


AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the annexed balance sheet of Lahore University of Management Sciences as at June 30, 2014, 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, 2014, 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 5, 2014

Name of Engagement partner: Muhammad Masood

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LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

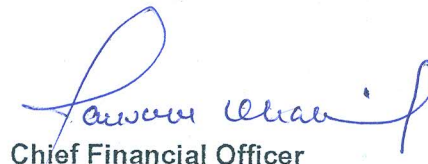
BALANCE SHEET AS AT JUNE 30, 2014

	Note	Current fund Rupees	Endowment fund Rupees	Scholarship fund Rupees	Chair fund Rupees	Sponsored projects Rupees	Fixed assets fund Rupees	2014 Total Rupees	2013 Total Rupees
Fund balance		<u>941,527,298</u>	<u>652,291,479</u>	<u>29,672,585</u>	<u>45,386,275</u>	<u>161,422,958</u>	<u>811,328,374</u>	<u>2,641,628,969</u>	<u>1,952,393,601</u>
Represented by									
Non - current assets									
Operating fixed assets	5	-	-	-	-	-	823,935,128	823,935,128	657,968,523
Intangible assets	6	-	-	-	-	-	33,751,195	33,751,195	18,250,114
Capital work-in-progress	7	10,374,465	-	-	-	727,636	-	11,102,101	45,482,266
Investments at cost	8	6,763,060	216,377,701	38,984,099	28,793,560	-	-	290,918,420	170,459,186
Long term loans and advances	9	72,023,036	1,643,968	1,062,915	-	-	-	74,729,919	92,195,940
		89,160,561	218,021,669	40,047,014	28,793,560	727,636	857,686,323	1,234,436,763	984,356,029
Non - current liabilities									
Accumulated compensated absences		19,644,658	-	-	-	786,515	-	20,431,173	13,753,352
Long term security deposits	10	35,364,240	-	-	-	-	-	35,364,240	27,519,000
Deferred income	11	-	-	-	-	-	46,357,949	46,357,949	50,816,266
		55,008,898	-	-	-	786,515	46,357,949	102,153,362	92,088,618
		34,151,663	218,021,669	40,047,014	28,793,560	(58,879)	811,328,374	1,132,283,401	892,267,411
Current assets									
Stores		15,917,377	-	-	-	-	-	15,917,377	18,112,949
Loans, advances, deposits		-	-	-	-	-	-	-	-
prepayments and other receivables	12	115,440,510	17,506,549	8,204,467	1,375,088	42,902,766	-	185,429,380	203,973,496
Short term investments	13	842,259,782	132,697,038	6,763,060	-	-	-	981,719,880	705,670,830
Cash and bank balances	14	508,033,168	284,338,498	5,340,662	15,222,680	141,557,636	-	954,492,644	698,751,445
		1,481,650,837	434,542,085	20,308,189	16,597,768	184,460,402	-	2,137,559,281	1,626,508,720
Current liabilities									
Short term running finance	15	7,157,192	-	-	-	-	-	7,157,192	10,800,843
Creditors, accrued and other liabilities	16	577,329,170	272,275	17,600	5,053	22,978,565	-	600,602,663	553,412,374
Due to National Management Foundation		20,453,858	-	-	-	-	-	20,453,858	2,169,313
		604,940,220	272,275	17,600	5,053	22,978,565	-	628,213,713	566,382,530
Net current assets		<u>876,710,617</u>	<u>434,269,810</u>	<u>20,290,589</u>	<u>16,592,715</u>	<u>161,481,837</u>	<u>-</u>	<u>1,509,345,568</u>	<u>1,060,126,190</u>
Due to / (from)	17	30,665,018	-	(30,665,018)	-	-	-	-	-
CONTINGENCIES AND COMMITMENTS	18	-	-	-	-	-	-	-	-
Net assets		<u>941,527,298</u>	<u>652,291,479</u>	<u>29,672,585</u>	<u>45,386,275</u>	<u>161,422,958</u>	<u>811,328,374</u>	<u>2,641,628,969</u>	<u>1,952,393,601</u>

The annexed notes 1 to 26 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, 2014

	Note	Current fund Rupees	Endowment fund Rupees	Scholarship fund Rupees	Chair fund Rupees	Sponsored projects Rupees	Fixed assets fund Rupees	2014 Total Rupees	2013 Total Rupees
Income									
Direct grants	20	158,748		198,327,499		432,277,446	5,859,071	636,622,764	486,713,172
Tuition fee and other income									
Tuition fee		1,710,749,282						1,710,749,282	1,466,360,429
Other fees		191,823,500						191,823,500	157,875,970
Consultancy fee		4,845,255						4,845,255	8,588,116
SEDC training income		3,076,600						3,076,600	1,742,700
Executive development programmes		220,067,794						220,067,794	160,914,165
Miscellaneous income	21	465,807,150			9,121,693			474,928,843	404,004,895
Return on investments and term deposits		87,330,565	55,879,875	1,333,203	2,868,700	899,522		148,311,865	135,130,807
Exchange gain									15,679,161
		2,683,700,146	55,879,875	1,333,203	11,990,393	899,522		2,753,803,139	2,350,296,243
Total Income for the year		2,683,858,894	55,879,875	199,660,702	11,990,393	433,176,968	5,859,071	3,390,425,903	2,837,009,415
Expenditure									
Salaries, wages and amenities		991,806,510	3,498,338	2,564,233	7,806,968	146,517,363		1,152,193,412	975,177,703
Training		3,372,512				40,525,530		43,898,042	47,793,092
Fuel and power		181,492,175				1,135,625		182,627,800	138,636,583
Telephone and postage		6,261,807	49,182	67,156		846,315		7,224,460	6,534,977
Contribution for buildings		256,560,325						256,560,325	201,241,786
Foreign travel & recruitment		25,631,815				5,831,531		31,463,346	14,447,457
Travelling and vehicle running expenses		16,632,321	50,030	674,658		41,091,160		58,448,169	50,516,064
Cafeteria expenses		77,809,367	23,358	1,408,152		9,070,384		88,311,261	73,448,460
Rent expense		1,200,000				12,045,836		13,245,836	10,365,000
REDC facility expenses						16,926,104		16,926,104	4,360,779
Repairs and maintenance		12,102,185		1,000		114,716		12,217,901	6,833,436
Advertisement and open house programme		21,523,169	128,270	1,000,581		4,555,476		27,207,496	15,029,443
Subscriptions		10,708,072			18,010	45,369		10,771,451	25,202,881
Research and case development		44,432,407	1,160,331		124,998	32,147,713		77,865,449	32,451,253
Convocation expenses		5,982,061				10,165,618		5,982,061	5,377,749
Printing, stationery and office supplies		116,019,763	611,857	627,719		1,246,508		127,424,957	85,108,205
Software consumables		32,916,175				34,162,683		6,147,053	5,538,901
Insurance		6,389,861				426,802		6,816,663	3,454,750
Scholarships and tuition fee waiver		117,270,788	26,698,490	196,265,472		1,279,518		341,514,268	304,076,405
PhD living allowance		6,799,375		182,000				6,981,375	3,454,750
Higher Education Commission Scholarship				3,960,421				3,960,421	10,947,444
Legal and professional charges		5,609,748				6,412,734		12,022,482	6,045,045
Estate management		264,382						264,382	16,938,816
Internet charges		11,610,974				100,064		11,711,038	11,951,568
Depreciation on owned assets							134,886,095	134,886,095	130,197,487
Amortization of intangible assets							10,109,545	10,109,545	9,352,056
SEDC training project expenses		2,076,441						2,076,441	321,437
Consultancy projects		5,211,894				14,672,737		19,884,631	15,856,406
Sports and student activities		44,224,244	18,453	1,000				44,243,697	28,710,750
Provision for doubtful receivable		7,293,741						7,293,741	8,241,905
Bad debts written off		1,865,130						1,865,130	3,606,305
Exchange loss		17,405,742	19,391	24,154		683,260		18,132,547	2,908,171
Finance cost		2,782,875	73,599	3,858		89,102,355		95,541,302	92,480,434
Miscellaneous		5,249,160			1,189,787			2,908,171	2,615,810
		2,038,505,019	32,331,299	206,780,404	9,139,763	434,990,557	144,995,640	2,866,742,682	2,349,007,440
Surplus/(deficit) of income over expenditure before taxation		645,353,875	23,548,576	(7,119,702)	2,850,630	(1,813,589)	(139,136,569)	523,683,221	488,001,975
Provision for taxation									
Surplus/(deficit) of income over expenditure after taxation		645,353,875	23,548,576	(7,119,702)	2,850,630	(1,813,589)	(139,136,569)	523,683,221	488,001,975

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

Member of Management Committee

Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2014

	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, 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	-
Closing 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
Restricted funds received during the year	-	35,399,150	214,933,641	-	545,824,301	-	796,157,092
Transfer of restricted fund to income and expenditure	-	-	(198,327,499)	-	(432,277,446)	-	(630,604,945)
Surplus/(deficit) of income over expenditure after taxation	645,353,875	23,548,576	(7,119,702)	2,850,630	(1,813,589)	(139,136,569)	523,683,221
Transfer (from) / to funds	(167,129,915)	(177,106)	(737,862)	-	(157,017,689)	325,062,572	-
Balance as at June 30, 2014	941,527,298	652,291,479	29,672,585	45,386,275	161,422,958	811,328,374	2,641,628,969

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


Member of Management Committee


Chief Financial Officer

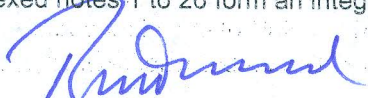
LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

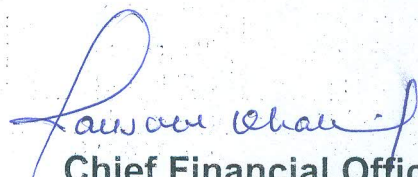
	2014 Rupees	2013 Rupees
Cash flow from operating activities		
Surplus of income over expenditure	523,683,221	488,001,979
Tax income	-	-
Surplus of income over expenditure before taxation	523,683,221	488,001,979
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	134,886,095	130,197,487
Amortization on intangible assets	10,109,545	9,352,056
Profit on disposal of operating fixed assets	(1,446,124)	(1,789,109)
Finance cost	2,908,171	2,615,810
Provision for passage fare assistance	19,863,650	24,355,338
Provision for doubtful debts	7,293,741	8,241,904
Provision for accumulated compensated absences	9,088,167	6,420,220
Exchange loss/ (gain)	18,132,547	(15,679,161)
Return on investments and term deposits	(148,311,865)	(135,130,807)
Amortization of deferred income	(5,859,071)	(4,013,191)
Surplus before working capital changes	46,664,856	24,570,547
Effect on cash flow due to working capital changes:		
Decrease/ (increase) in stores	2,195,572	(5,150,477)
Increase in loans, advances, deposits prepayments and other receivables	(16,012,167)	(42,689,266)
Increase/ (decrease) in due to National Management Foundation	18,284,545	(280,586,596)
Increase in creditors, accrued and other liabilities	46,798,524	11,196,813
	51,266,474	(317,229,526)
Cash flow from operating activities	621,614,551	195,343,000
Finance cost paid	(2,680,045)	(2,615,810)
Payment of accumulated compensated absences	(2,410,346)	(3,399,042)
Payment of passage fare assistance	(19,700,011)	(24,608,054)
Decrease in long term loans and advances	17,466,021	10,547,747
Increase in long term security deposits	7,845,240	3,619,500
	520,859	(16,455,659)
Net cash generated from operating activities	622,135,410	178,887,341
Cash flow from investing activities		
Fixed capital expenditure	(293,241,834)	(144,466,091)
Proceeds from disposal of operating fixed assets	4,005,551	4,066,693
Return on investments and term deposits received	151,271,807	131,627,466
Proceeds from maturity of investments	3,498,782,085	1,796,953,623
Purchase of investments	(3,889,120,316)	(1,849,031,799)
Net cash used in investing activities	(528,302,707)	(60,850,108)
Cash flow from financing activities		
Restricted funds received from donors not utilised	165,552,147	196,011,634
Net cash generated from financing activities	165,552,147	196,011,634
Net increase in cash and cash equivalents	259,384,850	314,048,867
Cash and cash equivalents at the beginning of year	687,950,602	373,901,735
Cash and cash equivalents at the end of year	947,335,452	687,950,602

- Note 22

The annexed notes 1 to 26 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, 2014

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 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of 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 4.15)
- b) Useful life and residual values of property, plant and equipment - (note 4.7)

4. Significant Accounting Policies

4.1 Current fund

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

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4.3 Scholarship fund

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

4.6 Fixed assets fund

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

4.7 Operating fixed assets and depreciation

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

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

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

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

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

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

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

4.8 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified impairment loss and 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 6. Amortization on additions to intangibles is charged from the month in which the asset is available for use, while no amortization is charged for the month in which the asset is disposed off. When an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated remaining useful life.

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

4.9 Capital work-in-progress

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

4.10 Impairment of non-financial assets

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

4.11 Investments

Investments are measured initially at cost whereas investments received as 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.

4.12 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.

4.13 Foreign currencies

a) Functional and presentation currency

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

b) Transactions and balances

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

4.14 Stores

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

4.15 Staff retirement benefits

There is an approved contributory provident fund for all 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.



4.16 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.

4.17 Provisions

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

4.18 Cash and cash equivalents

Cash and cash equivalents 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.

4.19 Borrowing costs

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

4.20 Leases

4.20.1 Operating leases

The University is the lessor:

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

4.21 Income recognition

a) Current fund

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

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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.

4.22 Expenses

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

5. Operating fixed assets

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

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	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	

5.1

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

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6. Intangible assets

	Cost as at July 1, 2013 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2014 Rupees	Accumulated amortization as at July 01, 2013 Rupees	Amortization for the year Rupees	Accumulated amortization as at June 30, 2014 Rupees	Book value as at June 30, 2014 Rupees	Rate of amortization %
Computer software and license	97,104,376	25,610,625	122,715,001	78,854,262	10,109,545	88,963,807	33,751,195	33.3
2014	97,104,376	25,610,625	122,715,001	78,854,262	10,109,545	88,963,807	33,751,195	
2013	97,047,377	56,999	97,104,376	69,502,206	9,352,056	78,854,262	18,250,114	33.3

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

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	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2014 Total Rupees	2013 Total Rupees
7. Capital work-in-progress							
Advances for equipment	9,543,278	-	-	-	727,636	10,270,914	22,372,733
Advances for computers	250,528	-	-	-	-	250,528	9,449,526
Advances for books	469,193	-	-	-	-	469,193	62,840
Advances for furniture	111,466	-	-	-	-	111,466	83,850
Advances for software	-	-	-	-	-	-	13,513,317
	<u>10,374,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>727,636</u>	<u>11,102,101</u>	<u>45,482,266</u>
8. Investments at cost							
- Pakistan Investment Bonds	6,763,060	190,961,783	38,984,099	28,793,560	-	265,502,502	143,457,500
- Term deposit receipts	-	-	-	-	-	-	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>6,763,060</u>	<u>216,377,701</u>	<u>38,984,099</u>	<u>28,793,560</u>	<u>-</u>	<u>290,918,420</u>	<u>170,459,186</u>
9. Long term loans and advances							
Loans to employees - note 9.1	5,370,218	-	-	-	-	5,370,218	7,042,255
Loans to students - note 9.2	85,161,277	6,522,129	6,811,289	-	-	98,494,695	111,900,439
Long term security deposits	41,038,199	-	-	-	-	41,038,199	40,638,199
Advances to employees	1,052,213	-	-	-	-	1,052,213	1,621,673
	<u>132,621,907</u>	<u>6,522,129</u>	<u>6,811,289</u>	<u>-</u>	<u>-</u>	<u>145,955,325</u>	<u>161,202,566</u>
Less: Current portion included in current assets: - note 12							
Loans to employees	(2,186,856)	-	-	-	-	(2,186,856)	(2,735,172)
Loans to students	(58,412,015)	(4,878,161)	(5,748,374)	-	-	(69,038,550)	(66,271,454)
	<u>72,023,036</u>	<u>1,643,968</u>	<u>1,062,915</u>	<u>-</u>	<u>-</u>	<u>74,729,919</u>	<u>92,195,940</u>

9.1 This represents long term loans given to employees for construction of houses and education abroad. The house building loans given are recoverable within a period of 10 years commencing from the date of disbursement through monthly deductions from salaries while study loans are recoverable through monthly deductions from salaries based on individual repayment schedules. These loans are secured against retirement benefits of employees and guarantee provided by the employee's spouse or immediate family members. These carry mark-up at the rates ranging from Re 0.3288 to Re 0.3562 per Rs 1,000 per diem or part thereof (2013: Re 0.3562 to Re 0.3973 per Rs. 1,000 per diem or part thereof) on the outstanding balances.

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

10. Long term security deposits

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

11. Deferred income

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

	2014 Rupees	2013 Rupees
Opening balance	50,816,266	25,713,911
Additions during the period	1,400,754	29,115,546
Amortisation during the period	(5,859,071)	(4,013,191)
Closing balance	<u>46,357,949</u>	<u>50,816,266</u>

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2014 Total Rupees	2013 Total Rupees
12. Loans, advances, deposits, prepayments and other receivables							
Advances to:							
- Staff	13,535,193	10,000	50,000	-	2,037,256	15,632,449	6,456,752
- Suppliers	5,449,797	-	-	-	2,073,978	7,523,775	2,126,081
Prepayments	1,200,000	-	-	-	-	1,200,000	3,884,496
Accrued return on investments	5,186,636	12,465,351	2,406,093	1,375,088	271	21,433,438	24,393,380
Income tax refundable	6,314,899	153,037	-	-	94,016	6,561,952	5,473,004
Fee receivable	33,586,482	-	-	-	-	33,586,482	31,442,708
Receivable against REDC programs and other projects	9,929,387	-	-	-	38,697,246	48,626,633	81,203,375
Other receivables	10,440,314	-	-	-	-	10,440,314	4,937,348
Current portion of long term loans and advances - note 9							
- Loans to employees - considered good	2,186,856	-	-	-	-	2,186,856	2,735,172
- Loans to students							
- Considered good	27,610,946	4,878,161	5,748,374	-	-	38,237,481	41,321,180
- Considered doubtful	30,801,069	-	-	-	-	30,801,069	24,950,274
- note 12.1	58,412,015	4,878,161	5,748,374	-	-	69,038,550	66,271,454
Less: Provision for doubtful receivables	(30,801,069)	-	-	-	-	(30,801,069)	(24,950,274)
	<u>115,440,510</u>	<u>17,506,549</u>	<u>8,204,467</u>	<u>1,375,088</u>	<u>42,902,767</u>	<u>185,429,380</u>	<u>203,973,496</u>

	2014 Rupees	2013 Rupees
12.1		
Included in the current portion are following Installments overdue for payments by students:		
Overdue for a period:		
Not exceeding one year	1,001,716	1,116,188
Exceeding one year but not more than five years	27,686,861	20,830,783
Exceeding five years	25,801,036	28,600,494
	<u>54,489,613</u>	<u>50,547,465</u>

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2014 Total Rupees	2013 Total Rupees
13. Short term investments							
- Pakistan Investment Bonds	4,000,000	24,347,500	-	-	-	28,347,500	4,000,000
- Term deposit receipts	838,259,782	108,349,538	6,763,060	-	-	953,372,380	432,350,380
- Treasury bills	-	-	-	-	-	-	269,320,450
	<u>842,259,782</u>	<u>132,697,038</u>	<u>6,763,060</u>	<u>-</u>	<u>-</u>	<u>981,719,880</u>	<u>705,670,830</u>

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- 13.1 Included in Term deposits and Pakistan Investment Bonds are Rs 30 million (2013: Rs 30 million) and Rs 4 million (2013: Rs 4 million) respectively, which are under lien against short term running finance facility and Term deposits of Rs Nil (2013: Rs 12 million) which are under lien against bank guarantee as referred to in note 15 and 18 respectively.

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2014 Total Rupees	2013 Total Rupees
14. Cash and bank balances							
Cash in hand	369,435	-	-	-	-	369,435	116,269
- US\$ 2,701 (2013: US\$ 1,003)							
- Pak Rupees 103,054 (2013: Pak Rupees 17,373)							
Balances at bank:							
In current accounts	122,194,800	-	3,622,065	-	6,969,670	132,786,535	63,262,041
- US\$ 64,238.10 (2013: US\$ 37,713)							
- Pak Rupees 126,455,194 (2013: Pak Rupees 59,543,540)							
In savings accounts	385,468,933	284,338,498	1,742,751	15,222,680	134,563,812	821,336,674	635,373,135
- US\$ 793,894.43 (2013: US\$ 521,770.23)							
- Euro 41,644.10 (2013: Euro 31,370.27)							
- GBP 353,235.57 (2013: Nil)							
- JPY 5,775,719.53 (2013: JPY 2,874,136.55)							
- Pak Rupees 672,549,339 (2013: Pak Rupees 577,017,843)							
	<u>508,033,168</u>	<u>284,338,498</u>	<u>5,340,662</u>	<u>15,222,680</u>	<u>141,557,636</u>	<u>954,492,644</u>	<u>698,751,445</u>

- 14.1 Included in savings accounts are Rs 43,244 million (2013: Rs 11,525 million) which are under lien against bank guarantee & letters of credit as referred to in note 18.

- 14.2 Furthermore, included in savings accounts is an amount of Rs 1.858 million (2013: Rs 0.833 million) 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.

15. Short term running finance

Short term running finance available from National Bank of Pakistan under mark up arrangement amounts to Rs 28 million (2013: Rs 28 million). Mark up is charged at the rates ranging from Re 0.3471 to Re 0.3159 per Rs 1,000 per diem or part thereof (2013: Re 0.3904 to Re 0.3529 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 13.1.

- 15.1 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	2014 Total Rupees	2013 Total Rupees
16. Creditors, accrued and other liabilities							
Advance tuition and other fees	396,535,336	-	-	-	-	396,535,336	420,031,492
Creditors	33,842,529	-	-	669	1,155,878	34,999,076	6,101,486
Accrued liabilities	32,118,680	238,700	11,600	-	7,415,897	39,784,877	33,696,904
Payable against executive development programmes	12,339,297	-	-	-	-	12,339,297	11,175,010
Payable to student societies	11,924,977	-	-	-	494,243	12,419,220	9,324,015
Provident fund payable	3,340,474	-	-	-	-	3,340,474	3,615,175
Employee fund payable	7,333,115	23,916	-	4,384	79,254	7,440,669	6,088,890
Current portion of long term security deposits	28,662,112	-	-	-	-	28,662,112	26,019,104
Other liabilities	51,232,650	9,659	6,000	-	13,833,293	65,081,602	37,360,298
	<u>577,329,170</u>	<u>272,275</u>	<u>17,600</u>	<u>5,053</u>	<u>22,978,565</u>	<u>600,602,663</u>	<u>553,412,374</u>

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17. 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.

18. Contingencies and commitments

Contingencies

18.1 University has provided bank guarantee of Rs 18 million (2013: Rs 18 million) in favor of Sui Northern Gas Pipelines Limited (SNGPL) on account of payment of gas dues and of Rs 0.802 million (2013: Nil) to Pakistan State Oil (PSO) on account of fuel cards. These guarantees have been secured by lien on savings account balance as mentioned in note 14.1, for an amount equal to 110% of the amount of guarantee and 35% against the value of LC.

18.2 Walton cantonment board has levied property tax on buildings under LUMS occupation amounting to Rs 799.139 million for the period 1993-94 to 2011-12. LUMS has contended the assessment on account of exemption available to it under the cantonment act, 1924 and has filed an appeal before the district judge, session court. Pending the outcome of the appeal, no provision has been made in these accounts for the demand aggregating to Rs 799.139 million (2013: Rs 799.139 million) since in the management & its legal counsel's view, the outcome of the appeal is expected to be favorable.

Commitments

18.3 Commitments in respect of contracts for capital expenditure amount to Rs 64.460 million (2013: Rs 14.071 million).

	2014	2013
	Total	Total
19. Endowments - Endowment Fund	Rupees	Rupees
Suleman Dawood School of Business	115,974,280	102,149,877
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	211,093,649	199,377,467
On Board Endowment - note 19.1	53,698,768	43,498,768
	<u>551,759,539</u>	<u>516,018,954</u>

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

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

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

	2014		2013	
	USAID- ASP Rupees	UKAID- DFID Rupees	USAID- ASP Rupees	UKAID- DFID Rupees
Total receipt during the year	346,000,799 *	125,055,824	282,311,079	-
Transfer to income & expenditure account	(334,943,698)	(118,316,918)	(270,173,196)	-
Capital expenditure	(31,962,260)	(737,862)	(1,258,074)	-

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2014 Total Rupees	2013 Total Rupees
21. Miscellaneous Income							
Hostel and faculty apartment income	123,665,259	-	-	-	-	123,665,259	113,518,915
Cafeteria income	96,983,802	-	-	-	-	96,983,802	82,697,639
Profit on sale of fixed assets	1,446,124	-	-	-	-	1,446,124	1,789,109
Liabilities written back	2,405,559	-	-	-	-	2,405,559	11,091,262
Test and processing fee	38,821,390	-	-	-	-	38,821,390	31,765,139
Sponsored projects income	90,907,348	-	-	-	-	90,907,348	80,124,213
Other income	111,577,668	-	-	9,121,693	-	120,699,361	83,018,618
	<u>465,807,150</u>	<u>-</u>	<u>-</u>	<u>9,121,693</u>	<u>-</u>	<u>474,928,843</u>	<u>404,004,895</u>

22. Cash and cash equivalents

	2014 Total Rupees	2013 Total Rupees
Short term running finance - secured	(7,157,192)	(10,800,843)
Cash and bank balances	- note 14 954,492,644	698,751,445
	<u>947,335,452</u>	<u>687,950,602</u>

23. Remuneration of key management personnel

23.1 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:

	2014 Total Rupees	2013 Total Rupees
Remuneration	7,569,936	9,200,811
Housing rent	3,406,464	4,140,362
Medical expenses	605,604	736,069
Utilities	756,996	920,087
Other allowances	10,925,684	11,013,990
	<u>23,264,684</u>	<u>26,011,319</u>

24. 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	2014 Total Rupees	2013 Total Rupees
Retirement benefit plan	Provident fund contribution	36,561,347	28,810,084
Associated undertakings	Grants received from National Management Foundation	-	25,329,501
Associated undertakings	Repayment of amount due to National Management Foundation	-	285,000,000
Associated undertakings	Contribution for buildings paid to National Management Foundation	256,560,325	201,241,786
	Nature and balances		
Retirement benefit plan	Provident fund payable	3,340,474	3,615,175

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

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25. Corresponding figures

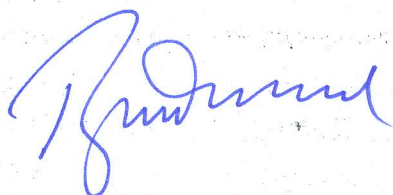
Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

	Rupees
USAID ASP project expenses reclassified to	
Salaries, wages and benefits	98,302,100
Training	44,888,976
Fuel & Power	800,466
Telephone & Postage	498,377
Foreign travel & recruitment	2,412,245
Travelling and vehicle running expenses	36,264,535
Cafeteria expenses	7,405,312
Repairs and maintenance	3,600
Advertisement and open house programme	2,423,766
Subscriptions	43,146
Printing, stationery and office supplies	1,900,103
Insurance	121,106
Legal and professional charges	2,864,231
Internet charges	11,215
Miscellaneous	63,213,863
REDC facility expenses	1,303,814
Rent expense	7,716,341
House keeping and maintenance expenses reclassified to repairs and maintenance expense	1,986,706

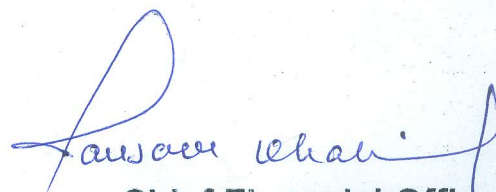
The above figures have been re-arranged as the reclassifications made are considered more appropriate for the purposes of presentation.

26. Date of authorization

These financial statements were authorized for issue on December 5, 2014 by the Board of Trustees of the University.



Member of Management Committee



Chief Financial Officer