



AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the annexed balance sheet of Lahore University of Management Sciences as at June 30, 2013, the related income and expenditure account, statement of changes in accumulated fund and cash flow statement together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended.

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

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

In our opinion the balance sheet of the Lahore University of Management Sciences as at June 30, 2013, its surplus, statement of changes in accumulated fund and its cash flows for the year then ended have been prepared, in all material respects, in accordance with the Guideline for Accounting and Financial Reporting by Non-Government Organisations / Non-Profit Organisations issued by the Institute of Chartered Accountants of Pakistan.


Chartered Accountants

Lahore, December 19, 2013

Name of Engagement partner: Muhammad Masood

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

BALANCE SHEET AS AT JUNE 30, 2013

	Note	Current fund Rupees	Endowment fund Rupees	Scholarship fund Rupees	Chair fund Rupees	Sponsored projects Rupees	Fixed assets fund Rupees	2013 Total Rupees	2012 Total Rupees Restated
Fund balance		<u>463,303,338</u>	<u>593,520,859</u>	<u>20,924,007</u>	<u>42,535,645</u>	<u>206,707,381</u>	<u>625,402,371</u>	<u>1,952,393,601</u>	<u>1,268,379,988</u>
Represented by									
Non - current assets									
Operating fixed assets	6	-	-	-	-	-	657,968,523	657,968,523	612,240,055
Intangible assets	7	-	-	-	-	-	18,250,114	18,250,114	27,545,171
Capital work-in-progress	8	22,674,637	-	-	-	22,807,629	-	45,482,266	50,161,167
Investments at cost	9	-	170,459,186	-	-	-	-	170,459,186	172,873,418
Long term loans and advances	10	86,110,358	3,525,639	2,559,943	-	-	-	92,195,940	102,743,687
		108,784,995	173,984,825	2,559,943	-	22,807,629	676,218,637	984,356,029	965,563,498
Non - current liabilities									
Accumulated compensated absences		13,753,352	-	-	-	-	-	13,753,352	10,732,174
Long term security deposits	11	27,519,000	-	-	-	-	-	27,519,000	23,899,500
Deferred income	12	-	-	-	-	-	50,816,266	50,816,266	25,713,911
		41,272,352	-	-	-	-	50,816,266	92,088,618	60,345,585
		67,512,643	173,984,825	2,559,943	-	22,807,629	625,402,371	892,267,411	905,217,913
Current assets									
Stores		18,112,949	-	-	-	-	-	18,112,949	12,962,472
Loans, advances, deposits prepayments and other receivables	13	110,912,653	24,214,124	5,086,450	-	63,760,269	-	203,973,496	151,575,774
Short term investments	14	525,529,254	180,141,576	-	-	-	-	705,670,830	649,946,280
Cash and bank balances	15	265,072,844	215,180,334	35,644,771	44,446,087	138,407,409	-	698,751,445	390,216,532
		919,627,700	419,536,034	40,731,221	44,446,087	202,167,678	-	1,626,508,720	1,204,701,058
Current liabilities									
Short term running finance	16	10,800,843	-	-	-	-	-	10,800,843	16,314,797
Creditors, accrued and other liabilities	17	535,144,448	-	-	-	18,267,926	-	553,412,374	542,468,277
Due to National Management Foundation		258,871	-	-	1,910,442	-	-	2,169,313	282,755,909
		546,204,162	-	-	1,910,442	18,267,926	-	566,382,530	841,538,983
Net current assets		<u>373,423,538</u>	<u>419,536,034</u>	<u>40,731,221</u>	<u>42,535,645</u>	<u>183,899,752</u>	<u>-</u>	<u>1,060,126,190</u>	<u>363,162,075</u>
Due to / (from)	18	22,367,157	-	(22,367,157)	-	-	-	-	-
CONTINGENCIES AND COMMITMENTS									
	19	-	-	-	-	-	-	-	-
Net assets		<u>463,303,338</u>	<u>593,520,859</u>	<u>20,924,007</u>	<u>42,535,645</u>	<u>206,707,381</u>	<u>625,402,371</u>	<u>1,952,393,601</u>	<u>1,268,379,988</u>

The annexed notes 1 to 27 form an integral part of these financial statements.


Member of Managing Committee


Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDING JUNE 30, 2013

Note	Current fund Rupees	Endowment fund Rupees	Scholarship fund Rupees	Chair fund Rupees	Sponsored projects Rupees	Fixed assets fund Rupees	2013 Total Rupees	2012 Total Rupees
Income								
	5,998,661	-	99,688,764	-	377,012,556	4,013,191	486,713,172	328,376,095
21	5,998,661	-	99,688,764	-	377,012,556	4,013,191	486,713,172	328,376,095
Direct grants								
Tuition fee and other income								
Tuition fee	1,466,360,429	-	-	-	-	-	1,466,360,429	1,220,057,444
Other fees	157,875,970	-	-	-	-	-	157,875,970	118,738,750
Consultancy fee	8,588,116	-	-	-	-	-	8,588,116	1,731,602
SEDC training income	1,742,700	-	-	-	-	-	1,742,700	2,903,640
Executive development programmes	160,914,165	-	-	-	-	-	160,914,165	159,373,367
Miscellaneous income	394,891,848	-	-	9,113,047	-	-	404,004,895	314,928,603
22	394,891,848	-	-	9,113,047	-	-	404,004,895	314,928,603
Return on investments and term deposits	79,346,071	50,188,209	-	3,950,668	1,645,859	-	135,130,807	94,258,509
Exchange gain	14,993,827	-	-	-	685,334	-	15,679,161	10,129,528
	2,284,713,126	50,188,209	-	13,063,715	2,331,193	-	2,350,296,243	1,922,121,443
Total Income for the year	2,290,711,787	50,188,209	99,688,764	13,063,715	379,343,749	4,013,191	2,837,009,415	2,250,497,538
Expenditure								
Salaries, wages and amenities	817,552,175	3,480,455	-	8,120,215	47,722,758	-	876,875,603	766,557,717
Training	2,904,117	-	-	-	-	-	2,904,117	646,264
Fuel and power	137,208,935	-	-	-	627,182	-	137,836,117	135,429,307
Telephone and postage	5,762,008	15,801	-	-	258,791	-	6,036,600	6,540,872
Contribution for buildings	201,241,786	-	-	-	-	-	201,241,786	-
Foreign travel & recruitment	9,911,292	-	-	-	2,123,920	-	12,035,212	11,116,617
Travelling and vehicle running expenses	7,123,685	10,000	-	-	7,117,844	-	14,251,529	14,429,518
Cafeteria expenses	64,310,466	-	-	-	1,732,682	-	66,043,148	68,445,575
Rent expense	-	-	-	-	2,648,659	-	2,648,659	2,681,316
REDC facility expenses	-	-	-	-	3,056,965	-	3,056,965	2,753,256
House keeping and maintenance	1,986,706	-	-	-	-	-	1,986,706	1,050,373
Repairs and maintenance	4,843,130	-	-	-	-	-	4,843,130	6,331,709
Advertisement and open house programme	11,483,626	120,855	-	-	1,001,196	-	12,605,677	8,971,714
Subscriptions	15,335,526	-	-	-	9,824,209	-	25,159,735	10,945,365
Research and case development	28,624,239	684,649	-	-	3,142,366	-	32,451,254	38,899,413
Convocation expenses	5,377,749	-	-	-	-	-	5,377,749	4,979,249
Printing, stationery and office supplies	75,054,894	155,529	-	-	7,997,680	-	83,208,103	81,676,832
Software consumables	6,147,053	-	-	-	-	-	6,147,053	8,211,110
Insurance	5,417,795	-	-	-	-	-	5,417,795	3,611,810
Scholarships and tuition fee waiver	196,786,784	23,531,750	82,400,778	-	1,357,093	-	304,076,405	306,326,070
PhD living allowance	3,454,750	-	-	-	-	-	3,454,750	7,340,864
Higher Education Commission Scholarship	-	-	10,909,944	-	37,500	-	10,947,444	14,470,743
Legal and professional charges	3,147,945	-	-	-	32,869	-	3,180,814	6,658,766
Estate management	16,938,816	-	-	-	-	-	16,938,816	1,252,964
Internet charges	11,940,353	-	-	-	-	-	11,940,353	10,638,194
Depreciation on owned assets	-	-	-	-	-	130,197,487	130,197,487	104,916,776
Amortization of intangible assets	-	-	-	-	-	9,352,056	9,352,056	12,677,495
SEDC training project expenses	321,437	-	-	-	-	-	321,437	364,898
USAID ASP project expenses	-	-	-	-	270,173,196	-	270,173,196	117,415,784
Consultancy projects	8,588,116	-	-	-	7,268,290	-	15,856,406	1,695,069
Sports and student activities	28,710,750	-	-	-	-	-	28,710,750	23,065,102
Provision for doubtful receivable	8,241,904	-	-	-	-	-	8,241,904	1,785,288
Bad debts written off	3,606,305	-	-	-	-	-	3,606,305	525,140
Finance cost	2,594,487	2,946	-	-	18,377	-	2,615,810	5,114,628
Miscellaneous	17,433,109	-	-	993,007	10,840,449	-	29,266,565	19,947,710
	1,702,049,938	28,001,985	93,310,722	9,113,222	376,982,026	139,549,543	2,349,007,436	1,807,473,508
Surplus/(deficit) of income over expenditure before taxation	588,661,849	22,186,224	6,378,042	3,950,493	2,361,723	(135,536,352)	488,001,979	443,024,030
Provision for taxation	-	-	-	-	-	-	-	14,301,786
Surplus/(deficit) of income over expenditure after taxation	588,661,849	22,186,224	6,378,042	3,950,493	2,361,723	(135,536,352)	488,001,979	457,325,816

The annexed notes 1 to 27 form an integral part of these financial statements.

Member of Managing Committee

Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2013

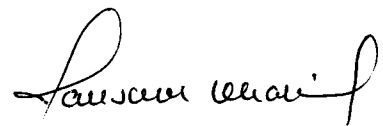
	Current fund Rupees	Endowment fund Rupees	Scholarship fund Rupees	Chair fund Rupees	Sponsored projects Rupees	Fixed assets fund Rupees	Total Rupees
Opening balance as at July 1, 2011 as previously reported	(95,202,166)	390,260,940	(7,101,523)	33,894,434	71,446,114	577,308,294	970,606,093
Effect of prior period error as referred to in note 4	(285,000,000)	-	-	-	-	-	(285,000,000)
Opening balance as at July 1, 2011 - restated	(380,202,166)	390,260,940	(7,101,523)	33,894,434	71,446,114	577,308,294	685,606,093
Restricted funds received during the year	-	82,163,224	105,527,954	-	245,938,689	-	433,629,867
Transfer of restricted fund to income and expenditure	-	-	(96,431,704)	-	(211,750,084)	-	(308,181,788)
Surplus / (deficit) of income over expenditure after taxation	535,739,561	29,267,299	(7,022,469)	4,690,718	11,985,650	(117,334,943)	457,325,816
Transfer (from) / to funds	(136,608,003)	(270,595)	-	-	(17,219,366)	154,097,964	-
Closing balance as at June 30, 2012 - restated	18,929,392	501,420,868	(5,027,742)	38,585,152	100,401,003	614,071,315	1,268,379,988
Restricted funds received during the year	-	68,139,617	119,262,471	-	485,310,866	-	672,712,954
Transfer of restricted fund to income and expenditure	-	-	(99,688,764)	-	(377,012,556)	-	(476,701,320)
Surplus/(deficit) of income over expenditure after taxation	588,661,849	22,186,224	6,378,042	3,950,493	2,361,723	(135,536,352)	488,001,979
Transfer (from) / to funds	(144,287,903)	1,774,150	-	-	(4,353,655)	146,867,408	-
Balance as at June 30, 2013	463,303,338	593,520,859	20,924,007	42,535,645	206,707,381	625,402,371	1,952,393,601

The annexed notes 1 to 27 form an integral part of these financial statements.

44



Member of Managing Committee



Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
Cash flow from operating activities		
Surplus of income over expenditure	488,001,979	457,325,816
Tax income	-	(14,301,786)
Surplus of income over expenditure before taxation	488,001,979	443,024,030
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	130,197,487	104,916,776
Amortization on intangible assets	9,352,056	12,677,495
Profit on disposal of operating fixed assets	(1,789,109)	(1,383,058)
Finance cost	2,615,810	5,114,628
Provision for passage fare assistance	24,355,338	15,404,823
Provision for doubtful debts	8,241,904	1,785,288
Provision for accumulated compensated absences	6,420,220	3,690,700
Exchange gain	(15,679,161)	(10,129,528)
Return on investments and term deposits	(135,130,807)	(94,258,509)
Amortization of deferred income	(4,013,191)	(259,328)
Surplus before working capital changes	24,570,547	37,559,287
Effect on cash flow due to working capital changes:		
(Increase) / decrease in stores	(5,150,477)	2,645,893
Increase in loans, advances, deposits prepayments and other receivables	(42,689,266)	(29,062,206)
Decrease in due to National Management Foundation	(280,586,596)	(36,723,907)
Increase in creditors, accrued and other liabilities	11,196,813	199,180,226
	(317,229,526)	136,040,006
Cash flow from operating activities	195,343,000	616,623,323
Finance cost paid	(2,615,810)	(5,114,628)
Payment of accumulated compensated absences	(3,399,042)	(3,663,927)
Payment of passage fare assistance	(24,608,054)	(28,990,457)
Decrease / (increase) in long term loans and advances	10,547,747	(716,164)
Increase in long term security deposits	3,619,500	609,180
	(16,455,659)	(37,875,996)
Net cash generated from operating activities	178,887,341	578,747,327
Cash flow from investing activities		
Fixed capital expenditure	(144,466,091)	(156,550,808)
Proceeds from disposal of operating fixed assets	4,066,693	4,430,340
Return on investments and term deposits received	131,627,466	77,989,600
Proceeds from maturity of investments	1,796,953,623	804,878,500
Purchase of investments	(1,849,031,799)	(1,573,952,862)
Net cash used in investing activities	(60,850,108)	(843,205,230)
Cash flow from financing activities		
Restricted funds received from donors not utilised	196,011,634	125,448,079
Net cash generated from financing activities	196,011,634	125,448,079
Net increase / (decrease) in cash and cash equivalents	314,048,867	(139,009,824)
Cash and cash equivalents at the beginning of year	373,901,735	512,911,559
Cash and cash equivalents at the end of year	687,950,602	373,901,735

- Note 23

The annexed notes 1 to 27 form an integral part of these financial statements.

AM

Handwritten signature

Handwritten signature

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1. University and its operations

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

2. Basis of preparation

2.1 Statement of Compliance

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

3. Basis of measurement

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

The University's significant accounting policies are stated in note 5. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these financial statements. Judgments and estimates are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Employee retirement benefits - (note 5.15)
- b) Useful life and residual values of property, plant and equipment - (note 5.7)

4. Prior period error

The Board of Governors of the National Management Foundation (hereinafter referred to as "the foundation") in the years 2009 to 2011 approved payment of Rs 285 million to the University for short term assistance which was inadvertently treated as a grant in the books of account of both the University and the foundation. However during the current year the Board of Trustees of the University clarified in the Management Committee meeting that the intention of the management and Board of Governors was to provide short term assistance to the University. The grant was therefore intended to be recovered from the University and should have been accounted for accordingly.

Such error constitutes a 'prior period error' as defined in section 6.4 of the Guideline "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the above mentioned prior period error has been corrected retrospectively in the current year by restating the opening balances of 'Due to National Management Foundation'

June 30, 2012

	As previously reported	Restated	Restatement
	(Rupees in thousand)		
Due from / (to) National Management Foundation	2,244	(282,756)	(285,000)
Fund balance	1,553,380	1,268,380	(285,000)

June 30, 2011

	As previously reported	Restated	Restatement
	(Rupees in thousand)		
Due to National Management Foundation	34,480	319,480	(285,000)
Fund balance	970,606	685,606	(285,000)

5. Significant Accounting Policies

5.1 Current fund

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

5.2 Endowment fund

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

5.3 Scholarship fund

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

5.4 Chair funds

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

5.5 Sponsored projects

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

5.6 Fixed assets fund

This fund represents the net book value of the tangible fixed assets and intangible assets of the University. These assets are accounted for in accordance with the policies given in note 5.7 and 5.8 respectively. Fixed assets received directly as donations are debited to the property, plant and equipment account at fair value and a corresponding amount credited to a deferred income account in the balance sheet. Such items are thereafter depreciated as per the policy of the university while a corresponding amount is transferred from the deferred income to the income and

5.7 Operating fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. Depreciation on all operating fixed assets is charged to income on a reducing balance method, so as to write off the historical cost of an asset over its estimated useful life at the rates given in note 6.

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 5.10).

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

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

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

5.8 Intangible assets

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

Amortization is charged to income on the reducing balance method so as to write off the cost of the intangible asset over its estimated useful life at the rates given in note 7. Amortization on additions to intangibles is charged from the month in which the asset is available for use, while no amortization is charged for the month in which the asset is disposed off. When an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated remaining useful life.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 5.10).

5.9 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific

5.10 Impairment of non-financial assets

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

5.11 Investments

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

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

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

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

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

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

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

5.12 Taxation

The income of the University is exempt from tax under clause 92 of Part-I of Second Schedule to the Income Tax Ordinance, 2001.

5.13 Foreign currencies

a) Functional and presentation currency

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

b) Transactions and balances

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

5.14 Stores

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

5.15 Staff retirement benefits

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

5.16 Short term employee benefits

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

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

5.17 Provisions

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

5.18 Cash and cash equivalents

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

5.19 Borrowing costs

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

5.20 Leases

5.20.1 Operating leases

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

5.21 Income recognition

a) Current fund

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

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

b) Endowment fund

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

c) Scholarship fund

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

d) Sponsored projects

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

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

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

e) Fixed asset fund

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

5.22 Expenses

Operating fixed assets

	Cost as at July 1, 2012 Rupees	Additions/ (deletions)/ adjustments Rupees	Cost as at June 30, 2013 Rupees	Accumulated depreciation as at July 01, 2012 Rupees	Depreciation/ (deletions)/ adjustments for the year Rupees	Accumulated depreciation as at June 30, 2013 Rupees	Book value as at June 30, 2013 Rupees	Rate of depreciation %
Furniture and fixtures	347,384,876	74,398,950 (671,986) 298,763	421,410,603	118,259,828	26,509,380 (431,201) 298,763	144,636,770	276,773,833	10
Computers	332,309,053	24,624,132 (985,421) 1,646,695	357,594,459	253,743,831	31,780,010 (944,730) 1,646,695	286,225,806	71,368,653	33.3
Equipment	495,541,468	75,871,277 (1,937,356) 2,009,223	571,484,612	236,936,910	56,255,675 (1,577,967) 2,009,223	293,623,841	277,860,771	20
Vehicles	27,429,807	1,877,557 (4,052,603) 1,754,770	27,009,531	5,278,367	10,745,115 (2,630,016) 1,754,770	15,148,236	11,861,295	20
Books	72,762,160	1,431,623 (1,149,405)	73,044,378	48,968,373	4,907,307 (935,273)	52,940,407	20,103,971	20
2013	1,275,427,364	178,203,539 (8,796,771) 5,709,451	1,450,543,583	663,187,309	130,197,487 (6,519,187) 5,709,451	792,575,060	657,968,523	

	Cost as at July 1, 2011 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2012 Rupees	Accumulated depreciation as at July 01, 2011 Rupees	Depreciation for the year Rupees	Accumulated depreciation as at June 30, 2012 Rupees	Book value as at June 30, 2012 Rupees	Rate of depreciation %
urniture and fixtures	292,541,607	56,599,563 (1,756,294)	347,384,876	98,950,776	20,319,092 (1,010,040)	118,259,828	229,125,048	10
omputers	306,965,743	26,193,064 (849,754)	332,309,053	225,788,852	28,647,564 (692,585)	253,743,831	78,565,222	33.3
ipment	403,852,397	93,211,459 (1,522,388)	495,541,468	190,252,976	47,841,521 (1,157,587)	236,936,910	258,604,558	20
icles	28,172,858	2,708,750 (3,451,801)	27,429,807	3,994,247	2,977,428 (1,693,308)	5,278,367	22,151,440	20
ks	71,234,661	1,790,344 (262,845)	72,762,160	44,079,482	5,131,171 (242,280)	48,968,373	23,793,787	20
2012	1,102,767,266	180,503,180	1,275,427,364	563,066,333	104,916,776	663,187,309	612,240,055	
		(7,843,082)			(4,795,800)			

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

Intangible assets

	Cost as at July 1, 2012 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2013 Rupees	Accumulated amortization as at July 01, 2012 Rupees	Amortization for the year Rupees	Accumulated amortization as at June 30, 2013 Rupees	Book value as at June 30, 2013 Rupees	Rate of amortization %
computer software and license	97,047,377	56,999	97,104,376	69,502,206	9,352,056	78,854,262	18,250,114	33.3
2013	<u>97,047,377</u>	<u>56,999</u>	<u>97,104,376</u>	<u>69,502,206</u>	<u>9,352,056</u>	<u>78,854,262</u>	<u>18,250,114</u>	
2012	<u>94,432,072</u>	<u>2,615,305</u>	<u>97,047,377</u>	<u>56,824,711</u>	<u>12,677,495</u>	<u>69,502,206</u>	<u>27,545,171</u>	33.3

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

AM

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2013 Total Rupees	2012 Total Rupees
8. Capital work-in-progress							
Advances for equipment	22,372,733	-	-	-	-	22,372,733	3,177,100
Advances for computers	155,214	-	-	-	9,294,312	9,449,526	155,214
Advances for books	62,840	-	-	-	-	62,840	2,438
Advances for furniture	83,850	-	-	-	-	83,850	38,588,897
Advances for software	-	-	-	-	13,513,317	13,513,317	8,237,518
	<u>22,674,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,807,629</u>	<u>45,482,266</u>	<u>50,161,167</u>
9. Investments at cost							
- Pakistan Investment Bonds	-	143,457,500	-	-	-	143,457,500	147,457,500
- Term deposit receipts	-	1,585,768	-	-	-	1,585,768	-
- Term Finance Certificates	-	14,659,568	-	-	-	14,659,568	14,659,568
- Investment in Shares	-	10,756,350	-	-	-	10,756,350	10,756,350
	<u>-</u>	<u>170,459,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,459,186</u>	<u>172,873,418</u>
10. Long term loans and advances							
Loans to employees - note 10.1	7,042,255	-	-	-	-	7,042,255	9,233,991
Loans to students - note 10.2	95,943,165	8,310,881	7,646,393	-	-	111,900,439	111,851,278
Long term security deposits	40,638,199	-	-	-	-	40,638,199	40,638,199
Advances to employees	1,621,673	-	-	-	-	1,621,673	997,200
	<u>145,245,292</u>	<u>8,310,881</u>	<u>7,646,393</u>	<u>-</u>	<u>-</u>	<u>161,202,566</u>	<u>162,720,668</u>
Less: Current portion included in current assets: - note 13							
Loans to employees	(2,735,172)	-	-	-	-	(2,735,172)	(2,791,921)
Loans to students	(56,399,762)	(4,785,242)	(5,086,450)	-	-	(66,271,454)	(57,185,060)
	<u>86,110,358</u>	<u>3,525,639</u>	<u>2,559,943</u>	<u>-</u>	<u>-</u>	<u>92,195,940</u>	<u>102,743,687</u>

10.1 This represents long term loans given to employees for construction of houses and education abroad. The house building loans given are recoverable within a period of 10 years commencing from the date of disbursement through monthly deductions from salaries while study loans are recoverable through monthly deductions from salaries based on individual repayment schedules. These loans are secured against retirement benefits of employees and guarantee provided by the employee's spouse or immediate family members. These carry mark-up at the rates ranging from Re 0.3562 to Re 0.3973 per Rs 1,000 per diem or part thereof (2012: Re 0.3562 to Re 0.3973 per Rs. 1,000 per diem or part thereof) on the outstanding balances.

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

11. Long term security deposits

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

12. Deferred income

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

	2013 Rupees	2012 Rupees
Opening balance	25,713,911	-
Additions during the period	29,115,546	25,973,239
Amortisation during the period	(4,013,191)	(259,328)

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2013 Total Rupees	2012 Total Rupees
13. Loans, advances, deposits, prepayments and other receivables							
Advances to							
- Staff	6,456,752	-	-	-	-	6,456,752	3,186,633
- Suppliers	2,126,081	-	-	-	-	2,126,081	1,307,788
Prepayments	3,884,496	-	-	-	-	3,884,496	1,577,505
Accrued return on investments	4,964,498	19,428,882	-	-	-	24,393,380	20,890,038
Income tax refundable	5,473,004	-	-	-	-	5,473,004	4,278,670
Fee receivable	31,442,708	-	-	-	-	31,442,708	18,013,685
Receivable against REDC programs and other projects	19,371,519	-	-	-	61,831,856	81,203,375	56,431,801
Other receivables	3,008,935	-	-	-	1,928,413	4,937,348	2,621,044
Current portion of long term loans and advances - note 10							
- Loans to employees - considered good	2,735,172	-	-	-	-	2,735,172	2,791,921
- Loans to students							
- Considered good	31,449,488	4,785,242	5,086,450	-	-	41,321,180	40,476,689
- Considered doubtful	24,950,274	-	-	-	-	24,950,274	16,708,371
- note 13.1	56,399,762	4,785,242	5,086,450	-	-	66,271,454	57,185,060
Less: Provision for doubtful receivables	(24,950,274)	-	-	-	-	(24,950,274)	(16,708,371)
	<u>110,912,653</u>	<u>24,214,124</u>	<u>5,086,450</u>	<u>-</u>	<u>63,760,269</u>	<u>203,973,496</u>	<u>151,575,774</u>

	2013 Rupees	2012 Rupees
13.1		
Included in the current portion are following installments overdue for payments by students:		
Overdue for a period:		
Not exceeding one year	1,116,188	11,346,559
Exceeding one year but not more than five years	20,830,783	26,943,865
Exceeding five years	28,600,494	9,739,502
	<u>50,547,465</u>	<u>48,029,926</u>

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2013 Total Rupees	2012 Total Rupees
14. Short term investments							
- Pakistan Investment Bonds	4,000,000	-	-	-	-	4,000,000	-
- Term deposit receipts	378,269,254	54,081,126	-	-	-	432,350,380	78,845,768
- Treasury bills	143,260,000	126,060,450	-	-	-	269,320,450	571,100,512
	<u>525,529,254</u>	<u>180,141,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>705,670,830</u>	<u>649,946,280</u>

14.1 Included in Term deposits and Pakistan Investment Bonds are Rs 30 million (2012: Rs 30 million) and Rs 4 million (2012: Rs 4 million) respectively, which are under lien against short term running finance facility and Term deposits of Rs 12 million (2012: Rs 12 million) which are under lien against bank guarantee as referred to in note 16 and 19 respectively.

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2013 Total Rupees	2012 Total Rupees
15. Cash and bank balances							
Cash in hand	116,269	-	-	-	-	116,269	527,822
- US\$ 1,003 (2012: US\$ 2,675)							
- Pak Rupees 17,373 (2012: Pak Rupees 276,372)							
Balances at bank:							
In current accounts	24,284,531	-	4,977,428	-	34,000,082	63,262,041	60,570,722
- US\$ 37,713 (2012: US\$ 124,865.94)							
- Pak Rupees 59,543,540 (2012: Pak Rupees 48,833,325)							
In savings accounts	240,672,044	215,180,334	30,667,343	44,446,087	104,407,327	635,373,135	329,117,988
- US\$ 521,770.23 (2012: US\$ 1,226,481.64)							
- Euro 31,370.27 (2012: Euro 19,475.75)							
- JPY 2,874,136.55 (2012: JPY 1,008,104.46)							
- Pak Rupees 577,017,843 (2012: Pak Rupees 210,331,916)							
	<u>265,072,844</u>	<u>215,180,334</u>	<u>35,644,771</u>	<u>44,446,087</u>	<u>138,407,409</u>	<u>698,751,445</u>	<u>390,216,532</u>

15.1 Included in savings accounts are Rs 11.525 million (2012: Rs 8.196 million) which are under lien against bank guarantee & letters of credit as referred to in note 19.

15.2 Furthermore, included in savings accounts is an amount of Rs 0.833 million (2012: Nil) in an escrow account with MCB. Under the terms of agreement between MCB and the LUMS, the University has deposited 6% of each tranche of the finance extended by MCB to the students of the University. The bank has the right to utilize this amount for the purpose of recovery in case of default by any student.

16. Short term running finance

Short term running finance available from National Bank of Pakistan under mark up arrangement amounts to Rs 28 million (2012: Rs 28 million). Mark up is charged at the rates ranging from Re 0.3904 to Re 0.3529 per Rs 1,000 per diem or part thereof (2012: Re 0.4392 to Re 0.3904 per Rs 1,000 per diem) on the balance outstanding. The short term facility is secured by lien on TDR amounting to Rs. 30 Million issued in favor of LUMS and pledged to the bank and on Pakistan investment bonds worth Rs 4 million as referred to in note 14.1.

16.1 The running finance facility of Rs 28 million is availed for the house building loans and car financing scheme for employees.

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2013 Total Rupees	2012 Total Rupees
17. Creditors, accrued and other liabilities							
Advance tuition and other fees	420,031,492	-	-	-	-	420,031,492	396,656,149
Creditors	6,101,486	-	-	-	-	6,101,486	31,214,610
Accrued liabilities	26,555,210	-	-	-	7,141,694	33,696,904	40,549,838
Payable against executive development programmes	11,175,010	-	-	-	-	11,175,010	1,196,160
Payable to student societies	9,324,015	-	-	-	-	9,324,015	4,343,335
Provident fund payable	3,615,175	-	-	-	-	3,615,175	2,925,538
Employee fund payable	6,088,890	-	-	-	-	6,088,890	5,550,731
Current portion of long term security deposits	26,019,104	-	-	-	-	26,019,104	26,389,320
Other liabilities	26,234,066	-	-	-	11,126,232	37,360,298	33,642,596

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

19. Contingencies and commitments

Contingencies

19.1 University has provided bank guarantee of Rs 18 million (2012: Rs 18 million) in favor of Sui Northern Gas Pipelines Limited on account of payment of gas dues. The guarantee of Rs 12 million have been secured by lien on TDR and Rs 6 million have been secured by lien on savings account balance as mentioned in note 14.1 and 15.1, for amount equal to 100% and 110% respectively of the amount of guarantee provided against Sui Northern Gas and 35% against the value of LC.

19.2 Walton cantonment board has levied property tax on buildings under LUMS occupation amounting to Rs 799.139 million for the period 1993-94 to 2011-12. LUMS has contended the assessment on account of exemption available to it under the cantonment act, 1924 and has filed an appeal before the district judge, session court.

Pending the outcome of the appeal, no provision has been made in these accounts for the demand aggregating to Rs 799.139 million (2012: Rs 799.139 million) since in the management & its legal counsel's view, the outcome of the appeal is expected to be favorable.

Commitments

19.3 Commitments in respect of contracts for capital expenditure amount to Rs 14.071 million (2012: Rs 4.561 million).

	2013	2012
	Total	Total
	Rupees	Rupees
20. Endowments - Endowment Fund		
Suleman Dawood School of Business	102,149,877	89,482,645
Mushtaq Ahmad Gurmani School of Humanities and Social Sciences	50,250,000	50,250,000
Syed Babar Ali School of Science and Engineering	120,742,842	120,742,842
National Outreach Program	199,377,467	141,522,964
On Board Endowment - note 20.1	43,498,768	43,450,017
	516,018,954	445,448,468

These represent grants and donations received for the endowment of students of University with the restriction on utilization of original grant. The interest income earned on such endowments is to be used for the benefit of students. These amounts have been included in bank balance of Endowment fund as mentioned in note 15 and balances of long and short term investments of Endowment fund as mentioned in notes 9 and 14 respectively.

20.1 These on board endowments represent grants and donations received for the endowment of the students of University and are kept centralized. Return on these investments can be utilized by any of the three schools of LUMS as required by them with the approval of the Board of Trustees.

21. Direct grants for sponsored projects include the grant of USAID for the ASP project amounting to Rs 282.311 million (2012: Rs 124.265 million) credited into fund out of which the amount transferred to the income and expenditure account amounts to Rs 270.173 million (2012: Rs 117.416 million)

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2013 Total Rupees	2012 Total Rupees
22. Miscellaneous Income							
Hostel and faculty apartment income	113,518,915	-	-	-	-	113,518,915	94,113,184
Cafeteria income	82,697,639	-	-	-	-	82,697,639	74,119,379
Profit on sale of fixed assets	1,789,109	-	-	-	-	1,789,109	1,383,058
Liabilities written back	11,091,262	-	-	-	-	11,091,262	4,734,829
Test and processing fee	31,765,139	-	-	-	-	31,765,139	30,237,568
Sponsored projects income	80,124,213	-	-	-	-	80,124,213	39,329,881
Other income	73,905,571	-	-	9,113,047	-	83,018,618	71,010,704
	<u>394,891,848</u>	<u>-</u>	<u>-</u>	<u>9,113,047</u>	<u>-</u>	<u>404,004,895</u>	<u>314,928,603</u>
						2013 Total Rupees	2012 Total Rupees
23. Cash and cash equivalents							
Short term running finance - secured						(10,800,843)	(16,314,797)
Cash and bank balances					- note 15	698,751,445	390,216,532
						<u>687,950,602</u>	<u>373,901,735</u>

24. Remuneration of key management personnel

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

	2013 Total Rupees	2012 Total Rupees
Remuneration	9,200,811	6,932,808
Housing rent	4,140,362	3,119,768
Medical expenses	736,069	554,623
Utilities	920,087	693,281
Other allowances	11,013,990	8,696,988
	<u>26,011,319</u>	<u>19,997,468</u>

25. Transactions with related parties

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

Relationship with the University	Nature and transaction	2013 Total Rupees	2012 Total Rupees
Retirement benefit plan	Provident fund contribution	28,810,084	21,773,810
Associated undertakings	Grants received from National Management Foundation	25,329,501	22,567,339
Associated undertakings	Repayment of amount due to National Management Foundation	285,000,000	-
Associated undertakings	Contribution for buildings paid to National Management Foundation	201,241,786	-
	Nature and balances		
Retirement benefit plan	Provident fund payable	3,615,175	2,925,538

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

26. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

	Rupees
Salaries of security, horticulture and janitorial staff reclassified from estate management to salaries, wages and amenities	18,685,319
Grant relating to endowment fund has been reclassified from current to endowment fund	1,774,150
Grant relating to sponsored projects has been reclassified from current to sponsored projects	10,362,280

The above figures have been re-arranged as the reclassifications made are considered more appropriate for the purposes of presentation.

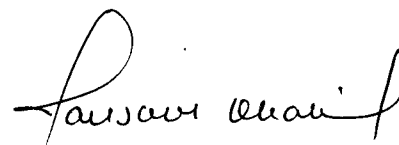
27. Date of authorization

These financial statements were authorized for issue on 14th Dec, 2013 by the Board of Trustees of the University.

AM



Member of Managing Committee



Chief Financial Officer