the year

	53,738	(105,607)	
	295,505	401,112	
	<b>349,243</b>	<b>295,505</b>	

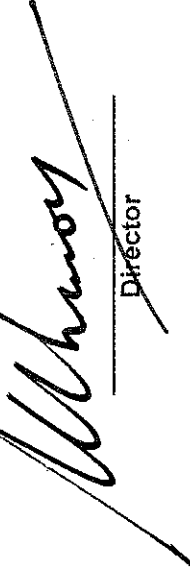
**CASH AND CASH EQUIVALENTS**

Cash and bank balances	14	228,369	156,743
Short-term investments	13	120,874	138,762
		<b>349,243</b>	<b>295,505</b>

The annexed notes 1 to 36 form an integral part of these financial statements. *27/12/16*



\_\_\_\_\_  
Chief Executive




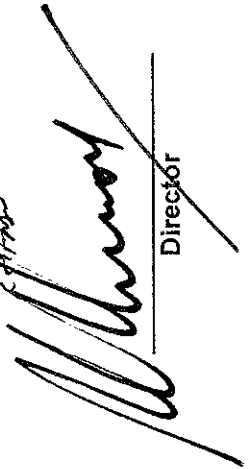
\_\_\_\_\_  
Director

**HABIB UNIVERSITY FOUNDATION  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)  
STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Endowment Fund	Zakat Fund	Sinking Fund	HU TOPS Fund	Total
	(Rupees '000)					
<b>Balance as on June 30, 2014</b>	3,512,574	-	-	-	-	3,512,574
Surplus for the year	492,274	-	-	-	-	492,274
Transfer from General Fund	(347,157)	347,157	-	-	-	-
Contribution received during the year	-	102,104	-	-	-	102,104
Income for the year	-	36,980	-	-	-	36,980
Zakat received during the year	-	-	40,288	-	-	40,288
Disbursement to Habib University	-	(51,000)	-	-	-	(51,000)
Disbursement to Habib University students	-	-	(10,440)	-	-	(10,440)
<b>Balance as on June 30, 2015</b>	<u>3,657,691</u>	<u>435,241</u>	<u>29,848</u>	<u>-</u>	<u>-</u>	<u>4,122,780</u>
Deficit for the year	(133,721)	-	-	-	-	(133,721)
Transfer from General Fund	(596)	-	-	596	-	-
Contribution received during the year	-	143,463	-	-	56,990	200,453
Utilization of Fund	-	-	-	-	(801)	(801)
Income for the year	-	47,942	-	-	-	47,942
Zakat received during the year	-	-	81,670	-	-	81,670
Disbursement to Habib University	-	(71,813)	-	-	-	(71,813)
Disbursement to Habib University students	-	-	(38,617)	-	-	(38,617)
<b>Balance as on June 30, 2016</b>	<u><b>3,523,374</b></u>	<u><b>554,833</b></u>	<u><b>72,901</b></u>	<u><b>596</b></u>	<u><b>56,189</b></u>	<u><b>4,207,893</b></u>

The annexed notes 1 to 36 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director

**HABIB UNIVERSITY FOUNDATION**  
**(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

Habib University Foundation (the Foundation) was incorporated in Pakistan as a company limited by guarantee not having share capital under section 42 of the Companies Ordinance, 1984 on October 10, 2007. The Foundation is principally engaged in establishing a research based university focusing on Science, Engineering, Social Science and Entrepreneurship. Further, the Foundation is engaged in managing a vocational training institute for enhancing marketable skills for the youth to increase youth employability, and various other philanthropic projects that facilitate access to quality education. The Foundation has also undertaken various youth development projects in collaboration with Government of Sindh with an aim to improve the quality of educational programs in the country. The city campus of Habib University is situated at Gulistan-e-Johar and the main campus of Habib University will be situated at Superhighway. The city campus of Habib University commenced its operations during the year ended 30 June 2015. These financial statements do not include the result of operations of Habib University.

**2. STATEMENT OF COMPLIANCE**

The financial statements for the year ended June 30, 2015 were prepared in accordance with Accounting and Financial Reporting Standards for Medium-Sized Entities issued by the Institute of Chartered Accountants of Pakistan (ICAP) and provisions of and directives issued under the Companies Ordinance, 1984. However, during the current year, the Securities and Exchange Commission of Pakistan (SECP) has issued S.R.O. 929(I)/2015 dated September 10, 2015 which deals with the accounting framework for preparation of financial statements. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and are notified by the SECP and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

**3. BASIS OF MEASUREMENT**

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

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

**4. ADOPTION OF AMENDED STANDARDS**

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 Foundation has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 27 – Equity Method in Separate Financial Statements

IAS 28 – Investments in Associates and Joint Ventures

The adoption of the above accounting standards did not have any effect on the financial statements.

*S.H.F.A.*

**4.2 Standards, interpretations 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:

<b>Standard or interpretation</b>	<b>Effective date (annual periods Beginning on or after)</b>
IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
<b>Standard or interpretation</b>	<b>Effective date (annual periods Beginning on or after)</b>
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
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
IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016
The above standards and amendments are not expected to have any material impact on the Foundation'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 September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Foundation expects that such improvements to the standards will not have any material impact on the Foundation's financial statements in the period of initial application.

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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

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Property, plant and equipment

#### Operating fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment.

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 7.1. 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 Foundation.

An item of property, plant and equipment 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.

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amounts.

#### Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses. It consists of expenditure incurred and advances made in respect of operating assets in the course of construction, installation and borrowing costs for qualifying assets if its recognition criteria are met.

### 5.2 Intangible assets

Costs incurred on the acquisition of computer software are capitalized and are amortized on straight line basis over their estimated useful life. Amortization is charged in the month in which the asset is put to use at the rates stated in note 8 to the financial statements.

Project development cost comprises of cost in relation to development of academic planning and 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.

*Signature*

## Habib University Foundation

The carrying value of intangible assets is reviewed for impairment at each financial year end when events or changes in circumstances indicate that the carrying value may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amounts.

### 5.3 Investments

#### Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Foundation has the positive intention and ability to hold to maturity.

These investments are initially recognised at fair value plus transaction costs and subsequently measured at amortized cost.

### 5.4 Advances and other receivables

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

### 5.5 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, bank balances and short-term highly liquid investments with original maturities of six months or less and running finance under mark-up arrangements.

### 5.6 Endowment Fund

The Foundation has established an Endowment Fund restricted for Habib University to support its operations and ensure continued growth and sustainability. The Fund is strengthened by transfer from General Fund and contributions received from donors. The income generated from Endowment Fund is credited to Endowment Fund and utilized for restricted purposes of support to Habib University.

### 5.7 Zakat Fund

The Foundation has established a Zakat Fund restricted for providing financial assistance to the deserving students of Habib University. Zakat Fund is credited at the time of receipt of zakat and is debited at the time of disbursement to Habib University students.

### 5.8 Sinking Fund

The Foundation has provided guarantee against loans issued by a commercial bank to Habib University students. To mitigate the impact of credit risk, a Sinking Fund has been established during the year to offset the risk of student default. The Fund will be credited by transfer from General Fund and debited by any impact of student loan default.

### 5.9 HU TOPS Fund

The Foundation has established a scholarship fund to assist in Habib University Talent, Outreach, Promotion and Support (HU TOPS), restricted for providing financial assistance to the deserving students of Habib University. The Fund is credited at the time of receipt of funds and debited when expenses are paid or scholarships are disbursed from the Fund.

### 5.10 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 Foundation.

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**5.11 Taxation**

The Foundation is a not-for-profit organization and its income was exempt from tax in terms of clauses (59) and (60), 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 (59) and (60) 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 statements for the year.

**5.12 Provisions**

Provisions are recognized when the Foundation 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.

**5.13 Employees' benefits**

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

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

**5.14 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.

**5.15 Revenue recognition**

Unrestricted donations in cash are recognized as income as and when received. Unrestricted donations in kind in the form of assets with no future related costs are recognized as income of the period in which it becomes receivable / received, at fair value determined by the independent valuers.

Profit on bank accounts and term deposit receipts are recognized on time proportion basis.

**5.16 Government grant**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that is intended to compensate. Grants received in the form of non monetary items are recorded at fair value and recognized as deferred income and released to income and expenditure account on a straight line basis over the useful lives of asset from the date the asset is available for internal use.

**6. Significant accounting judgments and estimates**

The preparation of the Foundation's financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively. In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

*S.H.P.A.*

	Note	2016	2015	Note
		----- (Rupees `000) -----		
-	determining the residual values and useful lives of property, plant and equipment and intangibles			5.1 & 5.2
-	Staff retirement benefits funds and compensated absences			5.13

## 7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	7.1	2,839,421	2,633,686
Capital work-in-progress	7.2	394,804	621,272
		<u>3,234,225</u>	<u>3,254,958</u>

### 7.1 Operating fixed assets

	Cost		Accumulated Depreciation / Amortization		Book value		Rate (%)	
	As at July 1, 2015	Additions / (Disposals) / (Transfers)*	As at June 30, 2016	As at July 1, 2015	Charge for the year / (Disposals) / (Transfers)*	As at June 30, 2016		
	----- (Rupees `000) -----							
Leasehold land and building	28,468	-	28,468	21,066	3,416	24,482	3,986	12%
Leasehold land - city campus	529,615	-	529,615	-	-	-	529,615	-
Building on leasehold land - city campus	1,323,852	132,129	1,455,981	16,548	35,984	52,532	1,403,449	3%
Machinery and electrical works	452,257	140,261	592,518	22,613	59,252	81,865	510,653	10%
Motor vehicles	1,247	-	1,247	1,029	8	1,037	210	20%
Office equipment	136,255	6,753	143,008	21,112	27,388	48,500	94,508	20%
Lab equipment	30,287	47,057	77,344	3,028	15,469	18,497	58,847	20%
Furniture and fixtures	139,668	70,618	210,286	13,278	29,786	43,064	167,222	14.3% to 20%
Library books	4,320	9,049	13,369	819	2,673	3,492	9,877	20% to 33%
Computers and multimedia	119,792	14,782	134,574	32,582	40,938	73,520	61,054	33%
<b>2016</b>	<u>2,765,761</u>	<u>420,649</u>	<u>3,186,410</u>	<u>132,075</u>	<u>214,914</u>	<u>346,989</u>	<u>2,839,421</u>	
<b>2015</b>	612,498	2,182,880	2,765,761	53,953	93,166	132,075	2,633,686	
		(8,834)	(20,783)*		(5,699)	(9,345)*		

7.1.1 Includes assets costing Rs. 2,579.80million with the net book value of Rs. 2,295.09 million, which are in possession and use of Habib University free of cost.

7.1.2 Depreciation charge for the year has been allocated as under:

	2016	2015
	----- (Rupees `000) -----	
Income and expenditure account	212,955	88,661
Project expenses	1,959	4,505
	<u>214,914</u>	<u>93,166</u>

*EYFA*

2016

2015

Note ----- (Rupees `000) -----

**7.2 Capital work-in-progress**

Opening balance	621,272	2,098,592
Capital expenditure incurred/advances made during the year	190,791	685,219
Transfer to operating fixed assets	(417,259)	(2,162,539)
<b>Closing balance</b>	<b>394,804</b>	<b>621,272</b>

7.2.2

**7.2.1 Transfer to operating fixed assets**

Building on leasehold land – city campus	132,129	1,323,852
Machinery and electrical works	140,261	452,257
Office equipment	6,240	123,197
Lab equipment	47,057	30,287
Furniture and fixtures	69,598	135,417
Library books	8,999	3,289
Computers and multimedia	12,975	94,240
	<b>417,259</b>	<b>2,162,539</b>

7.2.2 This represents civil works incurred on university building.

**8. INTANGIBLE ASSETS**

	COST		ACCUMULATED AMORTIZATION		BOOK VALUE		Amortization rate %	
	As at July 01, 2015	As at June 30, 2016	As at July 01, 2015	As at June 30, 2016	As at June 30, 2016	As at June 30, 2016		
Computer software	26,362	801	27,163	10,463	7,131	17,594	9,569	33
Project development cost (note 8.1)								
- Academic Planning and Modeling	420,890	-	420,890	42,089	84,179	126,268	294,622	20
- Networking and partnership	59,017	-	59,017	5,902	11,803	17,705	41,312	20
	<b>506,269</b>	<b>801</b>	<b>507,070</b>	<b>58,454</b>	<b>103,113</b>	<b>161,567</b>	<b>345,503</b>	
	<b>502,220</b>	<b>4,049</b>	<b>506,269</b>	<b>4,337</b>	<b>54,117</b>	<b>58,454</b>	<b>447,815</b>	

8.1 Includes assets costing Rs. 479.91 million with the net book value of Rs. 335.94 million, which are in possession and use of Habib University free of cost.

**9. LONG-TERM INVESTMENTS**

Held to maturity  
Term Deposit Receipts  
Accrued profit thereon

	288,500	288,500
	95,659	54,231
	<b>384,159</b>	<b>342,731</b>

9.1

9.1 Represents term deposits with Habib Metropolitan Bank Limited, a related party. These carry profit at the rate of 12.25% (2015: 12.25%) per annum and will mature latest by 2020. The long term investments pertain in entirety to the Endowment Fund.

SPT/14

	2016	2015
	----- (Rupees `000) -----	
<b>10. ADVANCES—unsecured, considered good</b>		
- Employees	100	1,125
- Suppliers	1,398	10,615
	<u>1,498</u>	<u>11,740</u>

Note

**11. DEPOSITS AND SHORT TERM PREPAYMENTS**

Security deposits	4,012	3,296
Prepayments		
- Insurance	8	-
- Others	-	10
	<u>4,020</u>	<u>3,306</u>

**12. OTHER RECEIVABLES**

<b>Considered good</b>		
Due from projects	277	4,177
Miscellaneous	800	140
	<u>1,077</u>	<u>4,317</u>
<b>Considered doubtful</b>		
Benazir Bhutto Shaheed Youth Development Program	602	602
Less: Provision for doubtful receivables	(602)	(602)
	<u>-</u>	<u>-</u>
	<u>1,077</u>	<u>4,317</u>

**13. SHORT-TERM INVESTMENTS**

<b>Held to maturity</b>		
Term Deposit Receipts	120,874	138,762
Accrued profit thereon	1,243	658
	<u>122,117</u>	<u>139,420</u>

13.1

**13.1** Represents term deposits receipts with Habib Metropolitan Bank Limited, a related party. These carry profit rates ranging from 6% to 6.4% (2015: profit rate of 6.4% to 7.4%) per annum and have a maturity of three months. This represents investments made for Endowment Fund (2015: Rs.88.42 million).

**14. CASH AND BANK BALANCES**

Cash in hand:	10	-
With banks:		
- in deposit accounts	216,031	153,675
- in current accounts	12,328	3,068
	<u>228,359</u>	<u>156,743</u>
	<u>228,369</u>	<u>156,743</u>

14.1

**14.1** Represents deposit accounts maintained with Habib Metropolitan Bank Limited, a related party, which carries profit at the rate ranging from 4.5% to 5.5% (2015: 5.5% to 8%) per annum.

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## 14.2 This includes following restricted balances:

	2016	2015
	----- (Rupees `000) -----	
Endowment Fund	48,557	4,090
Zakat Fund	72,901	29,848
HU TOPS Fund	56,189	-
Lien marked on student loan to Habib University students	11,565	-
	<u>189,212</u>	<u>33,938</u>

## 15. ENDOWMENT FUND

Opening	435,241	-
Transfer from General Fund	-	347,157
Contribution received during the year	143,463	102,104
Return on investments	47,942	36,980
Disbursement during the year to Habib University	(71,813)	(51,000)
	<u>554,833</u>	<u>435,241</u>

## 15.1 Endowment Fund

Represented by:

Long term investment	384,159	342,731
Short term investment	122,117	88,420
Cash and bank balances	48,557	4,090
	<u>554,833</u>	<u>435,241</u>

## 16. ZAKAT FUND

Opening	29,848	-
Received during the year	81,670	40,288
Disbursement during the year to Habib University students	(38,617)	(10,440)
	<u>72,901</u>	<u>29,848</u>

## 17. SINKING FUND

Transfer from general reserve	596	-
	<u>596</u>	<u>-</u>

## 18. HU TOPS FUND

Contribution during the year	56,990	-
Utilization of fund	(801)	-
	<u>56,189</u>	<u>-</u>

## 19. NONMONETARY GOVERNMENT GRANT

Opening	7,402	10,818
Released to income during the year	(3,416)	(3,416)
	<u>3,986</u>	<u>7,402</u>
Current portion shown under current liabilities	(3,416)	(3,416)
	<u>570</u>	<u>3,986</u>

	2016	2015
Note	----- (Rupees `000) -----	-----

**20. TRADE AND OTHER PAYABLES**

Payable to suppliers and contractors	1,382	12
Retention money	27,983	63,748
Projects payable	14,084	13,912
Accrued liabilities	69,981	157,782
Provision for leave encashment	296	101
	<b>113,726</b>	<b>235,555</b>

**21 CONTINGENCIES AND COMMITMENTS****21.1 Contingencies**

During the year the Cantonment Board Faisal (CBF) has raised demand against property tax amounting to Rs. 4.7 million. The Foundation has appealed in the High Court against the decision and obtained injunction order against the demand until the resolution of the case. The management is confident that the decision will be made in its favor and accordingly no provision has been made in these financial statements.

**21.2 Commitments**

(i) Outstanding guarantee to a commercial bank for providing student loans to Habib University students by creating a lien on current account. The commercial bank has disbursed loans amounting to Rs. 11.565 million (2015: Nil)

(ii) Commitments in respect of outstanding letters of credit for purchase of fixed assets amount to Rs. 5.85 million (2015: Nil).

	2016	2015
(Unaudited)	----- (Rupees `000) -----	----- (Audited) -----

**22. Payable to Provident Fund****22.1. General disclosures**

Size of the fund	3,772	4,619
Cost of investments	3,772	4,619
Fair value of investments	3,772	4,619
Percentage of investments	100%	100%

**22.1.1 Categories of investments as a percentage of total assets of provident fund:**

	2016	2015
(Unaudited)	----- (Rupees `000) -----	----- (Audited) -----
Rupees `000 (%)	Rupees `000	(%)
Bank deposits	<b>3,772</b>	<b>100%</b>
	<b>4,619</b>	<b>100%</b>

Investments of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

**23. DONATIONS**

From related parties  
Other corporate entities

	2016	2015
Note	----- (Rupees `000) -----	-----

23.1	627,300	956,198
	6,292	69,842
	<b>633,592</b>	<b>1,026,040</b>



Habib University Foundation

Note 2016 2015  
 (Rupees '000)

23.1 From related parties

Mohammadali Habib Welfare Trust	513,166	743,813
Fazilat Hyder	6,144	-
Zubeida Hyder	9,667	-
Khadijah Hyder	8,888	-
Farah Fatimah	26,756	5,000
Mohammad Hyder	46,978	30,000
MHWT Limited	15,701	-
Indus Motor Company Limited	-	30,000
Habib Metropolitan Bank Limited	-	6,000
Thal Limited	-	5,000
Rafiq Habib	-	332
Mohamedali Rafiq Habib	-	1,000
Habib Bank AG Zurich	-	7,311
Jamila Rafiq	-	25,000
Marzia Hassan	-	20,000
Sayyeda Rafiq	-	20,000
Meherafroze Habib	-	62,742
	<u>627,300</u>	<u>956,198</u>

24. OTHER INCOME

Profit on bank accounts	3,540	7,820
Gain on sale of fixed assets	-	1,249
Exchange gain	5	93
	<u>3,545</u>	<u>9,162</u>

25. DONATIONS TO RELATED PARTIES

Habib University	347,932	346,910
Children Foundation Trust	100	486
	<u>348,032</u>	<u>347,396</u>

26. PROGRAM AND ADMINISTRATIVE EXPENSES

Legal and professional charges	3,298	1,548
Project consultancy and development charges	528	133
Auditors' remuneration	480	449
Site office expenses	-	3,078
	<u>4,306</u>	<u>5,208</u>

26.1 Auditors' remuneration

Audit fee	275	275
Fee for review of half yearly financial statements	150	125
Out of pocket expenses	55	49
	<u>480</u>	<u>449</u>

5/1/15

## 27. NET DEFICIT ON PROJECTS

	2016		2015	
	Income	Expenses (Rupees '000)	Net (Deficit)	Income
Institute for Advancing Careers and Talents	5,942	(16,993)	(11,051)	4,877
Youth Development Programs	9,836	(10,718)	(882)	16,540
Rupees	<u>15,778</u>	<u>27,711</u>	<u>(11,933)</u>	<u>21,417</u>
				<u>(29,688)</u>
				<u>(8,077)</u>
				<u>(194)</u>
				<u>(8,271)</u>

## 28. TAXATION

The Foundation has filed its return of income up to tax year 2015. The return so filed is deemed to be an assessment order issued by the Taxation Authorities on the date the complete return is filed.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

## 29.1 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 Foundation is exposed to interest rate risk in respect of bank deposits and term deposit receipts. Management of the Foundation estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the deficit / increase the surplus by Rs.0.79 million (2015:Rs. 1.42 million) and a 1% decrease would result in the increase / decrease in the Foundation'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 Foundation's exposure to foreign currency risk is as follows:

	2016	2015
Bank Balances	USD	USD
	<u>11,200</u>	<u>49,500</u>

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

	2016	2015
Closing Exchange Rates	Rupees	Rupees
	<u>104.7</u>	<u>101.7</u>

*E.H.N.*

**29.2 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 Foundation's performance to developments affecting a particular industry.

The Foundation is exposed to credit risk mainly on short term investments and bank balances. The Foundation seeks to minimise 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.

	2016	2015
	----- (Rupees '000) -----	
<b>Bank balances</b>		
<b>Ratings</b>		
A1+	227,772	156,743
A-1+	<u>587</u>	<u>-</u>
	<u>228,359</u>	<u>156,743</u>
<b>Short term investments</b>		
<b>Ratings</b>		
A1+	<u>122,117</u>	<u>139,420</u>
	<u>122,117</u>	<u>139,420</u>

**29.3 Liquidity risk**

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

The management forecasts the liquidity of the Foundation on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

	3 to 12 Months	Total
	----- (Rupees in '000) -----	
On demand	1,678	112,048
	<u>-</u>	<u>113,726</u>
Trade and other payables - 2016		
	<u>12</u>	<u>235,543</u>
Trade and other payables - 2015		
	<u>-</u>	<u>235,555</u>

**30. 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. The estimated fair value of all financial assets and liabilities is considered not significantly different from book value.

*5/7/17*

**31. CAPITAL RISK MANAGEMENT**

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

**32. TRANSACTIONS WITH RELATED PARTIES**

The related parties include members, entities having directors in common with the Foundation, directors and other key management personnel. Related party transactions and balances, other than those disclosed elsewhere in the financial statements, are as follows:

	2016 ----- (Rupees `000) -----	2015 -----
Investments in term deposit receipts	86,986	537,010
Encashment of term deposit receipts	104,874	437,088
Contribution to restricted funds	128,500	39,231
Purchase of fixed assets	3,661	25,840
Profit on bank deposits and term deposit receipts	9,611	22,230
Insurance premium	9,710	3,127

**33. REMUNERATION OF THE CHIEF EXECUTIVE AND DIRECTORS**

	2016 ----- (Rupees `000) -----	2015 -----
Remuneration	-	-
Retirement benefits	-	-
Others	-	-
Number of directors	17	17

No remuneration or benefits are paid to the Chief Executive and Directors of the Foundation.

**34. NUMBER OF EMPLOYEES**

Number of persons employed as at year end were 2 (2015: 2) and the average number of persons employed during the year were 2 (2015: 2).

**35. GENERAL**

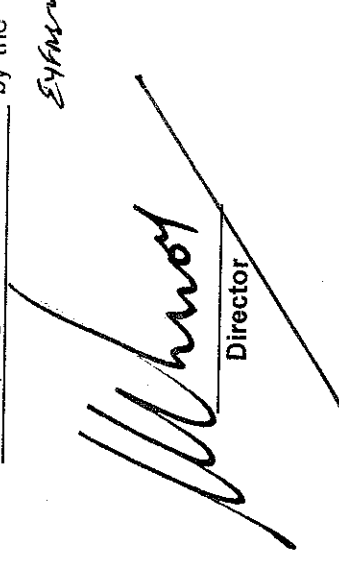
**35.1** Figures have been rounded off to the nearest thousand rupees.

**35.2** Certain prior period figures have been reclassified for better presentation. However, there are no material reclassifications.

**36. DATE OF AUTHORISATION FOR ISSUE**

These financial statements have been authorized for issue on 19-08-16 by the Board of Directors of the Foundation.

  
Chief Executive

  
Director