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HABIB UNIVERSITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

EY Ford Rhodes
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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of Habib University

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Habib University (the University), which comprise the statement of financial position as at 30 June 2022, 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 2022, 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.



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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.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Place: Karachi

UDIN Number: AR202210191vHs36mqY

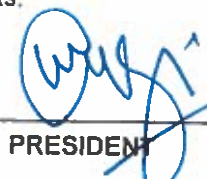
Date: 23 November 2022

HABIB UNIVERSITY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	General Fund	Capital Grant - Restricted Fund	2022	2021
(Rupees in '000)'					
ASSETS					
NON-CURRENT ASSETS					
Property and equipment	6	139,868	274,902	414,770	88,395
Intangible assets	7	3,666	-	3,666	4,089
Long-term deposits and prepayments		8,519	-	8,519	8,040
		152,053	274,902	426,955	100,524
CURRENT ASSETS					
Office and other supplies		8,838	-	8,838	7,885
Students fees receivable	8	56,359	-	56,359	10,702
Advances, deposits, prepayments and other receivables	9	22,155	-	22,155	16,664
Accrued profit		712	-	712	872
Advance tax		5,552	-	5,552	5,214
Short-term investments	10	37,604	-	37,604	-
Cash and bank balances	11	138,245	-	138,245	188,051
		269,465	-	269,465	229,388
TOTAL ASSETS		421,518	274,902	696,420	329,912
FUND AND LIABILITIES					
FUND BALANCES					
General Fund		165,235	-	165,235	171,607
Capital Grant Fund - Restricted		-	274,902	274,902	-
		165,235	274,902	440,137	171,607
NON-CURRENT LIABILITIES					
Security deposits from students		16,850	-	16,850	15,775
Contract liabilities	12	16,378	-	16,378	16,344
		33,228	-	33,228	32,119
CURRENT LIABILITIES					
Trade and other payables	13	115,561	-	115,561	92,213
Current portion of security deposits from students		17,038	-	17,038	14,650
Current portion of contract liabilities	12	90,456	-	90,456	19,323
		223,055	-	223,055	126,186
CONTINGENCIES AND COMMITMENTS	14				
TOTAL FUND AND LIABILITIES		421,518	274,902	696,420	329,912

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, 2022

	Note	General Fund	Capital Grant - Restricted Fund	2022	2021
------(Rupees in '000)-----					
INCOME					
Tuition fees	15	1,085,827	-	1,085,827	972,151
Application fees		4,271	-	4,271	3,199
Semester registration fees		18,095	-	18,095	16,022
Admission fees		19,230	-	19,230	17,880
Donations					
Habib University Foundation - a related party	16	131,068	-	131,068	123,607
Habib University Stiftung Switzerland - a related party		-	252,593	252,593	16,027
Habib University Foundation U.S.Inc.- a related party		14,382	-	14,382	6,459
Donations in kind - books		3,502	-	3,502	-
		148,952	252,593	401,545	146,093
Other income	17	31,184	17,569	48,753	14,683
		1,307,559	270,162	1,577,721	1,170,028
LESS: EXPENDITURE					
Academic and programmatic expenditure	18	1,142,076	-	1,142,076	934,928
Administrative expenditure	19	166,470	-	166,470	133,888
Interest expense on lease liabilities		-	-	-	191
Allowance for expected credit losses	8.3	645	-	645	-
Other expenses - exchange loss		-	-	-	530
		1,309,191	-	1,309,191	1,069,537
Net surplus for the year		(1,632)	270,162	268,530	100,491
Other comprehensive income					
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		(1,632)	270,162	268,530	100,491

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



 CHANCELLOR



 PRESIDENT

HABIB UNIVERSITY
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Capital Grant - Restricted Fund	Total
	------(Rupees in '000)-----		
Balance as at July 01, 2020	71,116	-	71,116
Net surplus for the year	100,491	-	100,491
Other comprehensive income	-	-	-
Total comprehensive income for the year	100,491	-	100,491
Balance as at June 30, 2021	171,607	-	171,607
Net surplus for the year	(1,632)	270,162	268,530
Other comprehensive income	-	-	-
Total comprehensive income for the year	(1,632)	270,162	268,530
Transfer from General Fund to Capital Grant - Restricted Fund	(4,740)	4,740	-
Balance as at June 30, 2022	<u>165,235</u>	<u>274,902</u>	<u>440,137</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, 2022

Note	2022 ------(Rupees in '000) -----	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year	268,530	100,491
Adjustment for non-cash and other items		
Depreciation on:		
- right-of-use assets	604	1,138
- others	37,025	26,515
Amortisation	2,184	2,039
Gain on sale of operating fixed assets	(184)	(146)
Profit on saving accounts	(12,879)	(8,538)
Gain on termination of lease	-	(234)
Interest expense on lease liabilities	-	191
Provision for leave encashment	7,348	4,008
Allowance for expected credit loss	645	-
Reversal of allowance for expected credit losses	-	(873)
	34,743	24,100
Decrease / (increase) in current assets		
Office and other supplies	(953)	(868)
Students fees receivable	(46,302)	20,566
Advances, deposits, prepayments & other receivables	(5,970)	(1,038)
	(53,225)	18,660
Increase in current liabilities		
Trade and other payables	18,288	(3,491)
Contract liabilities	71,133	4,719
	89,421	1,228
Cash generated from operations	339,469	144,479
Taxes paid	(338)	(180)
Leave encashment paid	(2,288)	(4,025)
Long-term deposits and prepayments - net	-	(2,956)
Security deposits from students – net	3,463	2,950
Contract liabilities	34	(2,735)
Net cash generated from operations	340,340	137,533
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating fixed assets and capital work-in-progress	(364,166)	(66,919)
Proceeds from disposal of operating fixed assets	346	684
Additions to intangible assets	(1,761)	(2,500)
Profit received on saving accounts	13,039	7,889
Net cash used in investing activities	(352,542)	(60,846)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rentals paid	-	(1,648)
Net (decrease) / increase in cash and cash equivalents	(12,202)	75,039
Cash and cash equivalents at the beginning of the year	188,051	113,012
Cash and cash equivalents at the end of the year	175,849	188,051

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, 2022

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 Provincial Assembly of Sindh. The principal objectives of the University are to design, prepare and offer educational courses of international standard and to undertake, organise 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:

Estimates and assumptions

4.1 Depreciation of property and equipment

The University reviews appropriateness of the rate of depreciation, useful life and residual values used for recording the depreciation on annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable.

4.2 Allowance for expected credit losses of certain 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 debtors and the economic environment. 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. The University will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. The amount of expected credit loss (ECL) is sensitive to changes in circumstances and of forecast economic conditions. The University's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Any change might affect the carrying value and amount of expected credit loss charge to statement profit or loss.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New standards, amendments, improvements to approved accounting standards and the framework for financial reporting

5.1.1 Adoption of amendments to approved accounting standards effective during the year

The University has adopted the following amendments to International Financial Reporting Standards (IFRSs) and the framework for financial reporting which became effective for the current year:

Amendments to approved accounting standards

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform (Amendments)

IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments)

The adoption of the above amendments to the approved accounting standards did not have any material impact on the University's financial statements.

5.1.2 Standards, amendments and improvements to approved accounting standards that are not yet effective

The following amendments and improvements to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective amendment or improvements:

Amendment or Improvement		Effective date (annual periods beginning on or after)
IFRS 3	Reference to the Conceptual Framework (Amendments)	January 01, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	January 01, 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	January 01, 2022
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)	January 01, 2023
IAS 1	Disclosure of Accounting Policies (Amendments)	January 01, 2023
IAS 8	Definition of Accounting Estimates (Amendments)	January 01, 2023
IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments)	January 01, 2023
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
Improvements to accounting standards issued by the IASB (2018-2020 cycle)		
IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	January 01, 2022
IAS 41	Agriculture – Taxation in fair value measurements	January 01, 2022
IFRS 16	Leases: Lease incentives	January 01, 2022

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

Standard		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

5.2 Property 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 capitalised 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 or loss on disposal

An item of operating fixed assets is derecognised 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 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 and equipment in prior years. Such reversal is recognised in the statement of income and expenditure.

Right-of-use-assets

The University recognises 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 recognised, 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 borrowing costs for qualifying assets if its recognition criteria are met.

5

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

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	01 January 2004
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Gain or loss on disposal

An item of operating fixed assets is derecognised 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 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.

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Right-of-use-assets

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Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, it consists of expenditure incurred and borrowing costs for qualifying assets if its recognition criteria are met.

5.3 Intangible assets

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

Costs in relation to intangible assets are only capitalised when it is probable that future economic benefits attributable to that asset will flow to the University and the same is amortised 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.

5.4 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.

5.5 Students fees receivable

These are recognised and carried at original invoice amount, being the fair value and subsequently measured at amortised cost. Allowance is made on the basis of lifetime Expected Credit Losses (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.

5.6 Advances and deposits

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

5.7 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.

5.8 Security deposits from students

These are stated at cost.

5.9 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.

5.9.1 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.

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5.9.2 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.

5.9.3 Determining the lease term of contracts with renewal and termination option.

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 and 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 to the leased asset).

5.9.4 Leases - estimating the incremental borrowing cost

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. The IBR therefore reflects what the University 'would have to pay', which requires estimation when no observable rates are available (such as for companies that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the companies' functional currency).

The University estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates .

5.10 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.

5.11 Provisions

Provisions are recognised 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.

5.12 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.

5.13 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.

5.14 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.

5.14.1 Financial assets

a) Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised 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 amortised 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 amortised cost (debt instruments);
- Financial assets at FVTOCI 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 amortised cost (debt instruments)

The University measures financial assets at amortised 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 amortised 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 with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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.

5.14.2 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 amortised cost

After initial recognition, borrowings and payables are subsequently measured at amortised 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.

Amortised 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 income and expenditure 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.

5.14.3 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 realise 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.

5.15 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 EIR. 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 amortisation, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in statement of income and expenditure.

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

5.17 Fee Discount

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

5.18 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 recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the University performs under the contract.

5.19 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 AND EQUIPMENT	Note	2022	2021
			----- (Rupees in '000) -----	
	Operating fixed assets	6.1	106,708	57,109
	Capital work-in-progress	6.2	308,062	31,286
			<u>414,770</u>	<u>88,395</u>

6.1 Operating fixed assets

	----- Cost -----			----- Accumulated depreciation -----			Book value		
	As at	Additions	As at	As at	Charge	As at	As at	Depreciation	
	July 01	(note 6.1.1)/	June 30	July 01	for the year/	June 30	June 30		
2021	(disposals)	2022	2021	(disposals)	2022	2022	2022	rate %	
----- (Rupees in '000) -----									
Motor vehicles	13,954	10,337	24,291	8,789	2,147	10,936	13,355	20	
Computer and multimedia	102,565	65,492	166,326	62,910	29,929	91,270	75,056	33	
		(1,731)			(1,569)				
Lab equipment	4,549	580	5,129	1,043	920	1,963	3,166	20	
Furniture and fixture	829	2,844	3,673	462	344	806	2,867	20	
Office equipment	7,133	3,929	11,062	2,903	1,739	4,642	6,420	20	
Library books	7,359	4,208	11,567	3,777	1,946	5,723	5,844	20	
Right-of-use asset - guest house	2,042	-	-	1,438	604	-	-	35	
		(2,042)			(2,042)				
2022	138,431	87,390	222,048	81,322	37,629	115,340	106,708		
		(3,773)			(3,611)				

	----- Cost -----			----- Accumulated Depreciation -----			Book value		
	As at	Additions	As at	As at	Charge	As at	As at	Depreciation	
	July 01	(note 6.1.1)/	June 30	July 01	for the year/	June 30	June 30		
2020	(disposals)	2021	2020	(disposals)	2021	2021	2021	rate %	
----- (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	158	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)				

6.1.1 Includes transfer from capital work-in-progress amounting to Rs.18.18 million (2021: Rs. 5.65 million).

6.1.2 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.

6.1.3 Operating fixed assets include items having an aggregate cost of Rs. 59.17 million (2021:Rs. 41.59 million) which are fully depreciated and are still in use of the University.

	Note	2022 ------(Rupees in '000)-----	2021
6.1.4 Depreciation charge for the year has been allocated as follows:			
Academic and programmatic expenditure	18	30,103	22,122
Administrative expenditure	19	7,526	5,531
		<u>37,629</u>	<u>27,653</u>
6.2 Capital work-in-progress - movement			
Opening balance		31,286	3,019
Additions during the year		294,953	33,919
Transfer to operating fixed assets		(18,177)	(5,652)
Closing balance	6.2.1	<u>308,062</u>	<u>31,286</u>
6.2.1 Capital work-in-progress - break up			
Land and building		274,902	21,000
Motor vehicles		9,502	9,984
Computer and multimedia		23,658	-
Library books		-	106
Office equipment		-	196
		<u>308,062</u>	<u>31,286</u>

7 INTANGIBLE ASSETS

	----- Cost -----			----- Accumulated amortisation -----			Book Value	Amortisation rate %	
	As at July 01 2021	Additions	As at June 30 2022	As at July 01 2021	Charge for the year	As at June 30 2022	As at June 30 2022		
	----- (Rupees in '000) -----								
Softwares	13,455	1,761	15,216	9,366	2,184	11,550	3,666	33	
Project development cost – academic planning & modeling	19,973	-	19,973	19,973	-	19,973	-	20	
	<u>33,428</u>	<u>1,761</u>	<u>35,189</u>	<u>29,339</u>	<u>2,184</u>	<u>31,523</u>	<u>3,666</u>		
	----- Cost -----			----- Accumulated amortisation -----			Book Value	Amortisation 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>		

7.1 Intangible assets include items having an aggregate cost of Rs. 29.57 million (2021: Rs. 26.37 million) which are fully amortised and are still in use of the University.

	Note	2022 ------(Rupees in '000)-----	2021
7.2 Amortisation charge for the year has been allocated as follows:			
Academic and programmatic expenditure	18	1,747	1,631
Administrative expenditure	19	437	408
		<u>2,184</u>	<u>2,039</u>

8	STUDENTS FEES RECEIVABLE	Note	2022 ------(Rupees in '000) -----	2021
	Students fees receivable	8.1	66,155	19,853
	Allowance for expected credit losses	8.3	(9,796)	(9,151)
			<u>56,359</u>	<u>10,702</u>
8.1	Includes receivable amounting to Rs. 1.98 million (2021: Rs. 2.17 million) in respect of Student Finance Scheme.			
8.2	Includes receivable amounting to Rs. 47.57 million (2021: Rs. 0.38 million) as not yet due.			
8.3	Movement - Allowance for expected credit losses	Note	2022 ------(Rupees in '000) -----	2021
	Opening balance		9,151	10,111
	Add: charge during the year		645	-
	Less: reversal during the year		-	(873)
	Less: bad debts written off		-	(87)
	Closing balance		<u>9,796</u>	<u>9,151</u>
9	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Advances			
	Employees		2,126	2,723
	Expenses		1,612	-
	Suppliers		682	261
			<u>4,420</u>	<u>2,984</u>
	Deposits		-	-
	Prepayments			
	Insurance	9.1	494	564
	Rent		3,323	145
	License and subscription	9.2	13,407	12,730
			<u>17,224</u>	<u>13,439</u>
	Other receivables		511	241
			<u>22,155</u>	<u>16,664</u>
9.1	Includes Rs. 0.02 million (2021: Rs. 0.14 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.			
10	Short Term Investments - Foreign currency	Note	2022 ------(Rupees in '000) -----	2021
	Term deposit	10.1	37,601	-
	Accrued profit		3	-
			<u>37,604</u>	<u>-</u>
10.1	This carries profit at rates of 4% (2021: Nil) per annum and will mature latest by July 2022. These certificates were issued by Habib Metropolitan Bank Limited, a related party.			
11	CASH AND BANK BALANCES	Note	2022 ------(Rupees in '000) -----	2021
	Cash in hand			
	- local currency		-	9
	- foreign currency		2,932	1,051
			<u>2,932</u>	<u>1,060</u>
	Bank balances in:			
	Local currency			
	- current accounts		2,394	15,778
	- saving accounts	11.1	122,485	158,090
			<u>124,879</u>	<u>173,868</u>
	Foreign currency			
	- current accounts	11.2	10,434	13,123
			<u>138,245</u>	<u>188,051</u>
11.1	This carries profit at rates of 12.25% (2021: 5.50%) per annum.			
11.2	Includes an amount of Rs. 135.20 million (2021:Rs.177.85 million) deposited with Habib Metropolitan Bank Limited, a related party.			

	Note	2022 ------(Rupees in '000) -----	2021
12 CONTRACT LIABILITIES			
Tuition fees		74,357	5,244
Admission fees		32,477	30,423
		<u>106,834</u>	<u>35,667</u>
Current portion of contract liabilities		(90,456)	(19,323)
		<u>16,378</u>	<u>16,344</u>
13 TRADE AND OTHER PAYABLES			
Payable to suppliers and contractors		24,318	3,804
Employees salary and fringe benefit payable		17,127	24,992
Payable to students		1,633	2,343
Accrued expenses		32,356	29,940
Provision for leave encashment	13.1	35,357	30,297
Sales tax payable		3,212	392
Withholding tax payable		1,558	445
		<u>115,561</u>	<u>92,213</u>
13.1 Movement - Provision for leave encashment			
Opening balance		30,297	30,314
Charge for the year		7,348	4,008
Payments made during the year		(2,288)	(4,025)
Closing balance		<u>35,357</u>	<u>30,297</u>
14 CONTINGENCIES AND COMMITMENTS			
14.1 Contingencies			
There are no contingencies of the University as of reporting date.			
14.2 Commitments			
There are no commitments of the University as of reporting date.			
15 TUTION FEES		2022 ------(Rupees in '000) -----	2021
Represented by:			
Self-funded		471,209	418,691
Fees discount:			
- Covid-19 relief		(3,857)	(7,606)
- Other		(218)	(105)
		<u>(4,075)</u>	<u>(7,711)</u>
		467,134	410,980
Funded by Habib University Foundation through:			
- Scholarship		353,768	316,807
- Zakat		229,882	207,598
- Grant		35,043	32,491
		<u>618,693</u>	<u>556,896</u>
Funded by Sindh Endowment Fund		-	3,600
Funded by Habib Metropolitan Bank Limited, a related party, through Student Finance Scheme		-	675
		<u>1,085,827</u>	<u>972,151</u>
16 DONATIONS - HABIB UNIVERSITY FOUNDATION			
Includes grant amounting to Rs. 0.19 million (2021: Rs. 4.71 million) for technological support to students from Habib University Foundation, a related party.			

	Note	2022 ------(Rupees in '000) -----	2021
17 OTHER INCOME			
Gain on sale of operating fixed assets		184	146
Gain on termination of lease		-	234
Late payment charges		2,541	1,382
Profit on saving accounts		12,879	8,538
Swimming pool and gym fees		1,422	380
Exchange gain		28,084	-
Library fees and penalties		45	23
Playground income		1,263	2,438
Donation from Alumni		1,470	-
Rental income		-	130
Reversal of allowance for expected credit losses		-	873
Others		865	539
		<u>48,753</u>	<u>14,683</u>
18 ACADEMIC AND PROGRAMMATIC EXPENDITURE			
Salaries and benefits		742,038	656,489
Training and professional development		2,508	1,024
Faculty research grant		2,778	1,115
Faculty and staff recruitment		8,383	1,527
Lab, studio and academic supplies		4,460	5,009
Library and other academic activities		24,336	11,166
Student transport and hostel		685	1,329
Health, sports, wellness and counselling		18,001	15,002
Conferences, seminars and workshops		34,667	7,915
Student recruitment, admission and marketing		16,652	14,708
Resource development		18,921	2,661
Technology - license and hardware		57,473	52,257
Vehicle, supplies and others		29,234	21,850
Utilities		54,610	41,352
Building and equipment maintenance		56,398	55,889
Insurance		7,460	6,971
Safety and security		14,293	13,344
Depreciation	6.1.4	30,103	22,122
Amortisation	7.2	1,747	1,631
Travelling		15,945	886
Postage and printing		-	42
Others		1,384	639
		<u>1,142,076</u>	<u>934,928</u>
19 ADMINISTRATIVE EXPENDITURE			
Salaries and benefits		117,306	92,436
Utilities		13,653	10,338
Building and equipment maintenance		14,099	13,972
Safety and security		3,573	3,336
Vehicle, supplies and others		7,309	5,462
Auditors' remuneration	19.1	502	494
Training and professional development		200	168
Insurance		1,865	1,743
Depreciation	6.1.4	7,526	5,531
Amortisation	7.2	437	408
		<u>166,470</u>	<u>133,888</u>
19.1 Auditors' remuneration			
Audit fee		300	300
Fee for review of half yearly financial statements		120	120
Out of pocket expenses		82	74
		<u>502</u>	<u>494</u>

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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)									
2022									
Financial assets									
Amortised cost									
Students fees receivable	-	-	-	-	-	56,359	-	56,359	56,359
Long-term deposits	-	-	-	-	-	-	5,289	5,289	5,289
Other receivables	-	-	-	-	-	511	-	511	511
Accrued profit	-	-	-	-	-	712	-	712	712
Bank balances	122,485	-	-	122,485	12,828	-	-	12,828	135,313
	<u>122,485</u>	<u>-</u>	<u>-</u>	<u>122,485</u>	<u>12,828</u>	<u>57,582</u>	<u>5,289</u>	<u>75,699</u>	<u>198,184</u>
Financial liabilities									
Amortised cost									
Security deposits from students	-	-	-	-	-	17,038	16,850	33,888	33,888
Lease liabilities	-	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	110,792	-	110,792	110,792
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,830</u>	<u>16,850</u>	<u>144,680</u>	<u>144,680</u>
(Rupees in '000)									
2021									
Financial assets									
Amortised 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	158,090	-	-	158,090	28,901	-	-	28,901	186,991
	<u>158,090</u>	<u>-</u>	<u>-</u>	<u>158,090</u>	<u>15,778</u>	<u>11,815</u>	<u>2,036</u>	<u>29,629</u>	<u>187,719</u>
Financial liabilities									
Amortised cost									
Security deposits from students	-	-	-	-	-	14,650	15,775	30,425	30,425
Lease liabilities	-	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	91,376	-	91,376	91,376
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,026</u>	<u>15,775</u>	<u>121,801</u>	<u>121,801</u>

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 summarised 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.

[Signature]

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 minimise 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	
		2022	2021	2022	2021
		(Rupees in '000)		(Rupees in '000)	
Student fees receivable	8	8,788	10,318	47,571	384
Long-term deposits		-	-	5,289	2,036
Other receivables	9	-	-	511	241
Accrued profit		-	-	712	872
Bank balances	11	-	-	135,313	186,981
		<u>8,788</u>	<u>10,318</u>	<u>189,396</u>	<u>177,401</u>

Ageing analysis of student fees receivable is as follows:

	Note	2022	2021
		(Rupees in '000)	
- Not due		47,571	384
- 01 to 30 days		373	69
- 31 to 60 days		523	654
- 61 to 90 days		686	816
- 91 to 120 days		2,922	3,514
- 121 to 150 days		855	785
- 151 to 180 days		1,542	3,095
- 181 to 210 days		179	-
- 211 to 240 days		399	-
- Past due over 240 days	21.2.1	11,105	10,536
Student fees receivable		<u>66,155</u>	<u>19,853</u>
Allowance for expected credit losses	8.3	<u>(9,796)</u>	<u>(9,151)</u>
		<u>56,359</u>	<u>10,702</u>

21.2.1 This includes Rs. 1.975 million (2021: Rs. 2.17 million) in respect of Student Finance Scheme.

Bank balances	Rating agency	Rating
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, 2022, 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)	2022		2021	
		%	Rs. '000	%	Rs. '000
USD	lower / higher	10%	5,097	10%	1,417

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. 1.601 million (2021: Rs. 1.581 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.

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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		2022	2021
		----- (Rupees in '000) -----	
Common directorship	Contribution received from Habib University Foundation	<u>618,693</u>	<u>556,896</u>
	Donation received	<u>398,043</u>	<u>146,093</u>
	Tuition fees received under student loan scheme	<u>6,238</u>	<u>6,238</u>
	Profit received on saving accounts	<u>13,039</u>	<u>7,889</u>
	Insurance premium paid	<u>8,793</u>	<u>9,963</u>
	Short term investment made during the year	<u>37,601</u>	<u>-</u>
	Expenses paid by the University on behalf of a related party	<u>2,245</u>	<u>669</u>
	Expenses paid by a related party on behalf of the University	<u>15</u>	<u>171</u>

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
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
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:

	2022	2021
	----- (Rupees in '000) -----	
Remuneration	<u>64,192</u>	<u>56,895</u>
Retirement benefits	<u>1,565</u>	<u>1,195</u>
Utilities	<u>1,408</u>	<u>925</u>
Others	<u>3,565</u>	<u>2,505</u>
	<u>70,730</u>	<u>61,520</u>

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

23.3 There are 09 governors (2021: 10) of the University.

24 NUMBER OF EMPLOYEES

Number of persons employed as at year end were 262 (2021: 246) and the average number of persons employed during the year were 255 (2021: 230).

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 authorised for issue on _____ by the Board of Governors of the University.



CHANCELLOR



PRESIDENT