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HABIB UNIVERSITY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

EY Ford Rhodes
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF HABIB UNIVERSITY

Opinion

We have audited the financial statements of **Habib University (the University)**, which comprise the statement of financial position as at **30 June 2021**, and the statement of income and expenditure, statement of changes in fund and statement of cash flows 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 2021**, and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's 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 Management and Those Charged with Governance for the Financial Statements

The Board of Governors (the Board) are responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting standards as applicable in Pakistan and for such internal control as the Board determines 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, the Board 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.

Those charged with governance 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.

Chartered Accountants

Date: 23 December 2021

Place: Karachi

Audit Engagement Partner: Arslan Khalid

HABIB UNIVERSITY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 ------(Rupees in '000) -----	2020
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property, plant and equipment	6	88,395	51,640
Intangible assets	7	4,089	3,628
Long-term deposits and prepayments		8,040	5,084
		100,524	60,352
CURRENT ASSETS			
Office and other supplies		7,885	7,017
Students fees receivable	8	10,702	30,395
Advances, deposits, prepayments and other receivables	9	16,664	15,626
Accrued profit		872	223
Advance tax		5,214	5,034
Cash and bank balances	10	188,051	113,012
		229,388	171,307
TOTAL ASSETS		329,912	231,659
<u>FUND AND LIABILITIES</u>			
FUND			
General fund		171,607	71,116
NON-CURRENT LIABILITIES			
Security deposits from students		15,775	15,750
Lease liabilities	11	-	2,354
Contract liabilities	12	16,344	19,079
		32,119	37,183
CURRENT LIABILITIES			
Trade and other payables	13	92,213	95,704
Current portion of security deposits from students		14,650	11,725
Current portion of lease liabilities	11	-	1,327
Current portion of contract liabilities	12	19,323	14,604
		126,186	123,360
CONTINGENCIES AND COMMITMENTS	14		
TOTAL FUND AND LIABILITIES		329,912	231,659

The annexed notes from 1 to 26 form an integral part of these financial statements.


 CHANCELLOR


 PRESIDENT

HABIB UNIVERSITY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ------(Rupees in '000) -----	2020
INCOME			
Tuition fees	15	972,151	905,690
Application fees		3,199	3,133
Semester registration fees		16,022	9,384
Admission fees		17,880	12,592
Donations			
Habib University Foundation - a related party	16	123,607	208,562
Habib University Stiftung Switzerland - a related party		16,027	-
Habib University Foundation U.S.Inc.- a related party		6,459	7,603
Habib University Trust UK		-	7,753
In kind - books		-	180
		146,093	224,098
Other income	17	14,683	12,275
		<u>1,170,028</u>	<u>1,167,172</u>
LESS: EXPENDITURE			
Academic and programmatic expenditure	18	934,928	929,552
Administrative expenditure	19	133,888	143,260
Interest expense on lease liabilities		191	2,189
Allowance for expected credit loss	8.2	-	2,089
Other expenses - exchange loss		530	-
		1,069,537	1,077,090
Net surplus for the year		<u>100,491</u>	<u>90,082</u>
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>100,491</u></u>	<u><u>90,082</u></u>

The annexed notes from 1 to 26 form an integral part of these financial statements.


 CHANCELLOR


 PRESIDENT

HABIB UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ------(Rupees in '000) -----	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year		100,491	90,082
Adjustment for non-cash and other items			
Depreciation on:			
- right-of-use assets		1,138	6,622
- others		26,515	20,576
Amortization		2,039	2,899
Gain on sale of operating fixed assets		(146)	59
Profit on saving accounts		(8,538)	(3,886)
Gain on termination of lease		(234)	(896)
Interest expense on lease liabilities		191	2,189
Provision for leave encashment		4,008	11,764
Allowance for expected credit loss		-	2,089
Reversal of allowance for expected credit loss		(873)	-
		24,100	41,416
Decrease / (increase) in current assets			
Office and other supplies		(868)	51
Students fees receivable		20,566	(23,755)
Advances, deposits, prepayments & other receivables		(1,038)	3,663
		18,660	(20,041)
Increase in current liabilities			
Trade and other payables		(3,491)	19,242
Contract liabilities		4,719	(6,187)
		1,228	13,055
Cash generated from operations		144,479	124,512
Taxes paid		(180)	(1,674)
Leave encashment paid		(4,025)	(4,624)
Long-term deposits and prepayments - net		(2,956)	(1,671)
Security deposits from students – net		2,950	5,323
Contract liabilities		(2,735)	-
Net cash generated from operations		137,533	121,866
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating fixed assets and capital work-in-progress		(66,919)	(22,440)
Proceeds from disposal of property, plant and equipment		684	155
Additions to intangible assets		(2,500)	(2,743)
Profit received on saving accounts		7,889	3,921
Net cash used in investing activities		(60,846)	(21,107)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		(1,648)	(8,065)
Net increase in cash and cash equivalents		75,039	92,694
Cash and cash equivalents at the beginning of the year		113,012	20,318
Cash and cash equivalents at the end of the year	10	188,051	113,012

The annexed notes from 1 to 26 form an integral part of these financial statements.


 CHANCELLOR


 PRESIDENT

HABIB UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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 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 reporting standards comprise of the Accounting Standard for Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Where provisions and directives issued under the accounting and reporting standards for NPOs differ from the IFRS standards, the provisions of and directives issued under the accounting and reporting standards for NPOs have been followed.

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 Pakistani Rupees which is the University's functional and presentation currency.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements is in conformity with approved accounting standards, as applicable in Pakistan, which requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates, assumptions and judgements made by the management that are subject to risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

	Notes
- determining the residual values and useful lives of property, plant and equipment and intangible assets	5.3 & 5.4
- classification of financial instruments	5.15
- impairment of financial assets and non-financial assets	5.16
- provisions	5.12
- determining the lease term of contracts with renewal and termination options	5.10.3
- leases - estimating the incremental borrowing rate	5.10.4

[Signature]

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New / Revised Standards, Amendments, Interpretations and Improvements

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years.

New / revised standards, interpretations and amendments

The University has adopted the following accounting standards, amendments and interpretations of IFRSs which became effective for the current year:

Standard or Interpretation:

- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The adoption of the above amendments did not have any impact on these financial statements.

5.2 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 that would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 3 Reference to the Conceptual Framework (Amendments)	01 January 2022
IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	01 January 2022
IAS 37 Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022
IAS 1 Classification of Liabilities as Current or Non-current (Amendments)	01 January 2023
IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (Amendments)	01 January 2023
IAS 8 Definition of Accounting Estimates (Amendments)	01 January 2023
IAS 12 Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments)	01 January 2023
IFRS 10 / IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet finalised

Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

IFRS 1 First-time Adoption of International Financial Reporting Standards- Subsidiary as a first-time adopter	01 January 2022
IFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	01 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	01 January 2022
IFRS 16 Leases: Lease incentives	01 January 2022

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

Further, the 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 or Interpretation	IASB effective date (annual periods beginning on or after)
IFRS 1 First-time Adoption of International Financial Reporting Standards	01 January 2004
IFRS 17 Insurance Contracts	01 January 2023

5.3 Property, plant and equipment

Operating fixed assets

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

Subsequent costs

Maintenance and normal repairs are charged to the statement of income and expenditure 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.

Depreciation

Depreciation is charged to the statement of income and expenditure using straight line method of the assets over their estimated useful lives at the rates specified in note 6.1 to these financial statements. Depreciation on additions is charged from the month when the asset is available for 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.

Gain / loss on disposal

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 statement of income and expenditure in the period in which they arise.

Impairment of property, plant and equipment

The carrying values of operating fixed assets are assessed 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.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the property and equipment recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the property and equipment does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the property, plant and equipment in prior years. Such reversal is recognised in the statement of income and expenditure.

Right-of-use-assets

The University recognizes a right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, any initial direct costs incurred and any lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, 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.

5.4 Intangible assets

These are stated at cost less accumulated amortization and impairment loss, if any.


Costs in relation to intangible assets are only capitalized when it is probable that future economic benefits attributable to that asset will flow to the University and the same is amortized applying the straight line method at the rates stated in note 7 to these financial statements.

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

Impairment of Intangible assets

The carrying value of intangible assets is assessed 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.

5.5 Office and other supplies

These are valued at lower of cost, determined using weighted average method and Net Realisable Value (NRV), less provision for obsolete items (if any). Items in transit are valued at cost comprising purchase price, and other charges incurred thereon upto the reporting date. Provision is made for items which are obsolete and slow moving and is determined based on management estimate regarding their future usability. 

5.6 Students fees receivable

These are recognized and carried at original invoice amount, being the fair value and subsequently measured at amortised cost. Allowance is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the student fees receivable. Bad debts are written-off when considered irrecoverable.

5.7 Advances and deposits

These are stated at cost less an allowance for uncollectible amounts, if any.

5.8 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and deposit and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

5.9 Security deposits from students

These are stated at cost.

5.10 Leases

The University assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

5.10.1 University as a lessee

The University applies a single recognition and measurement approach for all leases, except for short-term lease. The University recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

5.10.2 Lease liabilities

At the commencement date of the lease, the University recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable (if any), variable lease payments that depend on an index or a rate (if any), and amounts expected to be paid under residual value guarantees (if any). The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the University (if any) and payments of penalties for terminating the lease (if any), if the termination option is reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments at the lease commencement date, the University uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the University uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.


5.10.3 Determination of the lease term for lease contracts with extension and termination options

The University determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The University has several lease contracts that include extension and termination options. The University applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the University reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

5.10.4 Estimating the incremental borrowing rate

The University cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the University would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.



5.11 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.

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 current and deferred tax provision has been made in these financial statements.

5.12 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.

5.13 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 statement of income and expenditure.

5.14 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.

5.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

5.15.1 Financial assets

a) Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair through profit and loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the University's business model for managing them. With the exception of student fees receivable, the University initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Students Fees receivable are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The University's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the university commits to purchase or sell the asset.

b) Subsequent measurement

For purposes of subsequent measurement, the University classifies its financial assets into following categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVTPL.

Financial assets at amortized cost (debt instruments)

The University measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in statement of income and expenditure when the asset is derecognised, modified or impaired.

Financial assets designated at FVTOCI (debt instruments)

For debt instruments at FVTOCI, interest income and impairment losses or reversals are recognised in the statement of income and expenditure and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to income and expenditure.

The University has no instrument designated at FVTOCI.

Financial assets designated at FVTOCI (equity instruments)

Upon initial recognition, the University can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to income and expenditure. Dividends are recognised as other income in income and expenditure when the right of payment has been established, except when the University benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVTOCI are not subject to impairment assessment.

The University has no instrument designated at FVTOCI.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of income and expenditure.

The University has not designated any financial asset at FVTPL.

c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the University's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The University has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the University has transferred substantially all the risks and rewards of the asset, or (b) the University has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the University has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the University continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the University also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the University has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at lower of the original carrying amount of the asset and the maximum amount of consideration that the University could be required to repay.

5.15.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, trade payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

b) Subsequent measurement

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Gains or losses on liabilities held for trading are recognised in statement of income and expenditure. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, only if the criteria in IFRS 9 are satisfied.

The University has not designated any financial liability at FVTPL.

Financial liabilities at amortized cost

After initial recognition, borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in statement of income and expenditure when the liabilities are derecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in statement of profit or loss and other comprehensive income.

Borrowings, if any, are classified as current liabilities unless the University has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of income and expenditure.

5.15.3 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when the University has a legally enforceable right to set off and the University intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

5.16 Impairment

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the University expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. However, in certain cases, the University may also consider a financial asset to be in default when internal or external information indicates that the University is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the University.

At each reporting date, the University assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The University uses the standard's simplified approach and calculates ECL based on life time ECL on its financial assets. The University has established a provision matrix that is based on the University's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

Impairment of non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in statement of income and expenditure. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in statement of income and expenditure.

5.17 Revenue recognition

The University designs, prepares and provides education courses to different levels of students. The services provided by the University to students includes tuition/education, hostel, lab/studio and transportation facilities. The University has assessed that significant performance obligations in a contract with students are closely related and therefore are discharged over the period of a semester. However, any variation or reduction in fee which are expected at the time of admission is adjusted at the time of recognizing revenue.

- Tuition fee is recognized as income when the services are performed.
- Admission fee and semester registration fee are recognized as income over a period of time.
- Application fee income is recognized on receipt basis.
- Donations are recognized as income as and when received.

5.18 Fee Discount

Early payment discount is allowed to students paying entire tuition fees at the start of the semester. The discount is recognized when the payment is made.

5.19 Contract liability

A contract liability is the obligation to render services to a student for which the University has received consideration (or an amount of consideration is due) from the customer. If a student pays consideration before the University renders services to the student, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the University performs under the contract.

5.20 Functional and presentation currency

Foreign currency transactions are translated into Pakistani Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees using the exchange rate at the statement of financial position 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 the statement of income and expenditure.

6	PROPERTY, PLANT AND EQUIPMENT	Note	2021	2020
			(Rupees in '000)	
	Operating fixed assets	6.1	57,109	48,621
	Capital work-in-progress	6.2	31,286	3,019
			<u>88,395</u>	<u>51,640</u>

6.1 Operating fixed assets

	----- Cost -----			----- Accumulated Depreciation -----			Book Value	Depreciation Rate %
	As at	Additions	As at	As at	Charge	As at	As at	
	July 01	(note 6.1.1)/	June 30	July 01	for the year/	June 30	June 30	
	2020	(disposals)	2021	2020	(disposals)	2021	2021	
	----- (Rupees in '000) -----							
Motor vehicles	14,815	-	13,954	8,399	936	8,789	5,165	20
		(861)			(546)			
Computer and multimedia	69,467	34,412	102,565	41,919	22,082	62,910	39,655	33
		(1,314)			(1,091)			
Lab equipment	1,954	2,595	4,549	376	667	1,043	3,506	20
Furniture and fixture	757	72	829	306	156	462	367	20
Office equipment	5,946	1,187	7,133	1,680	1,223	2,903	4,230	20
Library books	6,973	386	7,359	2,326	1,451	3,777	3,582	20
Right-of-use asset - store	2,992	-	-	598	421	-	-	20
(note 6.1.2)		(2,992)			(1,019)			
Right-of-use asset - guest house	2,042	-	2,042	721	717	1,438	604	35
2021	104,946	38,652	138,431	56,325	27,653	81,322	57,109	
		(5,167)			(2,656)			

	----- Cost -----			----- Accumulated Depreciation -----			Book Value	Depreciation Rate %
	As at	Additions	As at	As at	Charge	As at	As at	
	July 01	(note 6.1.1)/	June 30	July 01	for the year/	June 30	June 30	
	2019	(disposals)	2020	2019	(disposals)	2020	2020	
	----- (Rupees in '000) -----							
Motor vehicles	14,815	-	14,815	7,220	1,179	8,399	6,416	20
Computer and multimedia	49,621	20,019	69,467	25,094	16,902	41,919	27,548	33
		(173)			(77)			
Lab equipment	371	1,583	1,954	12	364	376	1,578	20
Furniture and fixture	540	217	757	169	137	306	451	20
Office equipment	3,341	2,605	5,946	815	865	1,680	4,266	20
Library books	4,202	2,771	6,973	1,197	1,129	2,326	4,647	20
Right-of-use asset - store	2,992	-	2,992	-	598	598	2,394	20
Right-of-use asset - guest house	2,042	-	2,042	-	721	721	1,321	35
Right-of-use asset - hostel	15,908	-	-	-	5,303	-	-	36
		(15,908)			(5,303)			
2020	93,832	27,195	104,946	34,507	27,198	56,325	48,621	
		(16,081)			(5,380)			

6.1.1 Includes transfer from capital work-in-progress amounting to Rs. 5.652 million (2020: Rs. 8.324 million).

6.1.2 Represents lease agreements terminated during the year.

6.1.3 The University land and various other operating assets are owned by Habib University Foundation, a related party, and no rentals or other compensation is charged to the University for such assets.

6.1.4 Operating fixed assets include items having an aggregate cost of Rs. 41.587 million (2020:Rs. 24.762 million) which are fully depreciated and are still in use of the University.

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

	Note	2021 ------(Rupees in '000)-----	2020
Academic and programmatic expenditure	18	22,122	21,758
Administrative expenditure	19	5,531	5,440
		<u>27,653</u>	<u>27,198</u>

6.2 Capital work-in-progress - movement

Opening balance		3,019	7,774
Additions during the year		33,919	3,569
Transfer to operating fixed assets		(5,652)	(8,324)
Closing balance	6.2.1	<u>31,286</u>	<u>3,019</u>

6.2.1 Capital work-in-progress - break up

Advance against property		21,000	-
Motor vehicles		9,984	-
Computer and multimedia		-	1,662
Lab equipment		-	1,357
Library books		106	-
Office equipment		196	-
		<u>31,286</u>	<u>3,019</u>

6.2.2 Commitments in respect of capital work-in-progress amounts to Rs.226.629 million (2020: Rs. 12.026 million).

7 INTANGIBLE ASSETS

	----- Cost -----		-----Accumulated amortization-----			Book Value		Amortization Rate %
	As at July 01 2020	Additions	As at June 30 2021	As at July 01 2020	Charge for the year	As at June 30 2021	As at June 30 2021	
	----- (Rupees in '000) -----							
Softwares	10,955	2,500	13,455	7,327	2,039	9,366	4,089	33
Project development cost – academic planning & modeling	19,973	-	19,973	19,973	-	19,973	-	20
	<u>30,928</u>	<u>2,500</u>	<u>33,428</u>	<u>27,300</u>	<u>2,039</u>	<u>29,339</u>	<u>4,089</u>	

	----- Cost -----		-----Accumulated amortization-----			Book Value		Amortization Rate %
	As at July 01 2019	Additions/ June 30 2020	As at June 30 2020	As at July 01 2019	Charge for the year	As at June 30 2020	As at June 30 2020	
	----- (Rupees in '000) -----							
Softwares	8,212	2,743	10,955	4,428	2,899	7,327	3,628	33
Project development cost – academic planning & modeling	19,973	-	19,973	19,973	-	19,973	-	20
	<u>28,185</u>	<u>2,743</u>	<u>30,928</u>	<u>24,401</u>	<u>2,899</u>	<u>27,300</u>	<u>3,628</u>	

7.1 Intangible assets include items having an aggregate cost of Rs.26.367 million (2020: Rs. 24.821 million) which are fully amortized and are still in use of the University.

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

	Note	2021 ------(Rupees in '000)-----	2020
Academic and programmatic expenditure	18	1,631	2,319
Administrative expenditure	19	408	580
		<u>2,039</u>	<u>2,899</u>

	Note	2021	2020
		----- (Rupees in '000) -----	
8 STUDENTS FEES RECEIVABLE			
Students fees receivable	8.1	19,853	40,506
Allowance for expected credit loss	8.2	<u>(9,151)</u>	<u>(10,111)</u>
		<u>10,702</u>	<u>30,395</u>

8.1 Includes receivable amounting to Rs. 2.170 million in respect of Student Finance Scheme.

	Note	2021	2020
		----- (Rupees in '000) -----	
8.2 Movement - Allowance for expected credit loss			
Opening balance		10,111	8,022
Add: Provision recognized during the year		-	2,089
Less: Provision reversed during the year		(873)	-
Less: Bad debts written off		(87)	-
Closing balance		<u>9,151</u>	<u>10,111</u>

9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances			
Employees		2,723	2,242
Suppliers		<u>261</u>	<u>2335</u>
		2,984	4,577
Deposits		-	1,843
Prepayments			
Insurance	9.1	564	359
Maintenance		145	38
License and subscription	9.2	<u>12,730</u>	<u>8,558</u>
		13,439	8,955
Other receivables	9.3	<u>241</u>	<u>251</u>
		<u>16,664</u>	<u>15,626</u>

9.1 Includes Rs. 0.14 million (2020: Rs. 0.16 million) paid to Habib Insurance Company Limited, a related party.

9.2 Represents prepayment made for various IT application software, online library subscription and firewall, which are adjusted on monthly basis against the amount of subscription paid.

9.3 Includes Nil (2020: Rs.0.135 million) receivable from Thal Limited, a related party.

	Note	2021	2020
		----- (Rupees in '000) -----	
10 CASH AND BANK BALANCES			
Cash in hand		9	-
- local currency		1,051	658
- foreign currency		<u>1,060</u>	<u>658</u>
Bank balances in:			
Local currency			
- current accounts	10.1	15,778	58,297
- saving accounts	10.2	<u>158,090</u>	<u>45,805</u>
		173,868	104,102
Foreign currency			
- current accounts	10.2	<u>13,123</u>	<u>8,252</u>
		<u>188,051</u>	<u>113,012</u>

10.1 This carries profit at rates ranging from 3.42 % to 5.50%% (2020: 6.50 % to 7.50%) per annum.

10.2 Includes an amount of Rs. 177.845 million (2020:Rs.106.026 million) deposited with Habib Metropolitan Bank Limited, a related party.

	Note	2021	2020
		----- (Rupees in '000) -----	
11 LEASE LIABILITIES			
Lease liabilities		-	3,681
Current portion of lease liabilities		-	<u>(1,327)</u>
		-	<u>2,354</u>

	Note	2021 ------(Rupees in '000) -----	2020 ------(Rupees in '000) -----
11.1	Reconciliation of the carrying amount is as follows:		
	Lease liabilities as at July 01	3,681	16,212
	Accretion of interest	191	2,189
	Leases terminated during the year	(2,224)	(11,462)
	Lease rental paid during the year	(1,648)	(3,258)
	Lease liabilities as at June 30	-	3681
	Current portion of lease liabilities	-	(1,327)
		-	2,354
12	CONTRACT LIABILITIES		
	Tuition fees	5,244	1,687
	Admission fees	30,423	31,996
		35,667	33,683
	Current portion of contract liabilities	(19,323)	(14,604)
		16,344	19,079
13	TRADE AND OTHER PAYABLES		
	Payable to suppliers and contractors	3,804	820
	Employees salary and fringe benefit payable	24,992	10,804
	Payable to students	2,343	6,467
	Accrued expenses	29,940	46,890
	Provision for leave encashment	30,297	30,314
	Sales tax payable	392	409
	Withholding tax payable	445	-
		92,213	95,704
13.1	Provision for leave encashment		
	Opening balance	30,314	23,174
	Charge for the year	4,008	11,764
	Payments made during the year	(4,025)	(4,624)
	Closing balance	30,297	30,314
14	CONTINGENCIES AND COMMITMENTS		
14.1	Commitments		
	As of June 30, 2021, the University has no commitments other than those disclosed in note 6.2.2 to these financial statements.		
15	TUTION FEES		
	Represented by:		
	Self-funded	418,691	388,474
	Leap and High achievement scholarship	-	(1,620)
	Fees discount:		
	- Covid-19 relief	(7,606)	(14,885)
	- Other	(105)	(158)
		(7,711)	(15,043)
		410,980	371,811
	Funded by Habib University Foundation through:		
	- Scholarship	316,807	252,766
	- Zakat	207,598	179,614
	- Grant	32,491	25,784
		556,896	458,164
	Funded by Habib University Trust through scholarship	-	61,692
	Funded by Sindh Endowment Fund	3,600	-
	Funded by Habib Metropolitan Bank Limited, a related party, through Student Finance Scheme	675	14,023
		972,151	905,690

16 DONATIONS - HABIB UNIVERSITY FOUNDATION

Includes grant amounting to Rs. 4.711 million for technological support to students from Habib University Foundation, a related party.

	Note	2021 ------(Rupees in '000) -----	2020
17 OTHER INCOME			
Gain on sale of operating fixed assets		146	59
Gain on termination of lease		234	896
Late payment charges		1,382	1,987
Profit on saving accounts		8,538	3,886
Swimming pool and gym fees		380	2,275
Exchange gain		-	608
Library fees and penalties		23	80
Playground income		2,438	206
Rental income		130	207
Reversal of allowance for expected credit loss		873	-
Others		539	2,071
		<u>14,683</u>	<u>12,275</u>
18 ACADEMIC AND PROGRAMMATIC EXPENDITURE			
Salaries and benefits		656,489	629,621
Training and professional development		1,024	10,372
Faculty research grant		1,115	596
Faculty and staff recruitment		1,527	1,751
Lab, studio and academic supplies		5,009	6,505
Library and other academic activities		11,166	9,958
Student transport and hostel		1,329	5,865
Health, sports, wellness and counselling		15,002	18,129
Conferences, seminars and workshops		7,915	8,079
Student recruitment, admission and marketing		14,708	15,954
Resource development		2,661	2,361
Technology - license and hardware		52,257	44,197
Vehicle, supplies and others		21,850	21,227
Utilities		41,352	38,870
Building and equipment maintenance		55,889	47,819
Insurance		6,971	7,522
Safety and security		13,344	14,117
Depreciation	6.1.5	22,122	21,758
Amortization	7.2	1,631	2,319
Travelling		886	21,656
Postage and printing		42	247
Others		639	629
		<u>934,928</u>	<u>929,552</u>
19 ADMINISTRATIVE EXPENDITURE			
Salaries and benefits		92,436	103,390
Utilities		10,338	9,718
Building and equipment maintenance		13,972	11,955
Safety and security		3,336	3,529
Vehicle, supplies and others		5,462	5,307
Auditors' remuneration	19.1	494	585
Training and professional development		168	875
Insurance		1,743	1,881
Depreciation	6.1.5	5,531	5,440
Amortization	7.2	408	580
		<u>133,888</u>	<u>143,260</u>
19.1 Auditors' remuneration			
Audit fee		300	300
Fee for review of half yearly financial statements		120	120
Out of pocket expenses		74	165
		<u>494</u>	<u>585</u>

20 FINANCIAL INSTRUMENTS BY CATEGORY

	Interest / Mark-up bearing				Non-Interest / Mark-up bearing				Total
	No Maturity / on demand	Maturity upto one year	Maturity after one year	Subtotal	No Maturity / on demand	Maturity upto one year	Maturity after one year	Subtotal	
(Rupees in '000)									
2021									
Financial assets									
Amortized cost									
Students fees receivable	-	-	-	-	-	10,702	-	10,702	10,702
Long-term deposits	-	-	-	-	-	-	2,036	2,036	2,036
Other receivables	-	-	-	-	-	241	-	241	241
Accrued profit	-	-	-	-	-	872	-	872	872
Bank balances	168,090	-	-	168,090	16,778	-	-	16,778	173,868
	168,090	-	-	168,090	16,778	11,815	2,036	29,629	187,719
Financial liabilities									
Amortized cost									
Security deposits from students	-	-	-	-	-	14,660	16,776	30,426	30,426
Lease liabilities	-	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	91,376	-	91,376	91,376
	-	-	-	-	-	106,026	16,776	121,801	121,801
(Rupees in '000)									
2020									
Financial assets									
Amortized cost									
Students fees receivable	-	-	-	-	-	30,395	-	30,395	30,395
Long-term deposits	-	-	-	-	-	-	2,036	2,036	2,036
Other receivables	-	-	-	-	-	251	-	251	251
Accrued profit	-	-	-	-	-	223	-	223	223
Bank balances	45,805	-	-	45,805	66,549	-	-	66,549	112,354
	45,805	-	-	45,805	66,549	30,869	2,036	99,454	145,259
Financial liabilities									
Amortized cost									
Security deposits from students	-	-	-	-	-	11,725	15,750	27,475	27,475
Lease liabilities	-	1,327	2,354	3,681	-	-	-	-	3,681
Trade and other payables	-	-	-	-	-	95,295	-	95,295	95,295
	-	1,327	2,354	3,681	-	107,020	15,750	122,770	126,451

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The University's activities expose it to a variety of financial risks mainly are market risks, credit risk and liquidity risk. The Board of Governors review and agree policies for managing each of these risks which are summarized below:

21.1 Operational Risk

COVID-19 pandemic has created an unprecedented challenge for University in terms of Business Continuity Plans. The University is closely monitoring the situation and has invoked required actions to ensure the safety and security of University's staff and uninterrupted service to stakeholders.

Business Continuity Plans for respective areas are in place and tested. Work-from-Home capabilities have been enabled for staff where required, while ensuring adequate controls to ensure that University's information assets are adequately protected from emerging cyber threats.

21.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instruments or customer contract leading to 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 deposits, student fee receivables, other receivables, accrued profit and bank balances. 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.

The carrying values of financial assets are as under:

	Note	Past due but not Impaired		Neither past due nor Impaired	
		2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Student fees receivable	8	10,318	30,395	384	-
Long-term deposits		-	-	2,036	2,036
Other receivables	9	-	-	241	251
Accrued profit		-	-	872	223
Bank balances	10	-	-	173,868	112,354
		<u>10,318</u>	<u>30,395</u>	<u>177,401</u>	<u>114,864</u>

Ageing analysis of Student fees receivable is as follows:

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
- Not due		384	-
- 01 to 30 days		69	12,330
- 31 to 60 days		654	-
- 61 to 90 days		816	-
- 91 to 120 days		3,514	-
- 121 to 150 days		785	6,885
- 151 to 180 days		3,095	5,560
- 181 to 210 days		-	19
- 211 to 240 days		-	-
- Past due over 240 days	21.2.1	<u>10,536</u>	<u>15,712</u>
Student fees receivable		<u>19,853</u>	<u>40,506</u>
Allowance for expected credit loss	8.2	<u>(9,151)</u>	<u>(10,111)</u>
		<u>10,702</u>	<u>30,395</u>

21.2.1 This includes Rs. 1.385 million in respect of Student Finance Scheme.

	Rating agency	Rating
Bank Balances		
Habib Metropolitan Bank Limited	JCR-VIS	A-1+
Meezan Bank	JCR-VIS	A-1+

21.3 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 prices. Market risk comprises three types of risk, interest rate risk, currency risk and another price risk (equity price risk).

21.3.1 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where payables exist due to imports of goods and transactions with foreign related parties as well as receivables and payable exist due to transaction in foreign currency. The University primarily has foreign currency exposures in US Dollar (USD).

As at June 30, 2021, had the exchange rates of USD appreciated or depreciated against the currency with all other variables held constant, the change in (Deficit) / Surplus would have been as follows:

Currency	(Deficit/Surplus)	2021		2020	
		%	Rs. '000	%	Rs. '000
USD	lower / higher	10%	1,417	10%	891

21.3.2 Interest rate risk

Interest rate risk is the risk that the value of future cashflows 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. 1.581 million (2020: Rs. 0.458 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.

21.3.3 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.

The maturity profile of the University's liabilities based on contractual maturities is disclosed in note 20 to these financial statements.

21.3.4 Equity price risk

Price risk represents the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The University is not exposed to equity price risk as currently the University's has no investments in listed securities.

21.4 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 donations and working capital. The capital structure of the University is donation based with no financing through long term borrowings.

22 RELATED PARTIES TRANSACTIONS

Related parties comprises of the directors, entities having directors in common with the University and other key management personnel. Details of transactions with related parties during the year, are as follows:

Nature of relationship	Nature of transaction	2021	2020
		----- (Rupees in '000) -----	
Common directorship	Contribution received from Habib University Foundation	556,896	458,164
	Donation received	146,093	216,165
	Tuition fees received under student loan scheme	6,238	8,216
	Profit received on saving accounts	7,889	3,922
	Insurance premium paid	9,963	7,154
	Purchase of other supplies	2,066	2,235
	Rental income	-	135

[Handwritten mark]

- 22.1 Following are the related parties of the University with whom the University had entered into transactions or have arrangement / agreement in place.

Name of related parties	Basis of relationship	Nature of transaction
Habib University Foundation	Common directorship	Donation received and use of assets (note 6.1.3)
Habib University Foundation U.S.Inc.	Common directorship	Donation received
Habib Metropolitan Bank Limited	Common directorship	Tuition fees under student loan scheme, banking and related services
Habib Insurance Company Limited	Common directorship	Insurance premium paid
Metro Pakistan (Pvt.) Limited	Common directorship	Purchase of other supplies
Habib University Stiftung Switzerland	Common directorship	Donation received

23 REMUNERATION OF PRESIDENT AND GOVERNORS

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

	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Remuneration	56,895	54,667
Retirement Benefits	1,195	1,097
Utilities	925	1,283
Others	2,505	2,287
	<u>61,520</u>	<u>59,334</u>

- 23.2 No fee was charged by any governor of the University.

- 23.3 There are 10 governors (2020: 10) of the University.

24 NUMBER OF EMPLOYEES

Number of persons employed as at year end were 246 (2020: 234) and the average number of persons employed during the year were 230 (2020: 232).

25 GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorized for issue on 11 DEC 2021 by the Board of Governors of the University.


CHANCELLOR


PRESIDENT