

AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the annexed balance sheet of Lahore University of Management Sciences as at June 30, 2015, the related income and expenditure account, statement of changes in accumulated fund and cash flow statement together with the notes forming part thereof (hereinafter referred to as the financial statements) for the year then ended.

It is the responsibility of the University's Management Committee to establish and maintain a system of internal control, and prepare and present the above said financial statements in conformity with the Guideline for Accounting and Financial Reporting by Non-Government Organizations / Non-Profit Organizations issued by the Institute of Chartered Accountants of Pakistan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the balance sheet of the Lahore University of Management Sciences as at June 30, 2015, its surplus, statement of changes in accumulated fund and its cash flows for the year then ended have been prepared, in all material respects, in accordance with the Guideline for Accounting and Financial Reporting by Non-Government Organizations / Non-Profit Organizations issued by the Institute of Chartered Accountants of Pakistan.



Chartered Accountants

Lahore, December 4, 2015

Name of Engagement partner: Muhammad Masood

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660; Pakistan.
Tel: +92 (42) 3571 5864-71; Fax: +92 (42) 3571 5872*

Karachi: State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan.
Tel: +92 (21) 3242 6682-6/3242 6711-5; Fax: +92 (21) 3241 5007/3242 7938; <www.pwc.com/pk>
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273 457-60; Fax: +92 (51) 227 7924
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315 320

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

BALANCE SHEET AS AT JUNE 30, 2015

	Note	Current fund Rupees	Endowment fund Rupees	Scholarship fund Rupees	Chair fund Rupees	Sponsored projects Rupees	Fixed assets fund Rupees	2015 Total Rupees	2014 Total Rupees
Fund balance		<u>1,238,580,746</u>	<u>710,455,898</u>	<u>29,170,545</u>	<u>49,200,532</u>	<u>93,608,322</u>	<u>947,252,450</u>	<u>3,068,268,493</u>	<u>2,641,628,969</u>
Represented by									
Non - current assets									
Operating fixed assets	5	-	-	-	-	-	957,096,120	957,096,120	823,935,128
Intangible assets	6	-	-	-	-	-	31,127,038	31,127,038	33,751,195
Capital work-in-progress	7	5,868,328	-	-	-	693,746	-	6,562,074	11,102,101
Investments	8	965,503,508	631,550,280	27,154,014	28,793,560	-	-	1,653,001,362	290,918,420
Long term loans and advances	9	60,887,345	952,631	567,345	-	-	-	62,407,321	74,729,919
		<u>1,032,259,181</u>	<u>632,502,911</u>	<u>27,721,359</u>	<u>28,793,560</u>	<u>693,746</u>	<u>988,223,158</u>	<u>2,710,193,915</u>	<u>1,234,436,763</u>
Non - current liabilities									
Accumulated compensated absences		27,594,642	-	-	-	1,905,199	-	29,499,841	20,431,173
Long term security deposits	10	41,796,000	-	-	-	-	-	41,796,000	35,364,240
Deferred income	11	-	-	-	-	-	40,970,708	40,970,708	46,357,949
		<u>69,390,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,905,199</u>	<u>40,970,708</u>	<u>112,266,549</u>	<u>102,153,362</u>
		<u>962,868,539</u>	<u>632,502,911</u>	<u>27,721,359</u>	<u>28,793,560</u>	<u>(1,211,453)</u>	<u>947,252,450</u>	<u>2,597,927,366</u>	<u>1,132,283,401</u>
Current assets									
Stores		15,641,076	-	-	-	-	-	15,641,076	15,917,377
Loans, advances, deposits									
prepayments and other receivables	12	101,378,196	22,179,736	11,447,904	2,880,243	68,884,999	-	206,771,078	185,429,380
Short term investments	13	81,200,000	19,300,000	-	-	-	-	100,500,000	981,719,880
Cash and bank balances	14	502,542,661	36,740,780	37,719,651	17,527,398	93,724,469	-	688,254,959	954,492,644
		<u>700,761,933</u>	<u>78,220,516</u>	<u>49,167,555</u>	<u>20,407,641</u>	<u>162,609,468</u>	<u>-</u>	<u>1,011,167,113</u>	<u>2,137,559,281</u>
Current liabilities									
Short term running finance	15	2,855,433	-	-	-	-	-	2,855,433	7,157,192
Creditors, accrued and other liabilities	16	448,452,157	267,529	109,780	669	67,789,693	-	516,619,828	600,602,663
Due to National Management Foundation		21,350,725	-	-	-	-	-	21,350,725	20,453,858
		<u>472,658,315</u>	<u>267,529</u>	<u>109,780</u>	<u>669</u>	<u>67,789,693</u>	<u>-</u>	<u>540,825,986</u>	<u>628,213,713</u>
Net current assets		<u>228,103,618</u>	<u>77,952,987</u>	<u>49,057,775</u>	<u>20,406,972</u>	<u>94,819,775</u>	<u>-</u>	<u>470,341,127</u>	<u>1,509,345,568</u>
Due to / (from)	17	47,608,589	-	(47,608,589)	-	-	-	-	-
CONTINGENCIES AND COMMITMENTS	18								
Net assets		<u>1,238,580,746</u>	<u>710,455,898</u>	<u>29,170,545</u>	<u>49,200,532</u>	<u>93,608,322</u>	<u>947,252,450</u>	<u>3,068,268,493</u>	<u>2,641,628,969</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

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Member of Management Committee

Farooq Chaudhary

Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2015

	Current fund Rupees	Endowment fund Rupees	Scholarship fund Rupees	Chair fund Rupees	Sponsored projects Rupees	Fixed assets fund Rupees	2015 Total Rupees	2014 Total Rupees
Income								
Direct grants	902,827	-	277,796,078	-	510,366,422	5,387,242	794,452,569	636,622,764
Tuition fee and other income								
Tuition fee	1,900,824,487	-	-	-	-	-	1,900,824,487	1,710,749,282
Other fees	207,271,000	-	-	-	-	-	207,271,000	191,823,500
Consultancy fee	22,041,835	-	-	-	-	-	22,041,835	4,845,255
SEDC training income	-	-	-	-	-	-	-	3,076,600
Executive development programmes	226,670,504	-	-	-	-	-	226,670,504	220,067,794
Miscellaneous income	487,049,785	900	-	12,119,706	-	-	499,170,391	474,928,843
Return on investments and term deposits	69,818,039	61,616,189	5,588,944	3,830,901	22,649,476	-	163,503,549	148,311,865
Exchange gain	15,827,831	998,192	-	-	424,682	-	17,250,705	-
	2,929,503,481	62,615,281	5,588,944	15,950,607	23,074,158	-	3,036,732,471	2,753,803,139
Total income for the year	2,930,406,308	62,615,281	283,385,022	15,950,607	533,440,580	5,387,242	3,831,185,040	3,390,425,903
Expenditure								
Salaries, wages and amenities	1,251,587,083	1,209,733	4,816,776	10,133,616	160,482,961	-	1,428,230,169	1,152,193,412
Training	5,571,551	-	-	-	8,103,471	-	13,675,022	43,898,042
Fuel and power	187,311,168	-	-	-	907,889	-	188,219,057	182,627,800
Telephone and postage	6,619,218	17,708	130,213	-	1,906,062	-	8,673,201	7,224,460
Contribution for buildings	256,430,965	-	-	-	-	-	256,430,965	256,560,325
Foreign travel & recruitment	34,647,807	-	-	466,072	13,392,468	-	48,506,347	31,463,346
Travelling and vehicle running expenses	17,564,060	2,000	1,361,867	-	113,640,803	-	132,568,730	58,448,169
Cafeteria expenses	94,547,328	61,679	2,146,876	-	19,732,603	-	116,488,486	88,311,261
Rent expense	2,410,000	-	-	-	13,138,098	-	15,548,098	13,245,836
REDC facility expenses	-	-	-	-	14,066,700	-	14,066,700	16,926,104
Repairs and maintenance	14,097,428	-	-	-	36,090	-	14,133,518	12,217,901
Advertisement and open house programme	44,982,248	97,462	3,053,969	-	2,745,709	-	50,879,388	27,207,496
Subscriptions	14,959,967	-	-	-	45,676	-	15,005,643	10,771,451
Research and case development	54,800,911	2,001,593	2,692,250	-	29,931,547	-	89,426,301	77,865,449
Convocation expenses	7,093,232	-	-	-	7,093,232	-	7,093,232	5,982,061
Printing, stationery and office supplies	134,306,945	468,712	1,057,606	-	19,502,850	-	155,336,113	127,424,957
Software consumables	42,494,890	-	-	-	4,500	-	42,499,390	34,162,683
Insurance	6,565,206	-	-	-	394,369	-	6,959,575	6,816,663
Scholarships and tuition fee waiver	120,499,369	23,621,550	269,383,492	-	5,520,000	-	419,024,411	341,514,268
PhD living allowance	29,399,325	-	484,000	-	-	-	29,883,325	6,981,375
Higher Education Commission Scholarship	-	-	8,560,370	-	-	-	8,560,370	3,960,421
Legal and professional charges	7,810,341	-	200,000	-	4,744,603	-	12,754,944	12,022,482
Estate management	730,736	-	-	-	-	-	730,736	264,382
Internet charges	18,616,953	-	-	-	50,137	-	18,667,090	11,711,038
Depreciation on owned assets	-	-	-	-	-	182,874,105	182,874,105	134,886,095
Amortization of intangible assets	-	-	-	-	-	11,646,995	11,646,995	10,109,545
SEDC training project expenses	-	-	-	-	-	-	-	2,076,441
Consultancy projects	3,703,050	-	-	-	19,350,104	-	23,053,154	19,884,631
Sports and student activities	45,407,778	16,681	588,993	-	-	-	46,013,452	44,243,697
Provision for doubtful receivable	1,471,734	-	-	-	-	-	1,471,734	7,293,741
Bad debts written off	8,880,903	-	-	-	-	-	8,880,903	1,865,130
Exchange loss	-	-	-	-	-	-	-	18,132,547
Finance cost	2,199,610	-	-	-	473,624	-	2,673,234	2,908,171
Miscellaneous	10,366,817	-	4,000	1,536,662	59,840,314	12,641	111,760,434	95,541,302
	2,425,076,623	27,497,118	294,480,412	12,136,350	528,010,578	194,533,741	3,481,734,822	2,866,742,682
Surplus/(deficit) of income over expenditure before taxation	505,329,685	35,118,163	(11,095,390)	3,814,257	5,430,002	(189,146,499)	349,450,218	523,683,221
Provision for taxation	-	-	-	-	-	-	-	-
Surplus/(deficit) of income over expenditure after taxation	505,329,685	35,118,163	(11,095,390)	3,814,257	5,430,002	(189,146,499)	349,450,218	523,683,221

The annexed notes 1 to 25 form an integral part of these financial statements.

Signature

Member of Management Committee

Signature

Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2015

	Current fund Rupees	Endowment fund Rupees	Scholarship fund Rupees	Chair fund Rupees	Sponsored projects Rupees	Fixed assets fund Rupees	Total Rupees
Opening balance as at July 1, 2014	941,527,298	652,291,479	29,672,585	45,386,275	161,422,958	811,328,374	2,641,628,969
Restricted funds received during the year	-	23,439,567	288,668,117	-	553,244,122	-	865,351,806
Transfer of restricted fund to income and expenditure	-	-	(277,796,078)	-	(510,366,422)	-	(788,162,500)
Surplus/(deficit) of income over expenditure after taxation	505,329,685	35,118,163	(11,095,390)	3,814,257	5,430,002	(189,146,499)	349,450,218
Transfer (from) / to funds	(208,276,237)	(393,311)	(278,689)	-	(116,122,338)	325,070,575	-
Balance as at June 30, 2015	<u>1,238,580,746</u>	<u>710,455,898</u>	<u>29,170,545</u>	<u>49,200,532</u>	<u>93,608,322</u>	<u>947,252,450</u>	<u>3,068,268,493</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

AU


Member of Management Committee


Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

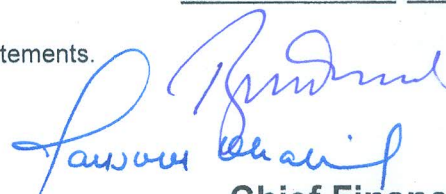
CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Cash flow from operating activities			
Surplus of income over expenditure		349,450,218	523,683,221
Tax income		-	-
Surplus of income over expenditure before taxation		349,450,218	523,683,221
Adjustment for non cash charges and other items:			
Depreciation on operating fixed assets		182,874,105	134,886,095
Amortization on intangible assets		11,646,995	10,109,545
Profit on disposal of operating fixed assets		(3,308,759)	(1,446,124)
Finance cost		2,673,234	2,908,171
Provision for passage fare assistance		37,527,521	19,863,650
Provision for doubtful debts		1,471,734	7,293,741
Provision for accumulated compensated absences		12,475,350	9,088,167
Exchange (gain) / loss		(17,250,705)	18,132,547
Return on investments and term deposits		(163,503,549)	(148,311,865)
Amortization of deferred income		(5,387,241)	(5,859,071)
Surplus before working capital changes		59,218,685	46,664,856
Effect on cash flow due to working capital changes:			
Decrease in stores		276,301	2,195,572
Increase in loans, advances, deposits prepayments and other receivables		(5,918,377)	(16,012,167)
Increase in due to National Management Foundation		23,272,977	18,284,545
(Decrease) / increase in creditors, accrued and other liabilities		(83,636,854)	46,798,524
		(66,005,953)	51,266,474
Cash flow from operating activities		342,662,950	621,614,551
Finance cost paid		(2,901,360)	(2,680,045)
Payment of accumulated compensated absences		(3,406,682)	(2,410,346)
Payment of passage fare assistance		(37,645,376)	(19,700,011)
Decrease in long term loans and advances		12,322,598	17,466,021
Increase in long term security deposits		6,431,760	7,845,240
		(25,199,060)	520,859
Net cash generated from operating activities		317,463,890	622,135,410
Cash flow from investing activities			
Fixed capital expenditure		(345,605,527)	(293,241,834)
Proceeds from disposal of operating fixed assets		6,020,268	4,005,551
Return on investments and term deposits received		144,719,781	151,271,807
Proceeds from maturity of investments		4,085,626,734	3,498,782,085
Purchase of investments		(4,547,350,378)	(3,889,120,316)
Net cash used in investing activities		(656,589,122)	(528,302,707)
Cash flow from financing activities			
Restricted funds received from donors not utilized		77,189,306	165,552,147
Net cash generated from financing activities		77,189,306	165,552,147
Net increase in cash and cash equivalents		(261,935,926)	259,384,850
Cash and cash equivalents at the beginning of year		947,335,452	687,950,602
Cash and cash equivalents at the end of year	- Note 22	685,399,526	947,335,452

The annexed notes 1 to 25 form an integral part of these financial statements.



Member of Management Committee



Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. University and its operations

The Lahore University of Management Sciences ("LUMS") is a body corporate and has been established under the Lahore University of Management Sciences Order, 1985 on March 31, 1985. The principal aims and objectives of the University are to design, prepare and offer courses of international standard and to undertake, organize, and promote research and dissemination of knowledge. The University has been divided into four schools namely Suleman Dawood School of Business (SDSB), Mushtaq Ahmad Gurmani School of Humanities and Social Sciences (MGSHSS), Syed Babar Ali School of Science and Engineering (SBASSE) and Sheikh Ahmed Hassan School of Law (SAHSOL). The University is a not-for-profit organization u/s 2(36) of Income Tax Ordinance, 2001 and its surplus, if any, is carried forward to the subsequent year, and is not available for appropriation.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the Guideline for Accounting and Financial Reporting by Non-Government / Non-Profit Organizations (hereinafter referred to as "the Guideline") issued by The Institute of Chartered Accountants of Pakistan.

3. Basis of measurement

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

The University's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of the complexity, judgment and estimation involved in their application and their impact on these financial statements. Judgments and estimates are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Employee retirement benefits - (note 4.15)
- b) Useful life and residual values of property, plant and equipment - (note 4.7)

4. Significant Accounting Policies

4.1 Current fund

This is an unrestricted fund. Grants and donations, utilization of which is not restricted for a specific purpose are credited to this fund. It includes grants and donations for all four schools of the University.

4.2 Endowment fund

This is a form of restricted fund which is held on trust to be retained for the benefit of the organization as a capital fund, which is not utilized as an income of the organization. The income generated from these capital funds is also credited to this fund and utilized for restricted purposes, which include but are not limited to, providing scholarships and loans to students and carrying out activities under different scholarship programmes of the University including National Outreach Programme.



4.3 Scholarship fund

This is a form of restricted fund utilized for providing scholarships and loans to students and carrying out activities under different scholarship programmes of the University including National Outreach Programme. Grants and donations received for this purpose are credited to the fund.

4.4 Chair funds

These are restricted funds. The funds received are expended on financing academic chairs.

4.5 Sponsored projects

This is a restricted fund utilized for carrying out activities by the University under different sponsored projects as per agreement with the donors. Grants and donations received for specific projects are credited to this fund. For completed projects, remaining surplus, if any, if permitted by the relevant agreement, is transferred to the current fund.

4.6 Fixed assets fund

This fund represents the net book value of the tangible fixed assets and intangible assets of the University. These assets are accounted for in accordance with the policies given in note 4.7 and 4.8 respectively. Fixed assets received directly as donations are debited to the property, plant and equipment account at fair value and a corresponding amount credited to a deferred income account in the balance sheet. Such items are thereafter depreciated as per the policy of the university while a corresponding amount is transferred from the deferred income to the income and expenditure account.

4.7 Operating fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. Depreciation on all operating fixed assets is charged to income on a reducing balance method, so as to write off the historical cost of an asset over its estimated useful life at the rates given in note 5.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is available for use, while no depreciation is charged for the month in which the asset is disposed off. Impairment loss or its reversal, if any, is also charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated remaining useful life.

The University reviews the useful lives of property, plant and equipment at least at each financial year end. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.10).

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably. All other repair and maintenance costs are included in the income and expenditure account during the period in which they are incurred.



Fixed assets received as a grant are debited to the property, plant and equipment account at fair value and a corresponding amount credited to the deferred income account in the balance sheet. Such items are thereafter depreciated as per the policy of the University while a corresponding amount is transferred from the deferred income to the income and expenditure account.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.8 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified impairment loss and represent the cost of computer software and license fee for the right of its use.

Amortization is charged to income on the reducing balance method so as to write off the cost of the intangible asset over its estimated useful life at the rates given in note 6. Amortization on additions to intangibles is charged from the month in which the asset is available for use, while no amortization is charged for the month in which the asset is disposed off. When an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated remaining useful life.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.10).

4.9 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

4.10 Impairment of non-financial assets

Assets that are subject to depreciation / amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.11 Investments

Investments are measured initially at cost whereas investments received as a grant are recognized at fair value. Income on investments is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Investments classified as current assets are carried in the balance sheet at market value, where available.

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Investments classified as long-term assets are carried in the balance sheet at:

- i) cost ; or
- ii) in the case of marketable equity securities, the lower of cost and market value determined on a portfolio basis.

The University accounts for the increase / decrease in carrying amount of investments recognized at market value in the income and expenditure account.

The carrying amount of all long-term investments are adjusted to recognize a decline, that is not temporary, in the value of the investments, such adjustment being determined and made for each investment individually.

On disposal of an investment the difference between net disposal proceeds and the carrying amount is recognized as an income or expense.

4.12 Taxation

The University is allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final taxes, under section 100 (C) of the Income Tax Ordinance, 2001.

4.13 Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the University are measured using the currency of the primary economic environment in which the University operates (the functional currency). The financial statements are presented in Pak Rupees, which is the University's functional and presentation currency.

b) Transactions and balances


Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure account.

4.14 Stores

Stores are valued principally at the lower of weighted average cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.

4.15 Staff retirement benefits

There is an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the University and the employees to the fund at the rate of 10 percent of the basic salary. Retirement benefits are payable to the staff on completion of prescribed qualifying period of service under the scheme.



4.16 Short term employee benefits

The University has a policy to provide short term employee benefits to its employees in the form of vesting accumulating compensated absences. As per the University's policy, employees are entitled to 14 to 20 days of paid leave each year after completion of one year of service, depending on their service of years. The unused entitlement can be carried forward subject to the condition that the total unused accumulated leaves should not exceed 3 year entitlement as at June, 30 of the following year. Any unused leaves in excess of 3 years entitlement on such date are lapsed and are not available for carry forward. Accumulated balance of unavailed earned leave up to 3 years entitlement shall be encashable at the rate of gross salary after every ten (10) years of continuous service provided the employee has availed 50% of earned leave entitlement for each year of service.

Upon retirement, resignation, termination / dismissal of an employee's services, earned leave balance to the credit of employee shall be paid at the rate of gross salary on the respective date.

4.17 Provisions

Provisions are recognized when the University has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

4.19 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

4.20 Leases

4.20.1 Operating leases

The University is the lessor:

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental income received under operating leases (net of any incentives given to the lessee) are charged to surplus on a straight-line basis over the lease term.

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4.21 Income recognition

a) Current fund

Tuition fees are recognized when due and apportioned to revenue over the period of instruction. Admission fees are recognized as revenue when due. Application processing fees and cafeteria income are recognized as revenue on receipt.

Grants from National Management Foundation are recognized when approved by the Foundation. Other grants, gifts, and royalties on publications are recognized in the income and expenditure account on receipt.

b) Endowment fund

Grants received as endowments by the University are credited directly into the fund account. The income earned from the endowments is booked as a return on investments for the period.

c) Scholarship fund

Grants received for the purpose of providing scholarships and loans to students are credited directly into the fund account. Thereafter an amount equivalent to that which has been disbursed as scholarship is taken to the income and expenditure account.

d) Sponsored projects

Grant is recognized when conditions for its receipt have been complied with and there is a reasonable assurance that the grant will be received. Grants received to carry out different projects are credited directly into the fund account. Thereafter, grants received are recognized in the income and expenditure account so as to match the amount received with the related costs which they are intended to compensate on a systematic basis.

A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the enterprise with no future related costs is recognized as income of the period in which it becomes receivable.

On the conclusion of the projects any balances lying to the credit of the fund account are transferred to the current fund provided there are no restrictions identified by the donor.

e) Fixed asset fund

Fixed assets received as a grant are debited to the property, plant and equipment account at fair value and a corresponding amount credited to the deferred income account in the balance sheet. The amount is subsequently transferred from deferred income to the income and expenditure account on a systematic and rational basis over the useful life of the related asset.

4.22 Expenses

Expenses are recognized in the income and expenditure account when incurred.

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5. Operating fixed assets

	Cost as at July 1, 2014 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2015 Rupees	Accumulated depreciation as at July 01, 2014 Rupees	Depreciation/ (deletions) for the year Rupees	Accumulated depreciation as at June 30, 2015 Rupees	Book value as at June 30, 2015 Rupees	Rate of depreciation %
Furniture and fixtures	459,916,988	36,581,968 (2,771,848)	493,727,108	173,075,900	29,579,789 (1,804,486)	200,851,203	292,875,905	10
Computers	412,566,229	75,450,230 (5,109,617)	482,906,842	308,417,405	49,257,321 (4,965,063)	352,709,663	130,197,179	33.3
Equipment	754,139,752	199,840,561 (2,483,956)	951,496,357	355,474,276	96,680,694 (2,216,400)	449,938,570	501,557,787	20
Vehicles	30,161,925	523,611 (4,974,935)	25,710,601	16,030,532	2,729,608 (3,642,898)	15,117,242	10,593,359	20
Books	77,437,992	6,350,236	83,788,228	57,289,645	4,626,693	61,916,338	21,871,890	20
2015	<u>1,734,222,886</u>	<u>318,746,606 (15,340,356)</u>	<u>2,037,629,136</u>	<u>910,287,758</u>	<u>182,874,105 (12,628,847)</u>	<u>1,080,533,016</u>	<u>957,096,120</u>	

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	Cost as at July 1, 2013 Rupees	Additions/ (deletions)/ adjustments Rupees	Cost as at June 30, 2014 Rupees	Accumulated depreciation as at July 01, 2013 Rupees	Depreciation/ (deletions)/ for the year Rupees	Accumulated depreciation as at June 30, 2014 Rupees	Book value as at June 30, 2014 Rupees	Rate of depreciation %
Furniture and fixtures	421,410,603	38,506,385	459,916,988	144,636,770	28,439,130	173,075,900	286,841,088	10
Computers	357,594,459	65,371,033 (10,399,263)	412,566,229	286,225,806	32,104,095 (9,912,496)	308,417,405	104,148,824	33.3
Equipment	571,484,612	188,623,171 (5,968,031)	754,139,752	293,623,841	67,303,479 (5,453,044)	355,474,276	398,665,476	20
Vehicles	27,009,531	6,517,924 (3,365,530)	30,161,925	15,148,236	2,690,153 (1,807,857)	16,030,532	14,131,393	20
Books	73,044,378	4,393,614	77,437,992	52,940,407	4,349,238	57,289,645	20,148,347	20
2014	<u>1,450,543,583</u>	<u>303,412,127 (19,732,824)</u>	<u>1,734,222,886</u>	<u>792,575,060</u>	<u>134,886,095 (17,173,397)</u>	<u>910,287,758</u>	<u>823,935,128</u>	

5.1

The depreciation for the year has been charged to fixed assets fund.

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6. Intangible assets

	Cost as at July 1, 2014 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2015 Rupees	Accumulated amortization as at July 01, 2014 Rupees	Amortization for the year Rupees	Accumulated amortization as at June 30, 2015 Rupees	Book value as at June 30, 2015 Rupees	Rate of amortization %
Computer software and license	122,715,002	9,022,838	131,737,840	88,963,807	11,646,995	100,610,802	31,127,038	33.3
2015	122,715,002	9,022,838	131,737,840	88,963,807	11,646,995	100,610,802	31,127,038	
2014	97,104,377	25,610,625	122,715,002	78,854,262	10,109,545	88,963,807	33,751,195	33.3

6.1

The amortization for the year has been charged to fixed assets fund.

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7. Capital work-in-progress	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2015 Total Rupees	2014 Total Rupees
Advances for equipment	447,729	-	-	-	693,746	1,141,475	10,270,914
Advances for computers	540,000	-	-	-	-	540,000	250,528
Advances for books	418,801	-	-	-	-	418,801	469,193
Advances for furniture	1,512,988	-	-	-	-	1,512,988	111,466
Advances for leasehold improvements	2,948,810	-	-	-	-	2,948,810	-
	<u>5,868,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693,746</u>	<u>6,562,074</u>	<u>11,102,101</u>

8. Investments

Pakistan investment bonds	474,243,411	258,801,529	27,154,014	28,793,560	-	788,992,514	265,502,502
Term deposit receipts	56,565,543	60,751,325	-	-	-	117,316,868	-
Term finance certificates	-	14,659,568	-	-	-	14,659,568	14,659,568
Mutual funds - note 8.1	434,694,554	286,581,508	-	-	-	721,276,062	-
Investment in shares	-	10,756,350	-	-	-	10,756,350	10,756,350
	<u>965,503,508</u>	<u>631,550,280</u>	<u>27,154,014</u>	<u>28,793,560</u>	<u>-</u>	<u>1,653,001,362</u>	<u>290,918,420</u>

8.1 Investments in mutual funds are carried at cost as per the Guideline. There would have been a gain of Rs. 3.852 million if these investments were presented at the fair value of Rs. 725.128 million as per IAS 39: Financial Instruments - Recognition and Measurement.

9. Long term loans and advances	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2015 Total Rupees	2014 Total Rupees
Loans to employees - note 9.1	2,410,922	-	-	-	-	2,410,922	5,370,218
Loans to students - note 9.2	76,683,670	5,569,950	6,431,654	-	-	88,685,274	98,494,695
Long term security deposits	41,383,178	-	-	-	-	41,383,178	41,038,199
Advances to employees	428,087	-	-	-	-	428,087	1,052,213
	<u>120,905,857</u>	<u>5,569,950</u>	<u>6,431,654</u>	<u>-</u>	<u>-</u>	<u>132,907,461</u>	<u>145,955,325</u>
Less: Current portion included in current assets: - note 12							
Loans to employees	(983,055)	-	-	-	-	(983,055)	(2,186,856)
Loans to students	(59,035,457)	(4,617,319)	(5,864,309)	-	-	(69,517,085)	(69,038,550)
	<u>60,887,345</u>	<u>952,631</u>	<u>567,345</u>	<u>-</u>	<u>-</u>	<u>62,407,321</u>	<u>74,729,919</u>

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9.1 This represents long term loans given to employees for construction of houses and education abroad. The house building loans given are recoverable within a period of 10 years commencing from the date of disbursement through monthly deductions from salaries while study loans are recoverable through monthly deductions from salaries based on individual repayment schedules. These loans are secured against retirement benefits of employees and guarantee provided by the employee's spouse or immediate family members. These carry mark-up at the rate of Re 0.3288 per Rs 1,000 per diem or part thereof (2014: Re 0.3288 to Re 0.3562 per Rs 1,000 per diem or part thereof) on the outstanding balances.

9.2 This represents un-secured interest free loans given to students repayable in fixed number of installments (60) within the specified period of five years after six months from completion of course for loan over and above Rs 150,000. Loans up to Rs 150,000 are required to be repaid in fixed number of installments (36) by the students within specified period of three years after six months from completion of course.

10. Long term security deposits

These represent security deposited by students at the time of admission to the University. These securities are refundable upon the completion of the program.

11. Deferred income

These represent assets donated to the University, recognized and amortized in accordance with the University's policy. The movement in the deferred income in the current period is as follows:

	2015	2014
	Rupees	Rupees
Opening balance	46,357,949	50,816,266
Additions during the year	-	1,400,754
Deletions during the year	(12,528)	-
Amortization during the year	(5,374,714)	(5,859,071)
Closing balance	<u>40,970,708</u>	<u>46,357,949</u>

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	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2015 Total Rupees	2014 Total Rupees
12. Loans, advances, deposits, prepayments and other receivables							
Advances to							
Staff	12,741,511	-	-	-	930,621	13,672,132	15,632,449
Suppliers	3,800,787	-	-	-	3,850,203	7,650,990	7,523,775
Prepayments	1,455,000	-	-	-	-	1,455,000	1,200,000
Accrued return on investments	14,521,355	17,234,481	5,581,127	2,880,243	-	40,217,206	21,433,438
Income tax refundable	7,375,624	327,936	2,468	-	157,947	7,863,975	6,561,952
Fee receivable	13,144,680	-	-	-	-	13,144,680	33,586,482
Receivable against REDC programs and other projects	3,310,834	-	-	-	63,821,453	67,132,287	48,626,633
Other receivables	13,021,014	-	-	-	124,775	13,145,789	10,440,314
Current portion of long term loans and advances - note 9							
Loans to employees - considered good	983,055	-	-	-	-	983,055	2,186,856
Loans to students							
- Considered good	31,024,336	4,617,319	5,864,309	-	-	41,505,964	38,237,481
- Considered doubtful	28,011,121	-	-	-	-	28,011,121	30,801,069
- note 12.1	59,035,457	4,617,319	5,864,309	-	-	69,517,085	69,038,550
Less: Provision for doubtful receivables	(28,011,121)	-	-	-	-	(28,011,121)	(30,801,069)
	<u>101,378,196</u>	<u>22,179,736</u>	<u>11,447,904</u>	<u>2,880,243</u>	<u>68,884,999</u>	<u>206,771,078</u>	<u>185,429,380</u>

	2015 Rupees	2014 Rupees
12.1 Included in the current portion are following installments overdue for payments by students:		
Overdue for a period:		
Not exceeding one year	487,604	1,001,716
Exceeding one year but not more than five years	21,003,535	27,686,861
Exceeding five years	31,407,607	25,801,036
	<u>52,898,746</u>	<u>54,489,613</u>

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	Current Fund Rupees	Endowment Fund Rupees	2015 Total Rupees	2014 Total Rupees
13. Short term investments				
Pakistan investment bonds	-	-	-	28,347,500
Term deposit receipts	81,200,000	19,300,000	100,500,000	953,372,380
	<u>81,200,000</u>	<u>19,300,000</u>	<u>100,500,000</u>	<u>981,719,880</u>

13.1 Included in term deposits and Pakistan investment bonds are Rs 10 million (2014: Rs 30 million) and Rs Nil (2014: Rs 4 million) respectively, which are under lien against short term running finance facility.

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2015 Total Rupees	2014 Total Rupees
14. Cash and bank balances							
Cash in hand	1,085,337	-	-	-	-	1,085,337	369,435
- US\$ 9,999 (2014: US\$ 2,701)							
- Pak Rupees 70,451 (2014: Pak Rupees 103,054)							
Balances at bank:							
In current accounts	46,574,576	443,575	2,610,856	-	19,422,781	69,051,788	132,786,535
- US\$ 56,869.31 (2014: US\$ 64,238.10)							
- Pak Rupees 63,279,554 (2014: Pak Rupees 126,455,194)							
In savings accounts	454,882,748	36,297,205	35,108,795	17,527,398	74,301,688	618,117,834	821,336,674
- US\$ 2,359,316.21 (2014: US\$ 793,894.43)							
- Euro 62,014.23 (2014: Euro 41,644.10)							
- GBP 560,667.06 (2014: 353,235.57)							
- JPY 6,950,671.53 (2014: JPY 5,775,719.53)							
- Pak Rupees 281,516,226 (2014: Pak Rupees 672,549,339)							
	<u>502,542,661</u>	<u>36,740,780</u>	<u>37,719,651</u>	<u>17,527,398</u>	<u>93,724,469</u>	<u>688,254,959</u>	<u>954,492,644</u>

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14.1 Included in savings accounts are Rs 30.033 (2014: Rs 43.244 million) which are under lien against bank guarantee & letters of credit as referred to in note 18.

14.2 Furthermore, included in savings accounts is an amount of Rs 2.449 million (2014: Rs 1.858 million) in an escrow account with MCB bank. Under the terms of agreement between MCB bank and LUMS, the University has deposited 6% of each tranche of the finance extended by MCB bank to students of the University. The bank has the right to utilize this amount for the purpose of recovery in case of default by any student.

15. Short term running finance

Short term running finance available from National Bank of Pakistan under mark up arrangement amounts to Rs 8 million (2014: Rs 28 million). Mark up is charged at the rates ranging from Re 0.2726 to Re 0.2995 per Rs 1,000 per diem or part thereof (2014: Re 0.3471 to Re 0.3159 per Rs 1,000 per diem) on the balance outstanding. The short term facility is secured by lien on TDR amounting to Rs. 10 Million issued in favour of LUMS and pledged to the bank as referred to in note 13.1.

15.1 The running finance facility of Rs. 8 million (2014: Rs 28 million) is availed for house building loans and car financing scheme for employees.

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2015 Total Rupees	2014 Total Rupees
Advance tuition and other fees	308,054,096	-	-	-	-	308,054,096	396,535,336
Creditors	11,974,737	32,929	15,200	669	18,195,802	30,219,337	34,999,076
Accrued liabilities	32,717,637	234,600	94,580	-	19,188,494	52,235,311	39,784,877
Payable against executive development programmes	9,226,803	-	-	-	-	9,226,803	12,339,297
Payable to student societies	13,852,630	-	-	-	403,361	14,255,991	12,419,220
Provident fund payable	-	-	-	-	-	-	3,340,474
Employee fund payable	8,795,183	-	-	-	-	8,795,183	7,440,669
Current portion of long term security deposits	24,299,700	-	-	-	-	24,299,700	28,662,112
Other liabilities	39,531,371	-	-	-	30,002,036	69,533,407	65,081,602
	<u>448,452,157</u>	<u>267,529</u>	<u>109,780</u>	<u>669</u>	<u>67,789,693</u>	<u>516,619,828</u>	<u>600,602,663</u>

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17. This represents the scholarships paid prior to receipt of funds from donors, resulting in utilization of resources of the current fund. While there is a commitment from donors to pay these amounts, the timing and amount of these receipts is not certain. Furthermore, the Guideline does not allow recognition of grants on mere promise alone, hence income cannot be recognized in respect of these amounts till actual receipt of funds, when reasonable assurance is established.

18. Contingencies and commitments

Contingencies

18.1 University has provided bank guarantee of Rs 18.0 million (2014: Rs 18.0 million) in favour of Sui Northern Gas Pipelines Limited (SNGPL) on account of payment of gas dues, Rs 0.802 million (2014: Rs 0.802 million) to Pakistan State Oil (PSO) on account of fuel cards and Rs 8.50 million (2014: Rs Nil) on account of any damage to solar power panels installed at LUMS. These guarantees have been secured by lien on savings account balance as mentioned in note 14.1, for an amount equal to 110% of the amount of guarantee.

18.2 Walton Cantonment Board has levied property tax on buildings under LUMS occupation amounting to Rs 799.139 million for the period 1993-94 to 2011-12. LUMS has contended the assessment on account of exemption available to it under the Cantonment Act, 1924 and has filed an appeal before the District Judge, Session Court. Pending the outcome of the appeal, no provision has been made in these accounts for the demand aggregating to Rs 799.139 million (2014: Rs 799.139 million) since in the management & its legal counsel's view, the outcome of the appeal is expected to be favourable.

Commitments

18.3 Commitments in respect of contracts for capital expenditure amount to Rs 6.895 million (2014: Rs 64.460 million).

19. Endowments - Endowment Fund	2015	2014
	Total Rupees	Total Rupees
Suleman Dawood School of Business	138,279,280	115,974,280
Mushtaq Ahmad Gurmani School of Humanities and Social Sciences	50,250,000	50,250,000
Syed Babar Ali School of Science and Engineering	120,742,842	120,742,842
Sheikh Ahmed Hassan School of Law	10,000,000	-
National Outreach Program	212,882,248	211,093,649
On Board Endowment - note 19.1	43,698,768	53,698,768
	<u>575,853,138</u>	<u>551,759,539</u>

These represent grants and donations received for the endowment of students of University with the restriction on utilization of original grant. The interest income earned on such endowments is to be used for the benefit of students. These amounts have been included in bank balance of endowment fund as mentioned in note 14 and balances of long and short term investments of endowment fund as mentioned in notes 8 and 13 respectively.

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19.1 These on board endowments represent grants and donations received for the endowment of the students of University and are kept centralized. Return on these investments can be utilized by any of the four schools of LUMS as required by them with the approval of the Financial Aid Committee.

20. Direct grants for sponsored projects include the grant of USAID for the Assessment and Strengthening Programme project, whereas direct grants for scholarship projects include the grant of UKAID-DFID for the Empowerment Through Education Initiative project. The details of these grants is as follows:

	2015		2014	
	USAID- ASP	UKAID- DFID	USAID- ASP	UKAID- DFID
	Rupees		Rupees	
Total receipt during the year	377,670,498	192,994,073	346,000,799	125,055,824
Transfer to income & expenditure account	(398,924,560)	(203,207,741)	(334,943,698)	(118,316,918)
Capital expenditure	(3,332,442)	(278,689)	(31,962,260)	(737,862)

	Current Fund	Endowment Fund	Chair Fund	2015 Total	2014 Total
	Rupees	Rupees	Rupees	Rupees	Rupees
21. Miscellaneous Income					
Hostel and faculty apartment income	126,811,146	-	-	126,811,146	123,665,259
Cafeteria income	119,327,549	-	-	119,327,549	96,983,802
Profit on sale of fixed assets	3,308,759	-	-	3,308,759	1,446,124
Liabilities written back	11,832,676	-	-	11,832,676	2,405,559
Test and processing fee	17,534,218	-	-	17,534,218	38,821,390
Sponsored projects income	101,630,525	-	-	101,630,525	90,907,348
Other income	106,604,912	900	12,119,706	118,725,518	120,699,361
	<u>487,049,785</u>	<u>900</u>	<u>12,119,706</u>	<u>499,170,391</u>	<u>474,928,843</u>

22. Cash and cash equivalents

Short term running finance - secured
Cash and bank balances

- note 14

2015	2014
Total	Total
Rupees	Rupees
(2,855,433)	(7,157,192)
688,254,959	954,492,644
<u>685,399,526</u>	<u>947,335,452</u>

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23. Remuneration of key management personnel

23.1 Key management personnel are the persons having authority and responsibility for planning, directing and controlling the activities of the University, directly or indirectly, including any director (whether executive or otherwise). The aggregate amounts charged in the accounts for the year for remuneration, including certain benefits, to the key management personnel of the University is as follows:

	2015 Total Rupees	2014 Total Rupees
Remuneration	8,672,861	7,569,936
Housing rent	3,902,780	3,406,464
Medical expenses	693,826	605,604
Utilities	867,287	756,996
Other allowances	11,332,840	10,925,684
	<u>25,469,594</u>	<u>23,264,684</u>

24. Transactions with related parties

The related parties comprise of associated undertakings, key management personnel and post employment benefit plans.

Relationship with the University	Nature and transaction	2015 Total Rupees	2014 Total Rupees
Retirement benefit plan	Provident fund contribution	45,560,674	36,561,347
Associated undertakings	Contribution for buildings paid to National Management Foundation	256,430,965	256,560,325
Associated undertakings	Grant received from The Coca Cola Export Corporation, Pakistan transferred to National Management Foundation, along with the profit thereon	22,376,110	-
	Nature and balances		
Retirement benefit plan	Provident fund (receivable) / payable	(4,323,754)	3,340,474

All transactions with related parties are carried out on commercial terms and conditions.

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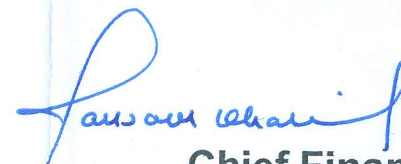
25. Date of authorization

These financial statements were authorized for issue on 4th Dec, 2015 by the Board of Trustees of the University.

MU



Member of Management Committee



Chief Financial Officer