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AUDITORS' REPORT TO THE FINANCIAL STATEMENTS OF

HABIB UNIVERSITY

FOR THE YEAR ENDED 30 JUNE 2023

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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 2023, 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 2023, 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.

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: Omer Chughtai

Place: Karachi

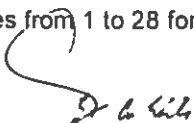
UDIN No.: AR2023101207e9ugwdqA


Date: 07 November 2023

HABIB UNIVERSITY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	General Fund	Capital Grant Fund - restricted	2023	2022
(Rupees in '000)					
ASSETS					
NON-CURRENT ASSETS					
Property and equipment	6	276,032	272,272	548,304	414,770
Intangible assets	7	13,356	-	13,356	3,666
Long-term deposits and prepayments	8	13,713	-	13,713	8,519
		303,101	272,272	575,373	426,955
CURRENT ASSETS					
Office and other supplies		8,715	-	8,715	8,838
Students fees receivable	9	12,230	-	12,230	56,359
Advances, deposits, prepayments and other receivables	10	26,085	-	26,085	22,155
Advance tax		6,052	-	6,052	5,552
Short-term investments	11	230,640	-	230,640	37,604
Accrued profit		1,492	-	1,492	712
Cash and bank balances	12	61,013	-	61,013	138,245
		346,227	-	346,227	269,465
TOTAL ASSETS		649,328	272,272	921,600	696,420
FUND AND LIABILITIES					
FUND BALANCES					
General Fund		284,410	-	284,410	165,235
Capital Grant Fund - restricted		-	272,272	272,272	274,902
		284,410	272,272	556,682	440,137
NON-CURRENT LIABILITIES					
Security deposits from students		21,675	-	21,675	16,850
Contract liabilities	13	26,514	-	26,514	16,378
Lease liabilities	14	31,902	-	31,902	-
		80,091	-	80,091	33,228
CURRENT LIABILITIES					
Trade and other payables	15	195,124	-	195,124	115,561
Current portion of security deposits from students		18,818	-	18,818	17,038
Current portion of contract liabilities	13	53,409	-	53,409	90,456
Current portion of lease liabilities	14	17,476	-	17,476	-
		284,827	-	284,827	223,055
CONTINGENCIES AND COMMITMENTS					
	16				
TOTAL FUND AND LIABILITIES		649,328	272,272	921,600	696,420

The annexed notes from 1 to 28 form an integral part of these financial statements.


 CHANCELLOR


 PRESIDENT


HABIB UNIVERSITY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2023

	Note	General Fund	Capital Grant Fund - restricted	2023	2022
----- (Rupees in '000) -----					
INCOME					
Tuition fees	17	1,326,449	-	1,326,449	1,085,827
Application fees		5,551	-	5,551	4,271
Semester registration fees		22,444	-	22,444	18,095
Admission fees		19,480	-	19,480	19,230
Donations					
Habib University Foundation - a related party	18	143,271	-	143,271	131,068
Habib University Stiftung Switzerland - a related party		277,173	-	277,173	252,593
Habib University Foundation U.S.Inc.- a related party		17,607	-	17,607	14,382
Donations in kind		20,341	-	20,341	3,502
		458,392	-	458,392	401,545
Other income	19	50,655	-	50,655	48,753
		1,882,971	-	1,882,971	1,577,721
LESS: EXPENDITURE					
Academic and programmatic expenditure	20	1,560,055	2,630	1,562,685	1,142,076
Administrative expenditure	21	195,952	-	195,952	166,470
Accretion of interest on lease liabilities	14	3,859	-	3,859	-
Allowance for expected credit losses	9.3	3,930	-	3,930	645
		1,763,796	2,630	1,766,426	1,309,191
Net surplus / (deficit) for the year		119,175	(2,630)	116,545	268,530
Other comprehensive income					
Other comprehensive income for the year		-	-	-	-
Total comprehensive income / (loss) for the year		119,175	(2,630)	116,545	268,530

The annexed notes from 1 to 28 form an integral part of these financial statements.



 CHANCELLOR



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HABIB UNIVERSITY
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Capital Grant Fund - restricted	Total
	------(Rupees in '000)-----		
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 Fund - restricted	(4,740)	4,740	-
Balance as at June 30, 2022	165,235	274,902	440,137
Net surplus / (deficit) for the year	119,175	(2,630)	116,545
Other comprehensive income	-	-	-
Total comprehensive income / (loss) for the year	119,175	(2,630)	116,545
Balance as at June 30, 2023	284,410	272,272	556,682

The annexed notes from 1 to 28 form an integral part of these financial statements.



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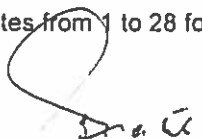


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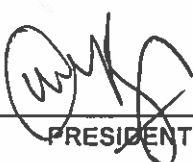
HABIB UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 ------(Rupees in '000) -----	2022 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year		116,545	268,530
Adjustment for non-cash and other items			
Depreciation on:			
- right-of-use assets	6.3	9,003	604
- other operating fixed assets	6.1	58,885	37,025
Amortisation	7	5,419	2,184
Gain on sale of operating fixed assets	19	(575)	(184)
Profit on saving accounts	19	(19,376)	(12,879)
Accretion of interest on lease liabilities	14	3,859	-
Provision for leave encashment	15.1	6,773	7,348
Allowance for expected credit loss	9.3	3,930	645
		67,918	34,743
Decrease / (increase) in current assets			
Office and other supplies		123	(953)
Students fees receivable		40,199	(46,302)
Advances, deposits, prepayments & other receivables		(9,124)	(5,970)
		31,198	(53,225)
Increase in current liabilities			
Trade and other payables		76,619	18,288
Contract liabilities		(37,047)	71,133
		39,572	89,421
Cash generated from operations		255,233	339,469
Taxes paid		(500)	(338)
Leave encashment paid		(3,829)	(2,288)
Security deposits from students – net		6,605	3,463
Contract liabilities		10,136	34
Net cash generated from operations		267,645	340,340
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(143,927)	(364,166)
Proceeds from disposal of operating fixed assets		1,609	346
Additions to intangible assets		(15,109)	(1,761)
Profit received on saving accounts		18,596	13,039
Net cash used in investing activities		(138,831)	(352,542)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid	14	(13,010)	-
Net increase / (decrease) in cash and cash equivalents		115,804	(12,202)
Cash and cash equivalents at the beginning of the year		175,849	188,051
Cash and cash equivalents at the end of the year		291,653	175,849
CASH AND CASH EQUIVALENTS			
Bank balances	12	61,013	138,245
Short-term investments	11	230,640	37,604
		291,653	175,849

The annexed notes from 1 to 28 form an integral part of these financial statements.



 CHANCELLOR



 PRESIDENT

HABIB UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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:

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.

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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 3	Reference to the Conceptual Framework (Amendments)
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)

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
IAS 41	Agriculture – Taxation in fair value measurements
IFRS 16	Leases: Lease incentives

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)
IAS 1 and IFRS Practice Statement 2	January 01, 2023
IAS 8	January 01, 2023
IAS 12	January 01, 2023

Amendment or Improvement	Effective date (annual periods beginning on or after)
IAS 12	January 01, 2023
IAS 1	January 01, 2024
IAS 7 and IFRS 7	January 01, 2024
IFRS 16	January 01, 2024
IFRS 10 / IAS 28	Not yet finalised

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	01 January 2004
IFRS 17	01 January 2023

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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.

5.3 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.

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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 cash in deposit and current accounts maintained with banks. Cash equivalents are short term highly liquid investments with a maturity of three months or less from the date of acquisition 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 General Fund

The General Fund presents all revenues and expenses related to unrestricted resources. The total excess of revenues over expenses in the general fund reports the change in the University's unrestricted resources in the year.

5.9 Restricted Funds

The University follows restricted fund method of accounting. The restricted funds present income and expenses related to restricted resources.

5.10 Security deposits from students

These are stated at cost.

5.11 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.

5.11.1 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.

5.11.2 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.

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5.11.3 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).

5.11.4 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 .

5.11.5 Short-term leases

The University applies the short-term lease recognition exemption to its short-term leases of premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

5.12 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.

5.13 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.

5.14 Staff retirement benefits

The University operates a contributory provident fund for all eligible employees. Equal monthly contributions are made by the University and the employees to the fund at the rate of 8.33% of basic salary. Contributions are charged to statement of income and expenditure.

5.15 Employee compensated absences

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

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5.16 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.

5.16.1 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.

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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.

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5.16.2 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.

5.16.3 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.

5.17 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.

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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.

5.18 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.

5.19 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.

5.20 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.

5.21 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.

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6	PROPERTY AND EQUIPMENT	Note	2023	2022
			----- (Rupees in '000) -----	
	Operating fixed assets	6.1	467,730	106,708
	Capital work-in-progress	6.2	31,048	308,062
	Right-of-use assets	6.3	49,526	-
			<u>548,304</u>	<u>414,770</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	
	2022	(disposals)	2023	2022	(disposals)	2023	2023	
	----- (Rupees in '000) -----							
Free hold land	-	165,000	165,000	-	-	-	165,000	-
Building	-	107,784	107,784	-	2,245	2,245	105,539	2.50
Motor vehicles	24,291	23,245 (4,574)	42,962	10,936	4,110 (3,626)	11,420	31,542	20
Computer and multimedia	166,326	94,193 (838)	259,681	91,270	44,914 (752)	135,432	124,249	33
Lab equipment	5,129	806	5,935	1,963	1,060	3,023	2,912	20
Furniture and fixture	3,673	3,732	7,405	806	1,100	1,906	5,499	20
Office equipment	11,062	24,637	35,699	4,642	3,422	8,064	27,635	10 - 20
Library books	11,567	1,544	13,111	5,723	2,034	7,757	5,354	20
2023	222,048	420,941 (5,412)	637,577	115,340	58,885 (4,378)	169,847	467,730	

	----- 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	
	2021	(disposals)	2022	2021	(disposals)	2022	2022	
	----- (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 (1,731)	166,326	62,910	29,929 (1,569)	91,270	75,056	33
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
2022	138,431	87,390 (1,731)	222,048	81,322	37,024 (1,569)	115,340	106,708	

6.1.1 Includes transfer from capital work-in-progress amounting to Rs.322.13 million (2022: Rs.18.18 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.71.13 million (2022: Rs. 59.17 million) which are fully depreciated and are still in use of the University.

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	Note	2023 ----- (Rupees in '000) -----	2022
6.1.4 Depreciation charge for the year has been allocated as follows:			
Academic and programmatic expenditure	20	47,108	29,499
Administrative expenditure	21	11,777	7,526
		<u>58,885</u>	<u>37,025</u>
6.2 Capital work-in-progress - movement			
Opening balance		308,062	31,286
Additions during the year		45,120	294,953
Transfer to operating fixed assets		(322,134)	(18,177)
Closing balance	6.2.1	<u>31,048</u>	<u>308,062</u>
6.2.1 Capital work-in-progress - break up			
Land and building		-	272,784
Motor vehicles		-	9,502
Computer and multimedia		25,738	23,957
Furniture and fixture		517	-
Office equipment		4,793	1,819
		<u>31,048</u>	<u>308,062</u>
6.3 Right-of-use assets			
As at July 01, 2022			
Cost		-	2,042
Accumulated depreciation		-	(1,438)
Net book value		<u>-</u>	<u>604</u>
Year ended June 30, 2023			
Opening net book value		-	604
Additions during the year		58,529	-
Termination of lease during the year			
- Cost		-	(2,042)
- Accumulated depreciation		-	2,042
		-	-
Depreciation for the year	6.3.1	<u>(9,003)</u>	<u>(604)</u>
Closing net book value		<u>49,526</u>	<u>-</u>
As at June 30, 2023			
Cost		58,529	-
Accumulated depreciation		<u>(9,003)</u>	<u>-</u>
Net book value		<u>49,526</u>	<u>-</u>
6.3.1 Depreciation for the year on right-of-use assets has been charged to Academic and programmatic expenditure (note 20).			
6.3.2 Lease obligations of the University comprises of lease arrangements giving it the right-of-use over premises utilised as faculty housing.			
6.3.3 The right-of-use assets are depreciated over a life of 3 years.			

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7 INTANGIBLE ASSETS

	Cost			Accumulated amortisation			Book Value	Amortisation rate %
	As at	Additions	As at	As at	Charge for the year	As at	As at	
	July 01 2022		June 30 2023	July 01 2022		June 30 2023	June 30 2023	
	(Rupees in '000)							
Softwares	15,216	15,109	30,325	11,550	5,419	16,969	13,356	33
Project development cost – academic planning & modeling	19,973	-	19,973	19,973	-	19,973	-	20
	<u>35,189</u>	<u>15,109</u>	<u>50,298</u>	<u>31,523</u>	<u>5,419</u>	<u>36,942</u>	<u>13,356</u>	
	Cost			Accumulated amortisation			Book Value	Amortisation rate %
	As at	Additions	As at	As at	Charge for the year	As at	As at	
	July 01 2021		June 30 2022	July 01 2021		June 30 2022	June 30 2022	

7.1 Intangible assets include items having an aggregate cost of Rs. 30.93 million (2022: Rs. 29.57 million) which are fully amortised and are still in use of the University.

7.2	Note	2023	2022
		(Rupees in '000)	
Amortisation charge for the year has been allocated as follows:			
Academic and programmatic expenditure	20	4,333	1,747
Administrative expenditure	21	1,086	437
		<u>5,419</u>	<u>2,184</u>

8 LONG-TERM DEPOSITS AND PREPAYMENTS

Prepayments	3,212	3,230
Deposits	10,501	5,289
	<u>13,713</u>	<u>8,519</u>

9 STUDENTS FEES RECEIVABLE

Students fees receivable	9.1 & 9.2	25,956	66,155
Allowance for expected credit losses	9.3	(13,726)	(9,796)
		<u>12,230</u>	<u>56,359</u>

9.1 Includes receivable amounting to Rs. 1.98 million (2022: Rs. 1.98 million) in respect of Student Finance Scheme.

9.2 Includes receivable amounting to Rs. 1.28 million (2022: Rs. 47.57 million) as not yet due.

9.3	Movement - Allowance for expected credit losses	2023	2022
		(Rupees in '000)	
	Opening balance	9,796	9,151
	Add: Charge during the year	3,930	645
	Closing balance	<u>13,726</u>	<u>9,796</u>

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		2023	2022
	Note	----- (Rupees in '000) -----	
10	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Advances		
	Employees	2,373	2,126
	Expenses	4,825	1,612
	Suppliers	2,369	682
		<u>9,567</u>	<u>4,420</u>
	Prepayments		
	Insurance	10.1 448	494
	Rent	-	3,323
	License and subscription	10.2 15,479	13,407
		15,927	17,224
	Other receivables	10.3 591	511
		<u>26,085</u>	<u>22,155</u>

10.1 Includes Rs. 0.06 million (2022: Rs. 0.02 million) paid to Habib Insurance Company Limited, a related party.

10.2 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.

10.3 Includes Rs. 0.2 million (2022: Nil) receivable from Habib Insurance Company Limited, a related party.

		2023	2022
	Note	----- (Rupees in '000) -----	
11	SHORT TERM INVESTMENTS - FOREIGN CURRENCY		
	At amortised cost		
	Term deposit	11.1 229,106	37,601
	Accrued profit	1,534	3
		<u>230,640</u>	<u>37,604</u>

11.1 This carries profit at rates from 4.3% to 8.6% (2022: 4%) per annum and will mature latest by September 2023. These certificates were issued by Habib Metropolitan Bank Limited, a related party.

		2023	2022
	Note	----- (Rupees in '000) -----	
12	CASH AND BANK BALANCES		
	Cash in hand		
	- foreign currency	5,096	2,932
	Bank balances in:		
	Local currency		
	- current accounts	2,075	2,394
	- saving accounts	12.1 50,354	122,485
		52,429	124,879
	Foreign currency		
	- current accounts	12.2 3,488	10,434
		<u>61,013</u>	<u>135,313</u>

12.1 This carries profit at rates of 19.50% (2022: 12.25%) per annum.

12.2 Includes an amount of Rs. 55.72 million (2022: Rs. 135.2 million) deposited with Habib Metropolitan Bank Limited, a related party.

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	Note	2023 ----- (Rupees in '000) -----	2022
13 CONTRACT LIABILITIES			
Tuition fees		37,060	74,357
Admission fees		42,863	32,477
		<u>79,923</u>	<u>106,834</u>
Current portion of contract liabilities		<u>(53,409)</u>	<u>(90,456)</u>
		<u>26,514</u>	<u>16,378</u>
14. LEASE LIABILITIES			
Lease liabilities		49,378	-
Current portion of lease liabilities		<u>(17,476)</u>	<u>-</u>
		<u>31,902</u>	<u>-</u>
14.1 Reconciliation of the carrying amount is as follows:			
Opening		-	-
Additions during the year	6.3	58,529	-
Accretion of interest		3,859	-
Lease rental payments made during the year		<u>(13,010)</u>	<u>-</u>
Lease liabilities as at June 30, 2023		49,378	-
Current portion of lease liabilities		<u>(17,476)</u>	<u>-</u>
Long-term lease liabilities as at June 30, 2023		<u>31,902</u>	<u>-</u>
14.2 The amount of future payment under the lease arrangement and the period in which these payments will become due are as follows:			
		2023	2022
		----- (Rupees in '000) -----	
Maturity analysis			
Gross lease liabilities - minimum lease payments:			
Not later than one year		25,102	-
Later than one year but not later than five years		<u>36,628</u>	<u>-</u>
		61,730	-
Future finance charge		<u>(12,352)</u>	<u>-</u>
Present value of finance lease liabilities		<u>49,378</u>	<u>-</u>
15. TRADE AND OTHER PAYABLES	Note	2023	2022
		----- (Rupees in '000) -----	
Payable to suppliers and contractors		36,494	24,318
Employees salary and fringe benefit payable		32,827	17,127
Payable to students		2,497	1,633
Accrued expenses		71,271	32,356
Advance against UBL level up program		8,238	-
Provision for leave encashment	15.1	38,301	35,357
Sales tax payable		3,628	3,212
Withholding tax payable		<u>1,868</u>	<u>1,558</u>
		<u>195,124</u>	<u>115,561</u>

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	2023	2022
	----- (Rupees in '000) -----	
15.1 Movement - Provision for leave encashment		
Opening balance	35,357	30,297
Charge for the year	6,773	7,348
Payments made during the year	<u>(3,829)</u>	<u>(2,288)</u>
Closing balance	<u><u>38,301</u></u>	<u><u>35,357</u></u>

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

There are no contingencies of the University as of reporting date.

16.2 Commitments

There are no commitments of the University as of reporting date.

	2023	2022
	----- (Rupees in '000) -----	
17 TUITION FEES		
Represented by:		
Self-funded	595,497	471,209
Fee discount	<u>(6,046)</u>	<u>(4,075)</u>
	589,451	467,134
Funded by Habib University Foundation through:		
- Scholarship	415,989	353,768
- Zakat	270,863	229,882
- Grant	49,146	35,043
	735,998	618,693
Funded by Sindh Endowment Fund	1,000	-
	<u><u>1,326,449</u></u>	<u><u>1,085,827</u></u>

18 DONATIONS - HABIB UNIVERSITY FOUNDATION

Includes grant amounting to Nil (2022: Rs. 0.19 million) for technological support to students from Habib University Foundation, a related party.

	2023	2022
	----- (Rupees in '000) -----	
19 OTHER INCOME		
Gain on sale of operating fixed assets	575	184
Late payment charges	1,868	2,541
Profit on saving accounts	19,376	12,876
Swimming pool and gym fees	2,599	1,422
Exchange gain	18,801	28,084
Library fees and penalties	13	45
Playground income	-	1,263
Donation from Alumni	2,405	1,470
Profit on short-term investments classified at amortised cost	3,172	3
Others	1,846	865
	<u><u>50,655</u></u>	<u><u>48,753</u></u>

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2023 2022
------(Rupees in '000) -----

20 ACADEMIC AND PROGRAMMATIC EXPENDITURE

Salaries and benefits		957,883	738,310
Training and professional development		7,770	3,340
Faculty research grant		10,680	2,778
Faculty and staff recruitment		21,856	10,989
Lab, studio and academic supplies		9,177	6,659
Library and other academic activities		61,363	36,639
Health, sports, wellness and counselling		15,519	11,349
Conferences, seminars and workshops		22,023	24,538
Student recruitment, admission and marketing		28,216	16,601
Resource development		32,234	18,921
Technology - license and hardware		74,465	59,077
Vehicle, supplies and others		27,711	25,459
Utilities		86,130	54,611
Building and equipment maintenance		84,604	63,255
Insurance		11,018	7,402
Safety and security		20,394	14,350
Depreciation on operating fixed assets	6.1.4	47,108	29,499
Depreciation on right-of-use assets	6.3.1	9,003	604
Amortisation	7.2	4,335	1,747
Travelling		31,196	15,948
		<u>1,562,685</u>	<u>1,142,076</u>

21 ADMINISTRATIVE EXPENDITURE

Salaries and benefits		122,883	117,322
Training and professional development		2,194	200
Vehicle, supplies and others		6,928	6,120
Auditors' remuneration	21.1	551	502
Utilities		21,533	13,653
Building and equipment maintenance		21,150	15,272
Insurance		2,754	1,865
Safety and security		5,098	3,573
Depreciation on operating fixed assets	6.1.4	11,777	7,526
Amortisation	7.2	1,084	437
		<u>195,952</u>	<u>166,470</u>

21.1 Auditors' remuneration

Audit fee		360	300
Fee for review of half yearly financial statements		144	120
Out of pocket expenses		47	82
		<u>551</u>	<u>502</u>

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22 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)									
2023									
Financial assets									
Amortised cost									
Long-term deposits	-	-	-	-	-	-	10,501	10,501	10,501
Students fees receivable	-	-	-	-	-	12,230	-	12,230	12,230
Other receivables	-	-	-	-	-	591	-	591	591
Accrued profit	-	-	-	-	-	1,492	-	1,492	1,492
Bank balances	50,354	-	-	50,354	5,563	-	-	5,563	55,917
	<u>50,354</u>	<u>-</u>	<u>-</u>	<u>50,354</u>	<u>5,563</u>	<u>14,313</u>	<u>10,501</u>	<u>30,377</u>	<u>80,731</u>
Financial liabilities									
Amortised cost									
Security deposits from students	-	-	-	-	-	18,818	21,675	40,493	40,493
Lease liabilities	-	17,476	31,902	49,378	-	-	-	-	49,378
Trade and other payables	-	-	-	-	-	189,628	-	189,628	189,628
	<u>-</u>	<u>17,476</u>	<u>31,902</u>	<u>49,378</u>	<u>-</u>	<u>208,446</u>	<u>21,675</u>	<u>230,121</u>	<u>279,499</u>

	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									
Long-term deposits	-	-	-	-	-	-	5,289	5,289	5,289
Students fees receivable	-	-	-	-	-	56,359	-	56,359	56,359
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
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>

23 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:

23.1 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	
		2023	2022	2023	2022
		----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Student fees receivable	9	10,948	8,788	1,282	47,571
Long-term deposits		-	-	10,501	5,289
Other receivables	10	-	-	591	511
Accrued profit		-	-	1,492	712
Bank balances	12	-	-	55,917	135,313
		<u>10,948</u>	<u>8,788</u>	<u>69,783</u>	<u>189,396</u>

Ageing analysis of student fees receivable is as follows:

	Note	2023	2022
		----- (Rupees in '000) -----	
- Not due		1,282	47,571
- 01 to 30 days		1,097	373
- 31 to 60 days		1,308	523
- 61 to 90 days		1,304	686
- 91 to 120 days		4,578	2,922
- 121 to 150 days		717	855
- 151 to 180 days		2,085	1,542
- 181 to 210 days		92	179
- 211 to 240 days		245	399
- Past due over 240 days	23.1.1	<u>13,248</u>	<u>11,105</u>
Student fees receivable		<u>25,956</u>	<u>66,155</u>
Allowance for expected credit losses	9.3	<u>(13,726)</u>	<u>(9,796)</u>
		<u>12,230</u>	<u>56,359</u>

23.1.1 This includes Rs. 1.98 million (2022: Rs. 1.98 million) in respect of Student Finance Scheme from related party, Habib Metropolitan Bank Limited.

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

23.2 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).

23.2.1 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, 2023, 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	2023		2022	
		%	Rs. '000	%	Rs. '000
USD	lower / higher	10%	23,613	10%	5,097
CAD	lower / higher	10%	156	10%	-

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23.2.2 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 and investments. Management of the University estimates that 1% increase in the market interest rate, with all other factors remaining constant, would decrease the deficit / increase the surplus by Rs. 2.79 million (2022: Rs. 1.601 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.

23.2.3 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 22 to these financial statements.

23.2.4 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.

23.3 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.

24 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	2023 ----- (Rupees in '000) -----	2022
Common directorship	Contribution received from Habib University Foundation	<u>737,986</u>	<u>818,693</u>
	Donation received	<u>438,051</u>	<u>398,043</u>
	Tuition fees received under student loan scheme	<u>-</u>	<u>6,238</u>
	Profit received on saving accounts	<u>18,598</u>	<u>13,039</u>
	Insurance premium paid	<u>14,128</u>	<u>8,793</u>
	Short term investment made during the year	<u>293,863</u>	<u>37,601</u>
	Encashment of term deposit receipts	<u>118,506</u>	<u>-</u>
	Expenses paid by the University on behalf of a related party	<u>141,240</u>	<u>2,245</u>
	Expenses paid by a related party on behalf of the University	<u>-</u>	<u>15</u>
			<u>-</u>

24.1 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

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25 REMUNERATION OF PRESIDENT AND GOVERNORS

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

	2023	2022
	----- (Rupees in '000) -----	
Remuneration	76,933	64,192
Retirement benefits	2,000	1,565
Utilities	1,800	1,408
Others	4,246	3,565
	<u>84,979</u>	<u>70,730</u>

25.1.1 The President of the University is provided with free of cost use of University maintained cars and accommodation.

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

25.3 There are 11 governors (2022: 09) of the University.

26 NUMBER OF EMPLOYEES

Number of persons employed as at year end were 301 (2022: 262) and the average number of persons employed during the year were 282 (2022: 255).

27 GENERAL

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

27.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant rearrangement or reclassification has been made in these financial statements during the current year.

28 DATE OF AUTHORISATION FOR ISSUE

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


CHANCELLOR


PRESIDENT