

**LAHORE UNIVERSITY OF  
MANAGEMENT SCIENCES**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**



A.F.FERGUSON & CO.

**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES OF LAHORE UNIVERSITY OF MANAGEMENT SCIENCES**

**Opinion**

We have audited the financial statements of Lahore University of Management Sciences (the 'University'), which comprise the statement of financial position as at June 30, 2022, and the income and expenditure account, the statement of comprehensive income, the statement of changes in fund balances and the 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 June 30, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standard for Not for Profit Organisations issued by the Institute of Chartered Accountants of Pakistan (ICAP) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified by the Securities and Exchange Commission of Pakistan (SECP).

**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 management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standard for Not for Profit Organisations issued by the ICAP and the IFRS issued by the IASB as notified by the SECP, and for such internal control as the management determines is 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 management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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A.F. FERGUSON & CO.

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.

A. F. Ferguson & Co.  
Chartered Accountants  
Lahore

December 13, 2022

Name of the engagement partner: Khurram Akbar Khan

UDIN: AR202210070xRV6NluBO



# LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2022

	Note	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2022 Total Rupees	2021 Total Rupees
<b>Fund balance</b>		<u>1,947,814,183</u>	<u>3,328,996,383</u>	<u>49,366,220</u>	<u>61,836,970</u>	<u>685,395,396</u>	<u>1,223,067,529</u>	<u>7,296,476,681</u>	<u>6,544,431,298</u>
<b>Represented by</b>									
<b>Non - current assets</b>									
Operating fixed assets	5	-	-	-	-	-	1,193,549,073	1,193,549,073	1,150,030,756
Intangible assets	6	-	-	-	-	-	29,518,456	29,518,456	24,863,536
Capital work-in-progress	7	23,022,470	-	-	-	11,128,644	-	34,151,114	32,998,195
Investments	8	756,533,550	2,266,063,169	-	-	-	-	3,022,596,719	2,439,090,931
Long term loans, advances and security deposits	9	350,560,651	5,696,303	5,827,522	-	-	-	362,084,476	304,272,047
		<u>1,130,116,671</u>	<u>2,271,759,472</u>	<u>5,827,522</u>	<u>-</u>	<u>11,128,644</u>	<u>1,223,067,529</u>	<u>4,641,899,838</u>	<u>3,951,255,465</u>
<b>Less: Non - current liabilities</b>									
Employee benefits obligations	10	91,384,488	-	-	-	-	-	91,384,488	83,083,395
Long term security deposits	11	78,657,100	-	-	-	-	-	78,657,100	71,502,500
Deferred contributions	12	16,411,038	-	-	-	-	-	16,411,038	35,090,236
		<u>186,452,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,452,626</u>	<u>189,676,131</u>
		<u>943,664,045</u>	<u>2,271,759,472</u>	<u>5,827,522</u>	<u>-</u>	<u>11,128,644</u>	<u>1,223,067,529</u>	<u>4,455,447,212</u>	<u>3,761,579,334</u>
<b>Current assets</b>									
Stores		39,155,142	-	-	-	-	-	39,155,142	30,492,095
Loans, advances, deposits, prepayments and other receivables	14	409,907,607	34,204,016	2,590,891	599,659	13,351,667	-	460,653,840	247,158,184
Income tax recoverable		105,648,154	52,005,255	27,679	158,386	2,641,945	-	160,481,419	132,426,551
Due from National Management Foundation ('NMF')		-	-	-	-	-	-	-	15,856,202
Short term investments	15	1,241,939,753	920,783,924	-	-	-	-	2,162,723,677	1,968,932,282
Cash and bank balances	16	344,688,195	51,672,307	145,924,277	61,750,730	712,969,845	-	1,317,005,354	1,324,818,937
		<u>2,141,338,851</u>	<u>1,058,665,502</u>	<u>148,542,847</u>	<u>62,508,775</u>	<u>728,963,457</u>	<u>-</u>	<u>4,140,019,432</u>	<u>3,719,684,251</u>
<b>Less: Current liabilities</b>									
Creditors, accrued and other liabilities	17	1,242,077,100	1,428,591	6,232	671,805	54,696,705	-	1,298,680,433	891,122,499
Due to NMF		109,530	-	-	-	-	-	109,530	-
Current portion of loan from NMF	13	-	-	-	-	-	-	-	45,709,788
		<u>1,242,186,630</u>	<u>1,428,591</u>	<u>6,232</u>	<u>671,805</u>	<u>54,696,705</u>	<u>-</u>	<u>1,298,889,963</u>	<u>936,832,287</u>
<b>Net current assets</b>		<u>899,152,221</u>	<u>1,057,236,911</u>	<u>148,536,615</u>	<u>61,836,970</u>	<u>674,266,752</u>	<u>-</u>	<u>2,841,029,469</u>	<u>2,782,851,964</u>
Due to/(from)	18	104,997,917	-	(104,997,917)	-	-	-	-	-
<b>Net assets</b>		<u>1,947,814,183</u>	<u>3,328,996,383</u>	<u>49,366,220</u>	<u>61,836,970</u>	<u>685,395,396</u>	<u>1,223,067,529</u>	<u>7,296,476,681</u>	<u>6,544,431,298</u>

### CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 30 form an integral part of these financial statements.

Member of Management Committee

Chief Financial Officer



# LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2022

	Note	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2022 Total Rupees	2021 Total Rupees
<b>Income</b>									
Direct grants	20	242,305,508	21,351,289	263,290,169	25,736,569	677,944,905	14,410,683	1,245,039,123	1,124,263,199
Tuition fee and other income									
Tuition fee		4,097,108,659	-	-	-	-	-	4,097,108,659	3,676,481,887
Other fees		491,347,313	-	-	-	-	-	491,347,313	449,597,850
Consultancy fee		8,378,502	-	-	-	54,256,968	-	62,635,470	23,200,468
Executive development programmes		286,840,343	-	-	-	-	-	286,840,343	161,524,420
Miscellaneous income	21	742,527,129	1,606,679	1,435,036	-	36,892,365	-	782,461,209	354,537,148
Return on investments and term deposits	22	234,284,456	312,342,224	-	4,191,261	-	-	550,817,941	555,095,405
Exchange gain		125,791,054	-	41,637	127	934,544	-	126,767,362	31,242
		5,986,277,456	313,948,903	1,476,673	4,191,388	92,083,877	-	6,397,978,297	5,220,468,420
Total income for the year		6,228,582,964	335,300,192	264,766,842	29,927,957	770,028,782	14,410,683	7,643,017,420	6,344,731,619
<b>Expenditure</b>									
Salaries, wages and amenities		2,864,314,412	4,315,489	-	14,309,050	180,666,959	-	3,063,605,910	2,682,722,129
Training		24,203,147	-	-	-	18,012,246	-	42,215,393	28,070,930
Fuel and power		374,236,921	-	-	-	-	-	374,236,921	164,642,318
Telephone and postage		7,562,568	23,103	-	-	2,772,027	-	10,357,698	11,219,579
Contribution to NMF		367,430,794	-	-	-	-	-	367,430,794	653,518,572
Foreign travel and recruitment		37,070,301	-	-	2,882,715	7,194,177	-	47,147,193	3,337,465
Travelling and vehicle running expenses		32,888,150	141,188	-	7,020	22,674,666	-	55,711,024	12,152,134
Cafeteria expenses		163,416,426	111,161	-	-	7,678,386	-	171,205,973	51,577,578
Repairs and maintenance		16,243,554	8,200	-	-	239,296	-	16,491,050	15,443,327
Advertisement and open house programme		101,418,331	-	-	-	1,955,091	-	103,373,422	93,416,008
Subscriptions		45,887,545	-	-	37,913	683,337	-	46,608,795	28,578,511
Research and case development		146,847,522	5,468,593	-	6,099,776	262,919,857	-	421,335,748	298,815,610
Convocation expenses		-	-	-	-	-	-	-	7,000
Printing, stationery and office supplies		325,625,548	845,930	-	380,968	40,232,994	-	367,085,440	195,869,989
Software consumables		134,355,039	-	-	-	161,363	-	134,516,402	108,904,131
Insurance		20,832,206	-	-	-	-	-	20,832,206	19,514,633
Scholarships and tuition fee waiver		389,817,687	105,719,134	265,163,735	-	50,000	-	760,750,556	790,706,148
PhD living allowance		104,063,304	-	-	-	-	-	104,063,304	85,721,235
Higher Education Commission scholarship		-	-	7,378,336	-	28,871	-	7,407,207	969,165
Legal and professional charges		138,869,831	-	-	-	3,929,363	-	142,799,194	127,242,308
Estate management		73,969,699	-	-	-	27,786	-	73,997,485	50,155,290
Internet charges		83,465,864	-	-	-	191,224	-	83,657,088	72,306,076
Depreciation on operating fixed assets		-	-	-	-	-	321,520,119	321,520,119	317,756,708
Amortization of intangible assets		-	-	-	-	-	9,349,267	9,349,267	11,218,213
Consultancy projects		546,714	-	-	-	21,241,832	-	21,788,546	3,416,631
Sports and student activities		1,592,033	-	-	-	14,845,876	-	16,437,909	8,680,274
Net impairment losses on financial and contract assets		1,718,638	-	-	-	-	-	1,718,638	-
Bad debts and advances written off		1,070,339	-	-	-	-	-	1,070,339	1,253,852
Discounting cost on long term loans to students		45,139,823	766,494	876,596	-	-	-	46,782,913	69,482,091
Discounting cost on loan from NMF		4,289,799	-	-	-	-	-	4,289,799	5,613,483
Finance cost		3,595,005	-	-	-	694	-	3,595,699	2,910,064
Fair value loss on investments at fair value through profit or loss		18,890,267	13,940,717	-	-	-	-	32,830,984	-
Loss on sale of fixed assets		-	-	-	-	-	-	-	459,443
Exchange loss		1,262,387	-	41,637	-	(41,637)	-	1,262,387	10,159,787
Miscellaneous		157,628	-	-	-	15,339,006	-	15,496,634	47,831,287
		5,530,781,482	131,340,009	273,460,304	23,717,442	600,803,414	330,869,386	6,890,972,037	5,973,671,969
<b>Surplus/(deficit) of income over expenditure before taxation</b>		697,801,482	203,960,183	(8,693,462)	6,210,515	169,225,368	(316,458,703)	752,045,383	371,059,650
Provision for taxation		-	-	-	-	-	-	-	-
<b>Surplus/(deficit) of income over expenditure after taxation</b>		697,801,482	203,960,183	(8,693,462)	6,210,515	169,225,368	(316,458,703)	752,045,383	371,059,650

The annexed notes 1 to 30 form an integral part of these financial statements.

Member of Management Committee

Chief Financial Officer

# LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2022

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2022 Total Rupees	2021 Total Rupees
Surplus/(deficit) of income over expenditure after taxation	697,801,482	203,960,183	(8,693,462)	6,210,515	169,225,368	(316,458,703)	752,045,383	371,059,650
<b>Other comprehensive income:</b>								
<i>Items that may be reclassified subsequently to income and expenditure account</i>	-	-	-	-	-	-	-	-
<i>Items that will not be reclassified subsequently to income and expenditure account</i>	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	<u>697,801,482</u>	<u>203,960,183</u>	<u>(8,693,462)</u>	<u>6,210,515</u>	<u>169,225,368</u>	<u>(316,458,703)</u>	<u>752,045,383</u>	<u>371,059,650</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

  
Member of Management Committee

  
Chief Financial Officer



# LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

## STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2022

		Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	Total Rupees
Balance as on July 1, 2020		2,073,684,832	2,407,079,140	37,216,645	55,376,321	395,916,355	1,209,850,360	6,179,123,653
Surplus/(deficit) of income over expenditure after taxation		239,515,544	205,772,804	(15,298,305)	3,740,380	265,225,537	(327,896,310)	371,059,650
Other comprehensive income for the year		-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year		239,515,544	205,772,804	(15,298,305)	3,740,380	265,225,537	(327,896,310)	371,059,650
Transfer (from)/to funds	23	(250,000,000)	236,533,046	13,466,954	-	-	-	-
Transfer of fixed assets additions (from)/to funds	24	(210,766,628)	(1,566,902)	-	(990,806)	(81,689,072)	295,013,408	-
Transfer of fixed assets disposals to/(from) funds		2,073,166	-	-	-	-	(2,073,166)	-
Unutilized funds returned to the donor as per agreement		-	-	-	-	(5,752,005)	-	(5,752,005)
Balance as on June 30, 2021		1,854,506,914	2,847,818,088	35,385,294	58,125,895	573,700,815	1,174,894,292	6,544,431,298
Surplus/(deficit) of income over expenditure after taxation		697,801,482	203,960,183	(8,693,462)	6,210,515	169,225,368	(316,458,703)	752,045,383
Other comprehensive income for the year		-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year		697,801,482	203,960,183	(8,693,462)	6,210,515	169,225,368	(316,458,703)	752,045,383
Transfers (from)/to funds:								
Current fund to endowment fund	23	(300,000,000)	300,000,000	-	-	-	-	-
Endowment fund to scholarship fund		-	(22,674,388)	22,674,388	-	-	-	-
		(300,000,000)	277,325,612	22,674,388	-	-	-	-
Transfer of fixed assets additions (from)/to funds	24	(304,494,213)	(107,500)	-	(2,499,440)	(57,530,787)	364,631,940	-
Balance as at June 30, 2022		1,947,814,183	3,328,996,383	49,366,220	61,836,970	685,395,396	1,223,067,529	7,296,476,681

The annexed notes 1 to 30 form an integral part of these financial statements.

Member of Management Committee

Chief Financial Officer



# LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022

### Cash flow from operating activities

Surplus of income over expenditure before taxation

752,045,383

371,059,650

### Adjustment for non cash charges and other items:

Depreciation on operating fixed assets

321,520,119

317,756,708

Amortization on intangible assets

9,349,267

11,218,213

Net (gain)/loss on disposal of operating fixed assets

(3,372,334)

459,443

Discounting cost on loan from NMF

4,289,799

5,613,483

Unwinding income on long term loans to students

(31,349,653)

(16,608,582)

Discounting cost on long term loans to students

46,782,913

69,482,091

Finance cost

3,595,699

2,910,064

Grants income

(1,245,039,123)

(1,124,263,199)

Net impairment losses on financial and contract assets

1,718,638

(2,216,151)

Bad debts and advances written off

1,070,339

1,253,852

Liabilities no longer payable written back

(251,571)

(1,166,511)

Provision for accumulating compensated absences

20,275,999

26,108,811

Exchange gain

(122,548,293)

(9,897,587)

Amortization of deferred contributions

(137,679,198)

(115,264,695)

Return on investments and term deposits

(550,817,941)

(555,095,405)

(1,682,455,340)

(1,389,709,465)

### Deficit before working capital changes

(930,409,957)

(1,018,649,815)

### Effect on cashflow due to working capital changes:

(Increase)/decrease in stores

(8,663,047)

2,062,958

Increase in loans, advances, deposits

(262,684,193)

(141,942,470)

prepayments and other receivables

15,965,732

285,789,442

Decrease in due from NMF

408,009,505

114,920,196

Increase in creditors, accrued and other liabilities

152,627,997

260,830,126

### Cash used in operations

(777,781,960)

(757,819,689)

Finance cost paid

(3,595,699)

(2,910,064)

Payment of accumulating compensated absences

(11,974,906)

(6,576,682)

Operating contributions received

1,209,277,151

1,021,538,216

Receipts in respect of deferred contributions

119,000,000

112,538,564

Increase in long term loans, advances and

(97,440,742)

(146,379,565)

security deposits

1,215,265,804

978,210,469

### Net cash generated from operating activities

437,483,844

220,390,780

### Cash flow from investing activities

Fixed capital expenditure

(368,832,474)

(317,057,663)

Proceeds from disposal of operating fixed assets

6,419,949

1,613,724

Return on investments and term deposits received

600,512,286

618,266,074

Proceeds from maturity of investments

7,415,793,462

4,203,985,303

Proceeds from disposal of investments

1,153,053

1,389,457,669

Purchase of investments

(9,022,869,474)

(6,073,549,029)

### Net cash used in investing activities

(1,367,823,198)

(177,283,922)

### Cash flow from financing activities

Endowment grants received

21,351,289

101,622,618

Unutilized funds returned to the donor as per agreement

-

(5,752,005)

Payment of loan from National Management Foundation ('NMF')

(49,999,587)

-

### Net cash (used in) / generated from financing activities

(28,648,298)

95,870,613

### Net (decrease)/increase in cash and cash equivalents

(958,987,652)

138,977,471

### Cash and cash equivalents at the beginning of the year

2,915,511,697

2,766,636,639

Effects of exchange rate changes on cash and cash equivalents

122,548,293

9,897,587

### Cash and cash equivalents at the end of the year

2,079,072,338

2,915,511,697

- note 25

Refer note 13 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 30 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, 2022

### 1. University and its operations

The Lahore University of Management Sciences (hereinafter referred to as 'LUMS' or the 'University') is a body corporate and has been established in Pakistan under the Lahore University of Management Sciences Order, 1985 on March 31, 1985. The registered office of the University is situated opposite to Sector U, Phase V, Defence Housing Authority, Lahore Cantt, Lahore. 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 five 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), Syed Hyder Ali & Syed Maratib Ali School of Education (SOE) and Sheikh Ahmed Hassan School of Law (SAHSOL). The University is a Not-For-Profit organization under section 2(36) of the 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 These financial statements have been prepared in accordance with the Accounting Standard for Not for Profit Organisations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as applicable in Pakistan i.e. as notified by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of IFRS differ from those of the Accounting Standard for NPOs, the requirements of the IFRS prevail.

### 2.2 Initial application of standards, amendments or interpretations to existing standards

The following amendments to existing standards have been published that are applicable to the University's financial statements covering annual periods, beginning on or after the following dates:

#### 2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to IFRS are effective for accounting period beginning on July 1, 2021 but are considered not to be relevant or to have any significant effect on the University's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

#### 2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the University

There are certain standards, amendments to the IFRS and interpretations that are mandatory for the entities having accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or to have any significant effect on the University's operations and are, therefore, not detailed in these financial statements, except for the following:

#### a) Classification of Liabilities - Amendments to International Accounting Standard (IAS) 1: (effective for annual period beginning on January 1, 2023)

The narrow-scope amendments to IAS 1 'Presentation of Financial Statements' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.



In particular, the amendment clarifies that:

- liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights;
- the assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification;
- the right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date;
- 'settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

The University does not expect any significant impact of this amendment on its financial statements.

**b) Amendments to IFRS 7, IFRS 4 and IFRS 16 for interest rate benchmark (IBOR) reform (effective for annual period beginning on July 1, 2021) - Phase 2**

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. The IASB tackled the changes in the following two phases:

- Phase 1 amended specific hedge accounting requirements where uncertainty could arise in the run-up to transition; and
- Phase 2 addressed potential financial reporting issues that may arise when IBORs are either reformed or replaced.

These amendments include the following:

- Accounting for changes in the basis for determining contractual cash flows of a financial asset or financial liability as a result of IBOR reform;
- Hedge accounting requirements; and
- Disclosures.

The University is yet to assess the impact of these amendments on its financial statements.

**c) Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (effective for annual period beginning on July 1, 2023)**

The IASB has issued narrow-scope amendments to IFRS Standards.

The amendments will help entities:

- improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and
- distinguish changes in accounting estimates from changes in accounting policies.

The amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies.

The University does not expect any significant impact of these amendments on its financial statements.



### **3. Basis of measurement**

These financial statements have been prepared under the historical cost convention, modified by the revaluation of certain financial instruments at fair value.

#### **3.1 Critical accounting estimates and judgements**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the University's accounting policies, however, there was no area that involved a higher degree of judgement or complexity, other than those referred to in notes 4.13.4, 4.21,19 and 28.1(b)(ii) to these financial statements, and of items which are more likely to be materially adjusted to the estimates and assumptions turning out to be wrong.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the University and that are believed to be reasonable under the circumstances.

### **4. Summary of significant accounting policies**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **4.1 Current Fund**

This is an unrestricted fund. Grants and donations, utilization of which is not restricted for a specific purpose, are recognised in this fund. It includes grants and donations for all five 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 University as a capital fund. The income generated from this capital fund 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 (including government grants) received for this purpose are recognised in this 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 (including government grants) received for specific projects are recognised in 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 notes 4.8 and 4.9 respectively. Fixed assets received directly as donations are debited to the property, plant and equipment or intangibles account at fair value and a corresponding amount credited to income of this fund. Such items are thereafter depreciated as per the policy of the University.



#### 4.7

#### Taxation

Income tax comprises current and deferred tax. Income tax is recognized in the income and expenditure account except to the extent that it relates to items recognized directly in fund balance, in which case it is recognized directly in the fund balance.

##### Current

The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to surplus for the year if enacted or substantively enacted at the end of the reporting period in accordance with the prevailing law for taxation of income, after taking into account tax credits, rebates and exemptions, if any. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that the tax authorities will accept an uncertain tax treatment. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. The University measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. Current tax assets and tax liabilities are offset where the University has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 100C of the Income Tax Ordinance, 2001.

##### Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable surplus or deficit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Deferred tax is recognised in income and expenditure account, except to the extent that it relates to items recognised in other comprehensive income or directly in fund balances. In this case, the tax is also recognised in other comprehensive income or directly in fund balances, respectively.

Deferred tax has not been provided in these financial statements as the University's management believes that the temporary differences will not reverse in the foreseeable future to the fact that 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 100C of the Income Tax Ordinance, 2001.

#### 4.8

#### Operating fixed assets

Operating fixed assets are stated at historical cost less accumulated depreciation and any identified impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Depreciation on all operating fixed assets is charged to income and expenditure account on a reducing balance method, so as to write off the historical cost of an asset over its estimated useful life at the rates mentioned in note 5 after taking into account their residual values.



The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The University's estimate of the residual value of its operating fixed assets as at June 30, 2022, has not required any adjustment as its impact is considered insignificant.

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 4.11).

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.

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.

#### **4.9 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 mentioned in note 6.

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 4.11).

#### **4.10 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.

#### **4.11 Impairment of non-financial assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **4.12 Investments**

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments made by the University are classified for the purpose of measurement into the following categories as explained in note 4.13.



## **4.13 Financial assets**

### **4.13.1 Classification**

The University classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value [either through other comprehensive income ('OCI') or through profit or loss]; and
- those to be measured at amortised cost.

The classification depends on the University's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in income and expenditure account or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the University has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ('FVOCI').

The University reclassifies debt investments when and only when its business model for managing those assets changes.

### **4.13.2 Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the University commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the University has transferred substantially all the risks and rewards of ownership.

### **4.13.3 Measurement**

At initial recognition, the University measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in income and expenditure account.


Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

## **Debt instruments**

Subsequent measurement of debt instruments depends on the University's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the University classifies its debt instruments:

i) **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in income or expenditure. Impairment losses are presented as a separate line item in the income and expenditure account.

ii) **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in income or expenditure. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income or expenditure. Interest income from these financial assets is included in other income using the effective interest method. Impairment expenses are presented as a separate line item in the income and expenditure account.





iii) **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in income or expenditure in the period in which it arises.

### **Equity instruments**

The University subsequently measures all equity investments at fair value. Where the University's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income or expenditure following the derecognition of the investment. Dividends from such investments continue to be recognised in income and expenditure account as income when the University's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the income and expenditure account. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### **4.13.4 Impairment of financial assets other than investment in equity instruments**

The University assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The University applies general 3-stage approach for investments carried at amortised cost, deposits, loans, security deposits, other receivables and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The University recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The University recognizes an impairment gain or loss in the income and expenditure account for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

The University writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of counterparty's sources of income or assets to generate sufficient future cash flows to repay the amount. The University may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

#### **4.14 Financial liabilities**

All financial liabilities are recognized at the time when the University becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income and expenditure account.



Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the income and expenditure account.

#### **4.15 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the University intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

#### **4.16 Employee benefits**

##### **(i) Short term obligations**

Liabilities for wages and salaries including non-monetary benefits that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

##### **(ii) Post employment benefits**

The main features of the schemes operated by the University for its employees are as follows:

##### **(a) Defined contribution plan - Provident Fund**

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 as determined under the rules of fund.

##### **(b) Accumulating compensated absences**

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 20 days of paid leaves each year after completion of one year of service, depending on their years of service. The unused entitlement can be carried forward subject to the condition that the total unused accumulated leaves shall not exceed the prescribed limit i.e. 30 leaves. Any unused leaves in excess of the limit are lapsed and are not available for carry forward. Accumulated balance of unavailed earned leaves up to 30 shall be encashable at the rate of gross salary after every ten (10) years of continuous 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 Stores**

Stores, except for those in transit, are valued principally at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are stated at cost comprising invoice value plus other charges paid thereon. If net realizable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realizable value.



#### **4.18 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash at bank on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### **4.19 Creditors, accrued and other liabilities**

Creditors and other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

#### **4.20 Provisions**

Provisions for legal claims and make good obligations 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 will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision to the passage of time is recognised as interest expense.

#### **4.21 Contingent liabilities**

Contingent liability is disclosed when:

-there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the University; or

-there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

#### **4.22 Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in the income and expenditure account as other income or finance costs.

Borrowings are classified as current liabilities unless the University has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.



#### **4.23 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised income and expenditure account in the period in which they are incurred.

#### **4.24 Foreign currency transactions and translation**

##### **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 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.

#### **4.25 Income recognition**

Income is recognized when it is probable that the economic benefits associated with the transaction will flow to the University and the amount of income can be measured reliably. Income is measured at the fair value of the consideration received or receivable on the following basis:

##### **a) Current Fund**

- Tuition fees are recognized when the University satisfies a performance obligation by provision of specific academic and non-academic courses to the students and the transaction price is apportioned to revenue over the period of instruction.
- Admission and application processing fees are recognized as revenue when due.
- Cafeteria income is recognized as revenue when the goods or services are supplied to the customer.

Where services are being rendered, but are not complete at the end of the period, income is recognised with reference to the stage of completion/degree of provision of the service, as determined on an appropriate basis for each contract.

Grants from NMF are recognized when approved by NMF. Other grants, gifts, and royalties on publications are recognized as income on accrual basis when the ultimate collection is reasonably assured.

##### **b) Endowment Fund**

Grants as endowments by the University are recognised when the ultimate collection is reasonably assured and these are credited to income. Income earned from the endowments is booked as a return on investments for the period.



**c) Scholarship Fund**

Grants for the purpose of providing scholarships and loans to students are credited to income and are recognised when the ultimate collection is reasonably assured.

**d) Chair Fund**

Grants are recognised when the ultimate collection is reasonably assured and are credited to income.

**e) 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 to income.

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 imposed by the donor.

**f) Fixed Assets Fund**

Fixed assets received as a grant are debited to the property, plant and equipment and intangibles account at fair value and a corresponding amount credited to income.

**4.26 Deferred contributions**

Restricted contributions for which an appropriate restricted fund does not exist, are recognised as deferred contributions under non-current liabilities in the Current Fund using the deferral method. These are recognised as income in the same period or periods as the related expenses are recognised.

**4.27 Expenses**

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

**4.28 Contract asset and contract liability**

A contract asset is recognised for the University's right to consideration in exchange for goods or services that it has transferred to a customer. If the University performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the University presents the amount as a contract asset, excluding any amounts presented as a receivable.

A contract liability is recognised for the University's obligation to transfer goods or services to a customer for which the University has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the University has a right to an amount of consideration that is unconditional (i.e. a receivable), before the University transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

**4.29 Rounding of amounts**

All amounts disclosed in the descriptive notes to these financial statements have been rounded off to the nearest thousand Rupees unless otherwise stated.



5. Operating fixed assets

	Cost as at July 1, 2021 Rupees	Additions/ (deletions)/ adjustments Rupees	Cost as at June 30, 2022 Rupees	Accumulated depreciation as at July 01, 2021 Rupees	Depreciation/ (deletions)/ adjustments for the year Rupees	Accumulated depreciation as at June 30, 2022 Rupees	Book value as at June 30, 2022 Rupees	Annual rate of depreciation %
Furniture and fixtures	800,995,941	89,294,216 (5,710,242)	884,579,915	650,513,285	58,997,406 (5,285,884)	704,224,807	180,355,108	30
Computers	890,726,253	112,275,809 (14,005,287)	988,996,775	652,495,615	94,820,613 (13,444,270)	733,871,958	255,124,817	33.3
Equipment	1,943,032,963	152,109,654 (8,356,791) 4,736	2,086,790,562	1,237,345,379	155,429,878 (6,757,310) 2,003	1,386,019,950	700,770,612	20
Vehicles	34,175,531	6,569,730 (3,475,914)	37,269,347	18,367,432	3,563,410 (3,013,155)	18,917,687	18,351,660	20
Books	143,115,886	7,836,637 - (4,736)	150,947,787	103,294,107	8,708,807 - (2,003)	112,000,911	38,946,876	20
	3,812,046,574	368,086,046 (31,548,234)	4,148,584,386	2,662,015,818	321,520,114 (28,500,619)	2,955,035,313	1,193,549,073	

	Cost as at July 1, 2020 Rupees	Additions/ (deletions)/ adjustments Rupees	Cost as at June 30, 2021 Rupees	Accumulated depreciation as at July 01, 2020 Rupees	Depreciation/ (deletions)/ adjustments for the year Rupees	Accumulated depreciation as at June 30, 2021 Rupees	Book value as at June 30, 2021 Rupees	Annual rate of depreciation %
Furniture and fixtures	780,970,795	22,956,280 (2,931,134)	800,995,941	593,735,415	59,466,488 (2,688,618)	650,513,285	150,462,656	30
Computers	774,165,495	127,393,498 (10,822,390) (10,350)	890,726,253	577,706,708	85,286,330 (10,487,837) (9,586)	652,495,615	238,230,638	33.3
Equipment	1,817,455,094	133,381,215 (7,813,696) 10,350	1,943,032,963	1,083,340,018	160,313,373 (6,317,598) 9,586	1,237,345,379	705,687,584	20
Vehicles	34,031,956	143,575 -	34,175,531	14,447,557	3,919,875 -	18,367,432	15,808,099	20
Books	134,062,897	9,052,989 -	143,115,886	94,523,465	8,770,642 -	103,294,107	39,821,779	20
	3,540,686,237	292,927,557 (21,567,220)	3,812,046,574	2,363,753,163	317,756,708 (19,494,053)	2,662,015,818	1,150,030,756	



5.1 The depreciation for the year has been charged to Fixed Assets Fund.

5.2 Following assets are sponsored to LUMS by various donors. The title of these assets is not in the name of LUMS. Transfer of the title to LUMS is subject to the discretion of donors at the completion of project term.

	2022			2021		
	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees
Furniture and fixtures	126,293,548	86,432,109	39,861,439	108,731,851	73,167,628	35,564,223
Computers	137,948,649	83,654,764	54,293,885	117,567,128	65,091,591	52,475,537
Equipment	756,245,518	481,469,796	274,775,722	740,816,851	415,985,758	324,831,093
	<u>1,020,487,715</u>	<u>651,556,669</u>	<u>368,931,046</u>	<u>967,115,830</u>	<u>554,244,977</u>	<u>412,870,853</u>

5.3 Following assets have been contributed by various donors to LUMS:

	2022			2021		
	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees
Furniture and fixtures	51,369,558	47,147,938	4,221,620	51,446,034	45,413,364	6,032,670
Computers	16,185,668	12,945,354	3,240,314	13,384,889	9,878,721	3,506,168
Equipment	49,170,733	24,392,272	24,778,461	34,416,194	20,470,095	13,946,099
	<u>116,725,959</u>	<u>84,485,564</u>	<u>32,240,395</u>	<u>99,247,117</u>	<u>75,762,180</u>	<u>23,484,937</u>

## 6. Intangible assets

	Cost as at July 01, 2021 Rupees	Additions Rupees	Cost as at June 30, 2022 Rupees	Accumulated amortization as on July 01, 2021 Rupees	Amortization for the year Rupees	Accumulated amortization as on June 30, 2022 Rupees	Book value as at June 30, 2022 Rupees	Annual rate of amortization %
Computer software and license	<u>220,371,910</u>	<u>14,004,187</u>	<u>234,376,097</u>	<u>195,508,374</u>	<u>9,349,267</u>	<u>204,857,641</u>	<u>29,518,456</u>	33.3
	Cost as at July 01, 2020 Rupees	Additions Rupees	Cost as at June 30, 2021 Rupees	Accumulated amortization as on July 01, 2020 Rupees	Amortization for the year Rupees	Accumulated amortization as on June 30, 2021 Rupees	Book value as at June 30, 2021 Rupees	
Computer software and license	<u>217,207,447</u>	<u>3,164,463</u>	<u>220,371,910</u>	<u>184,290,161</u>	<u>11,218,213</u>	<u>195,508,374</u>	<u>24,863,536</u>	33.3

6.1 The amortization for the year has been charged to Fixed Assets Fund.



7.	Capital work-in-progress	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2022 Total Rupees	2021 Total Rupees
	Advances for equipment	10,733,001	-	-	-	9,249,230	19,982,231	10,472,421
	Advances for computers	8,014,863	-	-	-	276,775	8,291,638	50,204
	Advances for vehicles	2,234,000	-	-	-	-	2,234,000	229,125
	Advances for furniture and fixtures	1,477,856	-	-	-	1,402,857	2,880,713	20,226,461
	Intangible assets under development	562,750	-	-	-	199,782	762,532	2,019,984
		<u>23,022,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,128,644</u>	<u>34,151,114</u>	<u>32,998,195</u>

The reconciliation of the carrying amount of capital work-in-progress is as follows:

							2022 Total Rupees	2021 Total Rupees
	Opening balance						32,998,195	10,930,187
	Additions during the year						181,781,529	171,659,495
							<u>214,779,724</u>	<u>182,589,682</u>
	Transfers during the year						(180,028,610)	(149,591,487)
	Closing balance						<u>34,151,114</u>	<u>32,998,195</u>

8.	Investments	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2022 Total Rupees	2021 Total Rupees
	At amortised cost	- note 8.1	200,306,362	1,675,150,101	-	-	1,875,456,463	1,870,430,838
	At fair value through profit or loss	- note 8.2	556,227,188	590,913,068	-	-	1,147,140,256	568,660,093
			<u>756,533,550</u>	<u>2,266,063,169</u>	<u>-</u>	<u>-</u>	<u>3,022,596,719</u>	<u>2,439,090,931</u>

#### 8.1 At amortised cost

	Pakistan Investment Bonds	- note 8.1.1	140,346,362	1,540,150,101	-	-	1,680,496,463	1,675,460,838
	Term finance certificates	- note 8.1.2	59,960,000	135,000,000	-	-	194,960,000	194,970,000
			<u>200,306,362</u>	<u>1,675,150,101</u>	<u>-</u>	<u>-</u>	<u>1,875,456,463</u>	<u>1,870,430,838</u>

8.1.1 This represents investments in Pakistan Investment Bonds. These carry mark-up at coupon rates ranging from 7% to 15.40% (2021: 7% to 10%) per annum.

8.1.2 This represents investments in term finance certificates. These carry mark-up at rates ranging from 8.96% to 16.20% (2021: 8.57% to 12.75%) per annum.



		Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2022 Total Rupees	2021 Total Rupees
<b>8.2</b>	<b>At fair value through profit or loss</b>							
Shares of The Hub Power Company Limited	- note 8.2.1	-	19,871,555	-	-	-	19,871,555	23,223,805
<i>Units of:</i>								
UBL Fund Managers mutual funds	- note 8.2.2	210,160,450	176,767,553	-	-	-	386,928,003	156,684,765
Alfalah GHP mutual funds	- note 8.2.2	77,395,458	43,462,340	-	-	-	120,857,798	150,892,861
ABL Fund Managers mutual funds	- note 8.2.2	9,792,918	115,080,896	-	-	-	124,873,814	22,199,539
Al-Meezan mutual funds	- note 8.2.2	-	161,614,648	-	-	-	161,614,648	50,418,136
MCB Arif Habib mutual funds	- note 8.2.2	204,703,744	41,268,442	-	-	-	245,972,186	85,880,264
NBP mutual funds	- note 8.2.2	43,501,357	22,187,677	-	-	-	65,689,034	59,970,739
HBL Fund Managers mutual funds	- note 8.2.2	10,673,261	10,659,957	-	-	-	21,333,218	19,389,984
		<u>556,227,188</u>	<u>590,913,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,147,140,256</u>	<u>568,660,093</u>

**8.2.1** This represents 291,500 (2021: 291,500) shares, measured at market value of Rs 68.17 (2021: Rs 79.67) per share, of The Hub Power Company Limited.

**8.2.2** These represent portfolios maintained with various asset management companies.

		Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2022 Total Rupees	2021 Total Rupees
<b>9.</b>	<b>Long term loans, advances and security deposits</b>							
Loans to students	- note 9.1	424,766,035	14,222,541	9,806,633	-	-	448,795,209	352,721,739
Long term security deposits	- note 9.2	45,243,798	-	-	-	-	45,243,798	46,059,461
Advances to employees		22,714	-	-	-	-	22,714	372,785
		<u>470,032,547</u>	<u>14,222,541</u>	<u>9,806,633</u>	<u>-</u>	<u>-</u>	<u>494,061,721</u>	<u>399,153,985</u>
Less: Loss allowance	- note 14.1	46,969,910	3,000,602	1,914,488	-	-	51,885,000	52,666,893
		<u>423,062,637</u>	<u>11,221,939</u>	<u>7,892,145</u>	<u>-</u>	<u>-</u>	<u>442,176,721</u>	<u>346,487,092</u>
Less: Current portion of loans to students - net of impairment allowance	- note 14	72,501,986	5,525,636	2,064,623	-	-	80,092,245	42,215,045
		<u>350,560,651</u>	<u>5,696,303</u>	<u>5,827,522</u>	<u>-</u>	<u>-</u>	<u>362,084,476</u>	<u>304,272,047</u>

**9.1** These represent un-secured interest free loans given to students. Loans over and above Rs 150,000 are repayable in fixed number of installments (60) within the specified period of five years after six months from completion of course. 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. These loans are measured at amortised cost using interest rate of 14% (2021: 14%) per annum.

**9.2** These have not been carried at amortised cost as the effect of discounting is not considered material.



**10. Employee benefits obligations**

This represents accumulating compensated absences and its reconciliation is as follows:

	2022 Rupees	2021 Rupees
Opening balance	83,083,395	63,551,266
Provision for the year	20,275,999	26,108,811
Payments during the year	(11,974,906)	(6,576,682)
Closing balance	<u>91,384,488</u>	<u>83,083,395</u>

**11. Long term security deposits**

These represent securities deposited by students at the time of admission to the University. These securities are refundable upon the completion of the program. These have not been carried at amortised cost as the effect of discounting is not considered material.

	2022 Rupees	2021 Rupees
Security deposits	153,430,300	138,628,000
Less: current maturity classified in current liabilities	74,773,200	67,125,500
	<u>78,657,100</u>	<u>71,502,500</u>

- note 17

**12. Deferred contributions**

This represents the following contributions:

- unutilised balance of donations made by Babar Ali Foundation, a related party (affiliate) for meeting operational expenses of SOE; and
- unutilised balance of donations made by Babar Ali Foundation, a related party (affiliate) and various other donors for prevention of COVID-19 (Corona virus).

The movement in deferred contributions during the year is as follows:

Opening balance	35,090,236	37,816,367
Receipts during the year	119,000,000	112,538,564
Amortization during the year - recognised in grants income of current fund	(137,679,198)	(115,264,695)
Closing balance	<u>16,411,038</u>	<u>35,090,236</u>

**13. Loan from National Management Foundation**

Opening balance	45,709,788	40,096,305
Unwinding of discount for the year	4,289,799	5,613,483
Repayment during the year	(49,999,587)	-
	-	45,709,788
	-	(45,709,788)
	-	-

- note 13.1

Classified to current liabilities - current portion



13.1 This represents interest free amount payable against fair value of assets received from NMF for Chemical Engineering laboratory equipment. The loan was fully paid on January 26, 2022.

14.	Loans, advances, deposits, prepayments and other receivables	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2022 Total Rupees	2021 Total Rupees
	Advances to:							
	Employees	33,875,093	50,000	-	-	5,294,957	39,220,050	7,109,448
	Suppliers	30,556,707	-	-	-	6,859,951	37,416,658	29,637,508
	Prepayments	38,070,487	-	-	37,912	37,401	38,145,800	39,164,546
	Accrued return on investments	7,668,514	27,460,910	-	-	-	35,129,424	21,653,100
	Fee receivable	180,009,586	1,167,470	26,268	-	-	181,203,324	88,514,519
	Receivable against REDC programs and other projects	24,686,073	-	-	-	905,216	25,591,289	11,862,507
	Other receivables	22,539,161	-	500,000	561,747	254,142	23,855,050	7,001,511
	Current portion of long term loans and advances: - note 9							
	Loans to students	107,618,924	7,835,789	3,505,389	-	-	118,960,102	81,806,095
		445,024,545	36,514,169	4,031,657	599,659	13,351,667	499,521,697	286,749,234
	Loss allowance - note 14.1	(35,116,938)	(2,310,153)	(1,440,766)	-	-	(38,867,857)	(39,591,050)
		409,907,607	34,204,016	2,590,891	599,659	13,351,667	460,653,840	247,158,184

14.1	Loss allowance	2022 Rupees	2021 Rupees
	The reconciliation of loss allowance is as follows:		
	Balance as at beginning of the year	52,666,893	54,883,047
	Charge for the year	1,718,639	1,317,750
	Reversals during the year	(2,500,532)	(3,533,904)
	Closing balance - note 14.1.1	51,885,000	52,666,893

14.1.1

The closing balance includes loss allowance against current portion of loans amounting to Rs 38.868 million (2021: Rs 39.591 million).



15.	Short term investments		Current Fund Rupees	Endowment Fund Rupees	Chair Fund Rupees	2022 Total Rupees	2021 Total Rupees
	<b>At amortised cost</b>						
	Term deposit receipts - PKR	- note 15.1	10,000,000	-	-	10,000,000	460,000,000
	Pakistan Investment Bonds	- note 8.1.1	382,794,828	236,918,220	-	619,713,048	-
	Term deposit receipts - USD	- note 15.2	367,500,600	-	-	367,500,600	-
	Treasury Bills		481,644,325	683,865,704	-	1,165,510,029	1,508,932,282
			<u>1,241,939,753</u>	<u>920,783,924</u>	<u>-</u>	<u>2,162,723,677</u>	<u>1,968,932,282</u>

15.1 This represents investments in term deposit receipts of local currency. These carry mark-up at rates ranging from 6.75% to 12.11% (2021: 6% to 8.15%) per annum.

15.2 This represents investments in term deposit receipts of foreign currency. These carry mark-up at 6.55% (2021: 0.92% to 4.49%) per annum.

16.	Cash and bank balances		Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2022 Total Rupees	2021 Total Rupees
	<b>Cash in hand</b>		2,652,490	-	-	-	-	2,652,490	1,520,468
	- USD 10,000 (2021: USD 8,865)								
	- PKR 610,820 (2021: PKR 119,335)								
	<b>Balances at bank</b>								
	In current accounts		20,343,758	40,405,457	97,232,668	468,080	586,385,059	744,835,022	404,733,937
	- USD 50,573.22 (2021: USD 89,601)								
	- PKR 729,430,527 (2021: PKR 390,572,481)								
	In savings accounts		321,691,948	11,266,851	48,691,607	61,282,650	126,584,786	569,517,842	918,564,532
	- USD 1,169,546.53 (2021: USD 2,150,920)								
	- JPY 1.53 (2021: JPY 1.53)								
	- PKR 330,735,034 (2021: PKR 578,611,479)								
			<u>344,688,196</u>	<u>51,672,308</u>	<u>145,924,275</u>	<u>61,750,730</u>	<u>712,969,845</u>	<u>1,317,005,354</u>	<u>1,324,818,937</u>

16.1 Included in savings accounts are Rs 66.788 million (2021: Rs 34.302 million) which are under lien against bank guarantee and letters of credit as referred to in note 19.1.

16.2 Furthermore, included in savings accounts is an amount of Rs 2.889 million (2021: Rs 3.853 million) in an escrow account with MCB Bank Limited (MCB). Under the terms of agreement between MCB and LUMS, the University has deposited 6% of each tranche of the finance extended by MCB to students of the University. MCB has the right to utilize this amount for the purpose of recovery in case of default by any student.



17.	Creditors, accrued and other liabilities	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2022 Total Rupees	2021 Total Rupees
	Advance tuition and other fees - notes 17.1 to 17.4	890,051,843	-	-	-	-	890,051,843	625,308,991
	Creditors	70,716,196	1,344,845	4,484	651,805	16,202,412	88,919,742	20,779,049
	Accrued liabilities	91,620,584	-	-	20,000	11,507,865	103,148,449	76,377,901
	Advances against executive development programmes - notes 17.1 to 17.4	34,289,292	-	-	-	-	34,289,292	26,392,384
	Payable to student societies	1,719,537	-	-	-	21,695,609	23,415,146	18,337,999
	Provident fund payable	8,524,352	-	-	-	-	8,524,352	9,970,600
	Employee fund payable	12,294,213	-	-	-	-	12,294,213	14,914,936
	Current portion of long term security deposits - note 11	77,669,647	-	-	-	-	77,669,647	67,125,500
	Other security deposits	-	-	-	-	-	-	2,273,744
	Other liabilities	55,191,437	83,745	1,748	-	5,290,819	60,567,749	29,641,395
		<u>1,242,077,101</u>	<u>1,428,590</u>	<u>6,232</u>	<u>671,805</u>	<u>54,696,705</u>	<u>1,298,880,433</u>	<u>891,122,499</u>

17.1	The category wise breakup of contract liabilities is as follows:	2022 Total Rupees	2021 Total Rupees
17.1.1	<b>Advance tuition and other fees</b>		
	Tuition fees	878,296,777	624,794,841
	Other fees	11,755,066	514,150
		<u>890,051,843</u>	<u>625,308,991</u>
17.1.2	<b>Advances against executive development programmes</b>		
		34,289,292	26,392,384
		<u>924,341,135</u>	<u>651,701,375</u>
17.2	Revenue recognised during the year that was included in the contract liability balance at the beginning of the year is as follows:		
17.2.1	<b>Advance tuition and other fees</b>		
	Tuition fees	624,794,841	499,765,072
	Other fees	514,150	3,776,219
		<u>625,308,991</u>	<u>503,541,291</u>
17.2.2	<b>Advances against executive development programmes</b>		
		26,392,384	18,413,750
		<u>651,701,375</u>	<u>521,955,041</u>

17.3 Contract liabilities have increased due to increase in tuition fee and increase in number of new admissions.

17.4 All contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.



18. This represents the scholarships given prior to receipt of funds from donors resulting in utilization of resources of the Current Fund. While there is a commitment from the donors to pay these amounts, the timing and amount of these receipts is not certain. Therefore, based on prudence, the funds receivable are recognized only when the collection becomes certain.

## 19. Contingencies and commitments

### 19.1 Contingencies

(i) The University has provided bank guarantee of Rs 18.0 million (2021: Rs 18.0 million) in favour of Sui Northern Gas Pipelines Limited (SNGPL) on account of payment of gas dues, Rs 0.802 million (2021: Rs 0.802 million) to Pakistan State Oil Company Limited (PSO) on account of fuel cards, Rs 8.50 million (2021: Rs 8.50 million) to Oursun Solar Power Limited and Rs 7.0 million (2021: Rs 7.0 million) to Nizam Power (Private) Limited 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 16.1, for an amount equal to 110% of the amount of guarantee.

(ii) Walton Cantonment Board has levied property tax amounting to Rs 1,425.784 million on buildings under LUMS occupation for the years from 1993-94 to 2017-18. On March 15, 2018, LUMS filed a writ petition before the Lahore High Court ('LHC') challenging the orders dated November 2, 2011 and April 26, 2017 passed by the Director General, Military Lands and Cantonments whereby LUMS was required to pay property tax. The writ petition was filed on the grounds that LUMS premises are exempt from levy of property taxes under section 99(2)(b) of the Cantonment Act, 1924. On March 16, 2018, the LHC granted an ad interim relief to LUMS. Since then the case is pending for hearing. Based on the advice of the University's legal counsel, management considers that there are meritorious grounds to defend the University's stance and the outcome of the case is expected to be favourable, therefore, no provision has been made in these financial statements for the demands aggregating to Rs 1,425.784 million (2021: Rs 1,425.784 million).

### 19.2 Commitments

Aggregate facilities available for opening letters of credit and guarantees aggregate to Rs 75 million (2021: Rs 75 million). The amount utilised at June 30, 2022, for letters of credit was Rs 32.486 million (2021: Rs 0.116 million).

Commitments in respect of contracts for capital expenditure amount to Rs 100.601 million (2021: Rs 74.791 million).

20. Contributions	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2022 Total Rupees	2021 Total Rupees
These are from the following major sources:								
Government	23,465,288	-	40,516,482	-	159,560,997	-	223,542,767	483,765,664
Foundations	119,041,584	1,000,000	70,440,714	25,736,568	-	-	216,218,866	248,440,507
Corporate contributors	3,737,189	8,000,000	114,628,212	-	104,511,487	675,377	231,552,265	176,228,343
Individuals	2,149,140	12,106,289	37,337,576	-	55,118,086	-	106,711,091	121,123,469
Other Not-For-Profit organizations	65,288,980	245,000	367,185	-	358,754,336	13,735,306	438,390,807	91,979,085
	<u>213,682,181</u>	<u>21,351,289</u>	<u>263,290,169</u>	<u>25,736,568</u>	<u>677,944,906</u>	<u>14,410,683</u>	<u>1,216,415,796</u>	<u>1,121,537,068</u>



	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2022 Total Rupees	2021 Total Rupees
<b>21. Miscellaneous income</b>							
Hostel and faculty apartment income	292,504,933	-	-	-	-	292,504,933	110,321,061
Cafeteria income	149,733,759	-	-	-	-	149,733,759	45,390,061
Gain on sale of fixed assets	3,372,334	-	-	-	-	3,372,334	-
Test and processing fee	49,480,400	-	-	-	-	49,480,400	44,774,800
Sponsored projects income	-	-	-	-	-	-	37,189,111
Societies sponsorship income	-	-	-	-	14,878,578	14,878,578	3,376,932
Rental Income	5,917,329	-	-	-	-	5,917,329	5,071,640
Liabilities no longer payable written back	251,571	-	-	-	-	251,571	1,166,511
Other income	211,302,965	99,769	452,475	-	22,013,787	233,868,996	88,422,299
Net impairment gain on financial and contract assets	1,043,294	60,362	-	-	-	1,103,656	2,216,151
Unwinding income on long term loans to students	28,920,544	1,446,548	982,561	-	-	31,349,653	16,608,582
	<u>742,527,129</u>	<u>1,606,679</u>	<u>1,435,036</u>	<u>-</u>	<u>36,892,365</u>	<u>782,461,209</u>	<u>354,537,148</u>

**22. Return on investments and term deposits**

Interest earned on savings accounts	66,044,518	8,409,936	-	4,191,261	-	78,645,715	55,965,962
Interest earned on investments carried at amortised cost	144,963,814	274,995,415	-	-	-	419,959,229	376,980,498
Dividend income on investments carried at FVPL	22,129,154	28,564,478	-	-	-	50,693,632	23,600,775
Gain on disposal of investments carried at FVPL	2,618	-	-	-	-	2,618	90,613,248
Fair value gain on investments at FVPL	1,144,352	372,395	-	-	-	1,516,747	7,934,922
	<u>234,284,456</u>	<u>312,342,224</u>	<u>-</u>	<u>4,191,261</u>	<u>-</u>	<u>550,817,941</u>	<u>555,095,405</u>

**23.** This amount, being last year's surplus, was transferred from the Current Fund to Endowment Fund as per the management's decision.

**24.** This represents the total amount of fixed and intangible assets capitalized during the year other than donated assets. Capital expenditure made through Endowment, Scholarship, Chair and Sponsored Projects was made for the purpose of these funds and is in line with the restrictions imposed on these funds.

**25. Cash and cash equivalents**

		2022 Rupees	2021 Rupees
Cash and bank balances	- note 16	1,317,005,354	1,324,818,937
Term deposit receipts		377,500,600	450,000,000
Treasury bills		384,566,384	1,140,692,760
		<u>2,079,072,338</u>	<u>2,915,511,697</u>



## 26. Remuneration of key management personnel

Key management personnel are the persons having authority and responsibility for planning, directing and controlling the activities of the University, directly or indirectly. The aggregate amounts charged in the financial statements for the year for remuneration, including certain benefits, to the key management personnel of the University are as follows:

	2022 Rupees	2021 Rupees
Remuneration	112,724,053	105,865,060
Housing rent	34,799,136	33,905,808
Medical expenses	11,272,403	26,761,491
Utilities	30,030,505	6,027,690
Other allowances	12,196,410	18,758,085
	<u>201,022,507</u>	<u>191,318,134</u>

## 27. Transactions with related parties

**27.1** The related parties comprise of affiliates, controlling organisation (NMF), Board of Trustees, key management personnel and post employment benefit plans. Affiliates are entities which have a person common on their Board of Directors/ Governors/ Trustees with the University. The University in the normal course of business carries out transactions with various related parties.

Significant transactions and balances with related parties other than those disclosed elsewhere in the financial statements are as follows:

Relationship with the University	Nature and transaction	2022 Rupees	2021 Rupees
Employee benefit plan	Provident fund contribution	112,937,703	100,843,877
Affiliate	Payments made on behalf of NMF by LUMS	-	15,856,178
Affiliates	Donations received	-	133,750,000
Affiliates	Services received	96,557,307	94,018,892
Affiliates	Services provided	3,342,000	19,857,756
Affiliates	Goods purchased	112,383,635	7,675,418
Relationship with the University	Nature and balance		
Employee benefit plan	Provident fund payable	8,524,352	9,970,600
Affiliates	Payables in respect of services availed by the University	-	3,869,367
Affiliate	Advances in respect of services to be rendered by the University	-	110,000
Affiliates	Advances in respect of services to be availed by the University	1,596,192	617,551

**27.2** The above transactions with related parties have been conducted in the normal course of business on mutually agreed terms and conditions. The land, buildings and certain equipment of NMF have been provided to LUMS free of charge. The estimated fair value of the annual rental of such land, buildings and equipment is Rs 1,032 million (2021: Rs 1,032 million). The latest estimate for fair value of annual rentals was carried out on June 11, 2021 by an independent valuer.



## 28. Financial risk management

### 28.1 Financial risk factors

The University's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The University's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the University's Management Committee (the Committee) under policies approved by the Board of Trustees (the 'Board'). The University's Management Committee evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

The University's overall risk management procedures to minimise the potential adverse effects of financial market on the University's performance are as follows:

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist to transactions in foreign currencies.

The University is exposed to currency risk arising from various currency exposures. Currently, the University's foreign exchange risk exposure is restricted to cash and bank balances, investments and amounts receivable from / payable to the foreign entities.

	2022 USD	2021 USD
Cash and bank balances	1,220,120	2,240,522
Short term investments	1,800,000	-
Trade creditors	(13,194)	(2,738)
Net asset exposure	<u>3,006,926</u>	<u>2,237,784</u>

	2022 AED	2021 AED
Trade creditors	-	25,982
Net liability exposure	<u>-</u>	<u>25,982</u>

At June 30, 2022, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, surplus for the year would have been Rs 61.596 million (2021: Rs 35.249 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US Dollar-denominated financial assets and liabilities.

The University is not exposed to any significant currency risk on account of other foreign currencies.

(ii) **Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The University is exposed to equity securities price risk because of investments held by the University and classified as at fair value through profit or loss. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Committee. The primary goal of the University's investment strategy is to maximise investment returns.

The University's certain investments in equity instruments of other entities are publicly traded on the Pakistan Stock Exchange Limited.

The table below summarises the impact of increases / decreases of the KSE-100 index on the University's surplus for the year and on fund balance. The analysis is based on the assumption that the KSE-100 index had increased / decreased by 10% with all other variables held constant and all the University's equity investments moved according to the historical correlation with the index:

	Impact on surplus for the year	
	2022	2021
	Rupees	Rupees
Pakistan Stock Exchange Limited	<u>1,987,156</u>	<u>2,322,381</u>

As at June 30, 2022, if the market value of Fund's investment in units held in mutual funds had been 10% higher/lower, with all other variables held constant, the impact would have been as follows:

	Impact on surplus for the year	
	2022	2021
	Rupees	Rupees
Mutual funds	<u>112,726,870</u>	<u>54,543,629</u>

Surplus for the year would increase / decrease as a result of gains / losses on investments classified as at fair value through profit or loss. As at June 30, the University does not hold any investments classified as at fair value through other comprehensive income.

The University is not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(iii) **Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.



The University's interest rate risk arises from its investments in Term Finance Certificates and Pakistan Investment Bonds. These investments at variable rates expose the University to cash flow interest rate risk.

The University analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the University calculates the impact on surplus or deficit of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

At the reporting date, the interest rate profile of the University's interest bearing financial instruments was:

	2022 Rupees	2021 Rupees
<b>Fixed rate instruments:</b>		
<b>Financial assets</b>		
Bank balances - savings accounts	569,517,842	918,564,532
Investments	1,014,270,908	1,026,536,983
	<u>1,583,788,750</u>	<u>1,945,101,515</u>
<b>Financial liabilities</b>		
Loan from NMF	-	(45,709,788)
	<u>1,583,788,750</u>	<u>1,899,391,727</u>
<b>Net asset exposure</b>		
<b>Floating rate instruments:</b>		
<b>Financial assets</b>		
Investments	861,185,555	843,893,855
	-	-
<b>Financial liabilities</b>		
	<u>861,185,555</u>	<u>843,893,855</u>
<b>Net asset exposure</b>		

#### Fair value sensitivity analysis for fixed rate instruments

The University does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect income or expenditure of the University.

#### Cash flow sensitivity analysis for variable rate instruments

The University does not account for any variable rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect income or expenditure of the University.

## (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk of the University arises from deposits with banks and other financial institutions, as well as its investments in various mutual funds. The management assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

### (i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2022	2021
	Rupees	Rupees
Investments	5,165,448,841	4,384,799,408
Long term loans, advances and security deposits	362,084,476	304,272,047
Loans, advances, deposits and other receivables	345,871,332	171,246,682
Due from NMF	-	15,856,202
Balances with banks	1,314,352,864	1,323,298,469
	<u>7,187,757,513</u>	<u>6,199,472,808</u>

### (ii) Impairment of financial assets

The University's financial assets are subject to the expected credit losses method. While deposits, loans, security deposits, other receivables, investments carried at amortised cost and bank balances are subject to the ECL method of IFRS 9, the identified impairment loss as at June 30, 2022 was immaterial and hence has not been accounted for.

### Loans to Students

The University applies the IFRS 9 general 3-stage approach to measuring expected credit losses which uses a lifetime expected loss allowance for loans disbursed to students.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. The University applies general 3-stage approach to measure ECL through loss allowance at an amount equal to 12-month or life time ECL based on the variation in credit risk.

For 12-months ECL, probability of credit loss is calculated on the basis of recoverability trend of amount due from students in the past 10 years. However, for lifetime ECL, 100% of the loan amount, against which there were no recoveries in the last three years, is provided for.

On that basis, the loss allowance as at June 30, 2022 has only been accounted for in respect of loans to students.



(iii) **Credit quality of financial assets**

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings (if a fund is unrated, credit rating of the asset management company) or to historical information about counterparty default rate:

	Rating		Rating Agency	2022	2021
	Short term	Long term			
Bank balances and deposits:				Rupees	Rupees
Allied Bank Limited	A1+	AAA	PACRA	472,115,383	342,109,881
Faysal Bank Limited	A1+	AA	PACRA	299,205,469	88,581,602
Askari Bank Limited	A1+	AA+	PACRA	79,380,416	72,967,102
Bank Alfalah Limited	A1+	AA+	PACRA	1,169,306	2,269,908
JS Bank Limited	A1+	AA-	PACRA	877,587	119,388,548
MCB Bank Limited	A1+	AAA	PACRA	7,844,976	12,143,098
United Bank Limited	A-1+	AAA	VIS	122,053,523	52,250,877
Meezan Bank Limited	A-1+	AAA	VIS	83,481,776	225,818,413
Habib Bank Limited	A-1+	AAA	VIS	12,900,268	359,119,961
Standard Chartered Bank Pakistan Limited	A1+	AAA	PACRA	10,460,712	22,104,464
National Bank of Pakistan	A1+	AAA	VIS	168,863,066	152,907,722
NRSP Microfinance Bank Limited	A1	A	PACRA	1,432	1,341
Al Baraka Bank Limited	A-1	A+	PACRA	101,735	98,769
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	102,238	95,799
Mobilink Microfinance Bank Limited	A1	A	PACRA	2,904	2,708
Telenor Microfinance Bank Limited	A1	A	PACRA	196,946	186,560
Samba Bank Limited	A-1	AA	VIS	101,433,896	304,687,737
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	114,686	109,226
Bank Al Habib Limited	A1+	AAA	PACRA	326,468,036	28,454,753
				1,686,774,355	1,783,298,469

	Rating		Rating Agency	2022	2021
	Short term	Long term			
Units of mutual funds:				Rupees	Rupees
ABL Islamic Income Fund	-	A+(f)	VIS	9,566,431	8,805,278
ABL Cash Fund	-	AA+(f)	VIS	115,307,382	13,394,260
Alfalah GHP Income Fund	-	A+(f)		2,478	385,428
Alfalah GHP Income Multiplier Fund	-	A+(f)		-	720,261
Alfalah GHP Islamic Stock Fund	-	AM2+	PACRA	57,544,548	126,541,032
Alfalah GHP Stock Fund	-	AM2+	PACRA	63,310,747	23,217,070
Alfalah GHP Money Market Fund	-	AA+(f)		25	29,070
Alhamra Islamic Stock Fund	-	AA-(f)	PACRA	35,694,730	32,764,433
MCB Cash Management Optimizer	-	AA+(f)	PACRA	210,277,456	53,115,832
Meezan Rozana Amdani Fund	-	AM1	PACRA	161,383,802	50,418,136
Meezan Islamic Fund (MIF)	-	AM1	PACRA	230,846	-
NBP Islamic Money Market Fund	-	AA(f)	PACRA	49,457,932	45,282,285
NAFA Money Market Fund	-	AA(f)	PACRA	16,231,102	14,688,458
UBL Stock Advantage Fund	-	AM1	VIS	2,124,276	-
UBL Liquidity Plus Fund	-	AA+(f)	VIS	314,388,069	93,444,291
UBL Al Ameen Islamic Cash Fund	-	AA+(f)	VIS	68,929,027	-
UBL Al Ameen Islamic Stock Fund	-	AA+(f)	VIS	1,486,631	63,240,471
HBL Cash Fund	-	AA+(f)	VIS	21,333,219	19,389,983
				1,127,268,701	545,436,288

Due to the University's long standing business relationships with these counterparties and after giving consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the University. Accordingly, the credit risk is minimal.

### (c) Liquidity risk

Liquidity risk represents the risk that the University shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The University's approach to managing liquidity is to ensure that, as far as possible, it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable loss or risking damage to the University's reputation. The University manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of donor funding.

Management monitors the forecasts of the University's cash and cash equivalents (note 25 to these financial statements) on the basis of expected cash flows. This is generally carried out in accordance with practice and limits set by the University. In addition, the University's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The following are the contractual maturities of financial liabilities as at June 30, 2022 and June 30, 2021:

	Less than one year	One to five years	More than five years	Total contractual cashflows	Carrying amount
	Rupees				
<b>At June 30, 2022</b>					
Long term security deposits	-	78,657,100	-	78,657,100	78,657,100
Current portion of long term security deposits	77,669,647	-	-	77,669,647	77,669,647
Creditors, accrued and other liabilities	296,869,651	-	-	296,869,651	296,869,651
Due to NMF	109,530	-	-	109,530	109,530
	<u>374,648,828</u>	<u>78,657,100</u>	<u>-</u>	<u>453,305,928</u>	<u>453,305,928</u>
<b>At June 30, 2021</b>					
Long term security deposits	-	71,502,500	-	71,502,500	71,502,500
Current portion of long term security deposits	67,125,500	-	-	67,125,500	67,125,500
Creditors, accrued and other liabilities	172,295,624	-	-	172,295,624	172,295,624
Loan from NMF	49,999,587	-	-	49,999,587	45,709,788
	<u>289,420,711</u>	<u>71,502,500</u>	<u>-</u>	<u>360,923,211</u>	<u>356,633,412</u>

### 28.2 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



The following table presents the University's assets and liabilities that are measured at fair value:

As at June 30, 2022	Level 1	Level 2	Level 3	Total
		Rupees		
Recurring fair value measurements				
Assets				
Investments - FVPL	1,147,140,256	-	-	1,147,140,256
Total assets	1,147,140,256	-	-	1,147,140,256
Liabilities				
Total liabilities	-	-	-	-

As at June 30, 2021

**Recurring fair value measurements**

<b>Assets</b>				
Investments - FVPL	568,660,093	-	-	568,660,093
<b>Total assets</b>	<u>568,660,093</u>	<u>-</u>	<u>-</u>	<u>568,660,093</u>
<b>Liabilities</b>	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the years.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the University is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

**28.3 Financial instruments by categories**

Assets as per Statement of Financial Position	At fair value through profit or loss	At amortised cost	Total
		(Rupees)	
<b>As at June 30, 2022</b>			
Investments	1,147,140,256	4,038,180,140	5,185,320,396
Long term loans, advances and security deposits	-	362,084,476	362,084,476
Loans, advances, deposits and other receivables	-	345,871,332	345,871,332
Cash and bank balances	-	1,317,005,354	1,317,005,354
	<u>1,147,140,256</u>	<u>6,063,141,302</u>	<u>7,210,281,558</u>

**As at June 30, 2021**

	At fair value through profit or loss	At amortised cost (Rupees)	Total
Investments	568,660,093	3,839,363,120	4,408,023,213
Long term loans, advances and security deposits	-	304,272,047	304,272,047
Loans, advances, deposits and other receivables	-	171,246,682	171,246,682
Due from National Management Foundation ('NMF')	-	15,856,202	15,856,202
Cash and bank balances	-	1,324,818,937	1,324,818,937
	<u>568,660,093</u>	<u>5,655,556,988</u>	<u>6,224,217,081</u>

**Financial liabilities at  
amortized cost**

2022	2021
------	------

(Rupees)

**Liabilities as per Statement of Financial Position**

Long term security deposits	78,657,100	71,502,500
Loan from NMF	-	45,709,788
Creditors, accrued and other liabilities	296,869,651	172,295,624
Due to NMF	109,530	-
Current portion of long term security deposits	77,669,647	67,125,500
	<u>453,305,928</u>	<u>356,633,412</u>

**28.4 Offsetting financial assets and financial liabilities**

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

**29. Corresponding figures**

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant reclassifications have been made except for 'income tax recoverable' of Rs 132,426,551 previously presented under 'Loans, advances, deposits, prepayments and other receivables', now reclassified and shown as a separate line item on the face of 'Statement of financial position'.

**30. Date of authorisation for issue of financial statements**

These financial statements were authorised for issue on 12 December, 2022 by the Board of Trustees of the University.

  
**Member of Management Committee**
  
**Chief Financial Officer**