



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES OF LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

Opinion

We have audited the financial statements of Lahore University of Management Sciences (the 'University'), which comprise the balance sheet as at June 30, 2018, and the income and expenditure account, the statement of comprehensive income, the statement of changes in fund balances and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at June 30, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standard for Not for Profit Organisations issued by the Institute of Chartered Accountants of Pakistan (ICAP) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified by the Securities and Exchange Commission of Pakistan (SECP).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the University in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management Committee is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standard for Not for Profit Organisations issued by the ICAP and the IFRS issued by the IASB as notified by the SECP, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

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

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan
Tel: +92 (42) 3571 5868-71 / 3577 5747-50 Fax: +92 (42) 3577 5754 www.pwc.com/pk



Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Accountants

Lahore, December 7, 2018

Name of the engagement partner: Khurram Akbar Khan

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

BALANCE SHEET AS AT JUNE 30, 2018

	Note	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2018 Total Rupees	2017 Total Rupees (restated)	2016 Total Rupees (restated)
Fund balance		<u>1,610,138,779</u>	<u>1,541,314,852</u>	<u>96,909,426</u>	<u>55,104,909</u>	<u>266,657,999</u>	<u>1,239,302,642</u>	<u>4,809,428,607</u>	<u>4,071,018,763</u>	<u>3,499,085,852</u>
Represented by										
Non - current assets										
Operating fixed assets	5	-	-	-	-	-	1,191,753,724	1,191,753,724	927,070,294	961,106,483
Intangible assets	6	-	-	-	-	-	47,548,918	47,548,918	55,975,616	37,280,526
Capital work-in-progress	7	2,700,663	-	-	-	4,796,422	-	7,497,085	9,310,640	30,653,601
Investments	8	361,547,780	832,519,092	-	2,134,613	-	-	1,196,201,485	2,357,479,940	1,966,791,469
Long term loans, advances and security deposits	9	93,998,609	23,175,267	4,052,136	-	-	-	121,226,012	62,530,218	57,239,918
		<u>458,247,052</u>	<u>855,694,359</u>	<u>4,052,136</u>	<u>2,134,613</u>	<u>4,796,422</u>	<u>1,239,302,642</u>	<u>2,564,227,224</u>	<u>3,412,366,708</u>	<u>3,053,071,997</u>
Less: Non - current liabilities										
Accumulating compensated absences	10	48,393,597	-	-	-	-	-	48,393,597	40,942,522	31,622,184
Long term security deposits	11	57,737,900	-	-	-	-	-	57,737,900	45,888,900	43,032,000
Deferred contributions	12	56,435,787	-	-	-	-	-	56,435,787	-	-
Loan from National Management Foundation (NMF)	13	-	-	-	-	-	-	-	-	35,016,320
		<u>162,567,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,567,284</u>	<u>86,831,422</u>	<u>109,670,504</u>
		<u>295,679,768</u>	<u>855,694,359</u>	<u>4,052,136</u>	<u>2,134,613</u>	<u>4,796,422</u>	<u>1,239,302,642</u>	<u>2,401,659,940</u>	<u>3,325,535,286</u>	<u>2,943,401,493</u>
Current assets										
Stores		21,143,063	-	-	-	-	-	21,143,063	16,803,897	13,973,278
Loans, advances, deposits, prepayments and other receivables	14	162,436,505	37,773,733	1,031,689	2,018,014	5,599,785	-	208,859,726	161,580,190	164,524,079
Short term investments	15	1,398,063,028	205,595,631	-	19,000,001	-	-	1,622,658,660	865,685,588	207,007,394
Current maturity of long term investments	16	330,527,654	427,027,507	-	28,969,399	-	-	786,524,560	-	-
Cash and bank balances	17	170,074,357	16,334,442	139,408,370	2,988,074	286,126,022	-	614,931,265	536,027,939	901,083,548
Due from NMF		1,708,718	-	-	-	-	-	1,708,718	-	-
		<u>2,083,953,325</u>	<u>686,731,313</u>	<u>140,440,059</u>	<u>52,975,488</u>	<u>291,725,807</u>	<u>-</u>	<u>3,255,825,992</u>	<u>1,580,097,614</u>	<u>1,286,588,299</u>
Less: Current liabilities										
Creditors, accrued and other liabilities	18	813,141,530	1,110,820	3,935,553	5,192	29,864,230	-	848,057,325	778,495,314	708,417,161
Due to NMF		-	-	-	-	-	-	-	17,618,378	22,486,779
Current maturity of loan from NMF	13	-	-	-	-	-	-	-	38,500,445	-
		<u>813,141,530</u>	<u>1,110,820</u>	<u>3,935,553</u>	<u>5,192</u>	<u>29,864,230</u>	<u>-</u>	<u>848,057,325</u>	<u>834,614,137</u>	<u>730,903,940</u>
Net current assets		<u>1,270,811,795</u>	<u>685,620,493</u>	<u>136,504,506</u>	<u>52,970,296</u>	<u>261,861,577</u>	<u>-</u>	<u>2,407,768,667</u>	<u>745,483,477</u>	<u>555,684,359</u>
Due to/(from)	19	43,647,216	-	(43,647,216)	-	-	-	-	-	-
CONTINGENCIES AND COMMITMENTS	20									
Net assets		<u>1,610,138,779</u>	<u>1,541,314,852</u>	<u>96,909,426</u>	<u>55,104,909</u>	<u>266,657,999</u>	<u>1,239,302,642</u>	<u>4,809,428,607</u>	<u>4,071,018,763</u>	<u>3,499,085,852</u>

The annexed notes 1 to 31 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, 2018

	Note	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2018 Total Rupees	2017 Total Rupees (restated)
Income									
Direct grants	22	30,691,847	21,339,545	560,225,105	-	760,296,205	19,026,922	1,391,579,624	893,831,793
Tuition fee and other income									
Tuition fee		2,555,591,756	-	-	-	-	-	2,555,591,756	2,291,956,707
Other fees		294,418,875	-	-	-	-	-	294,418,875	254,738,275
Consultancy fee		-	-	-	-	21,734,587	-	21,734,587	29,531,832
Executive development programmes		283,361,077	-	-	-	-	-	283,361,077	243,367,486
Miscellaneous income	23	575,360,215	58,514	342,351	13,691,653	45,247,753	-	634,700,486	521,586,010
Return on investments and term deposits	24	100,250,950	69,024,356	316,814	4,785,146	-	-	174,377,266	447,958,446
Exchange gain		39,612,793	-	-	7,711	119,626	-	39,740,130	-
		3,848,595,666	69,082,870	659,165	18,484,510	67,101,966	-	4,003,924,177	3,789,138,756
Total income for the year		3,879,287,513	90,422,415	560,884,270	18,484,510	827,398,171	19,026,922	5,395,503,801	4,682,970,549
Expenditure									
Salaries, wages and amenities		1,784,108,545	860,265	11,080,264	11,905,786	76,113,080	-	1,884,067,940	1,705,476,738
Training		14,943,325	-	-	-	6,675,519	-	21,618,844	17,083,001
Fuel and power		217,436,605	-	-	-	-	-	217,436,605	208,543,191
Telephone and postage		9,531,107	69,007	381,448	-	114,829	-	10,095,391	7,435,207
Contribution for buildings and equipment		268,927,884	-	-	-	-	-	268,927,884	311,118,864
Foreign travel and recruitment		49,592,817	239,168	-	2,564,292	10,533,467	-	62,929,744	48,283,263
Travelling and vehicle running expenses		25,956,676	731,911	1,601,016	-	11,899,002	-	40,188,605	33,904,050
Cafeteria expenses		118,200,650	237,830	3,041,819	-	4,327,716	-	125,808,015	118,112,279
Rent expense		1,090,918	-	-	-	2,765,039	-	3,855,957	4,478,392
Raising Executive Development Center (REDC) facility expenses		-	-	-	-	-	-	-	2,736,000
Repairs and maintenance		16,121,128	-	1,400	-	2,520	-	16,125,048	12,744,377
Advertisement and open house programme		78,044,012	-	3,002,842	-	1,472,492	-	82,519,346	66,994,086
Subscriptions		23,408,161	-	-	-	224,941	-	23,633,102	18,863,572
Research and case development		82,278,039	3,504,384	650,000	-	76,706,774	-	163,139,197	150,485,974
Convocation expenses		12,685,384	-	-	-	-	-	12,685,384	12,134,943
Printing, stationery and office supplies		162,311,005	552,883	1,081,541	23,675	32,125,676	-	196,094,780	146,473,585
Software consumables		58,777,686	-	-	-	222,036	-	58,999,722	55,864,353
Insurance		10,487,427	-	-	-	-	-	10,487,427	10,059,455
Scholarships and tuition fee waiver		64,894,232	123,341,614	457,948,875	-	248,876	-	646,433,597	554,002,637
PhD living allowance		99,184,534	1,850,550	-	739,350	14,642,583	-	116,417,017	91,058,289
Higher Education Commission scholarship		-	-	40,197,475	-	-	-	40,197,475	39,399,360
Legal and professional charges		40,222,843	-	250,000	-	100,000	-	40,572,843	15,140,257
Estate management		550,778	-	-	-	-	-	550,778	269,336
Internet charges		49,573,055	-	-	-	42,975	-	49,616,030	42,023,324
Depreciation on operating fixed assets		-	-	-	-	-	271,095,353	271,095,353	267,559,684
Amortization of intangible assets		-	-	-	-	-	21,090,665	21,090,665	18,206,510
Consultancy projects		47,298	-	-	-	11,515,032	-	11,562,330	7,904,607
Sports and student activities		10,885,133	-	1,748,476	-	39,301,954	-	51,935,563	53,317,070
Provision for doubtful receivables		2,048,619	846,569	-	-	-	-	2,895,188	6,802,712
Bad debts and advances written off		6,531,392	-	-	-	-	-	6,531,392	6,156,884
Exchange loss		-	-	-	-	-	-	-	19,297,183
Discounting cost on loan from NMF		1,356,467	-	-	-	-	-	1,356,467	3,484,125
Finance cost		3,232,653	255	122,073	-	16,406	-	3,371,387	2,083,451
Miscellaneous		1,721,075	-	-	1,785,868	109,762,521	13,485	113,282,949	33,531,560
		3,214,149,448	132,234,436	521,107,229	17,018,971	398,813,438	292,199,503	4,575,523,025	4,091,028,319
Surplus/(deficit) of income over expenditure before taxation		665,138,065	(41,812,021)	39,777,041	1,465,539	428,584,733	(273,172,581)	819,980,776	591,942,230
Provision for taxation		-	-	-	-	-	-	-	-
Surplus/(deficit) of income over expenditure after taxation		665,138,065	(41,812,021)	39,777,041	1,465,539	428,584,733	(273,172,581)	819,980,776	591,942,230

The annexed notes 1 to 31 form an integral part of these financial statements.

Member of Management Committee

Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2018 Total Rupees	2017 Total Rupees (restated)
Surplus/(deficit) of income over expenditure after taxation	665,138,065	(41,812,021)	39,777,041	1,465,539	428,584,733	(273,172,581)	819,980,776	591,942,230
Other comprehensive loss:								
<i>Items that may be reclassified subsequently to income and expenditure account:</i>								
Fair value loss on remeasurement of available-for-sale investments	(37,264,765)	(46,165,732)	-	-	-	-	(83,430,497)	(8,282,266)
<i>Items that will not be reclassified subsequently to income and expenditure account:</i>								
Accumulated fair value loss/(gain) on available-for-sale investments disposed off transferred to income and expenditure account	859,796	999,769	-	-	-	-	1,859,565	(11,727,053)
Other comprehensive loss for the year	(36,404,969)	(45,165,963)	-	-	-	-	(81,570,932)	(20,009,319)
Total comprehensive income/(loss) for the year	628,733,096	(86,977,984)	39,777,041	1,465,539	428,584,733	(273,172,581)	738,409,844	571,932,911

The annexed notes 1 to 31 form an integral part of these financial statements.


Member of Management Committee


Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

Note	Current Fund			Endowment Fund			Scholarship Fund	Chair Fund	Sponsored Projects	Fixed Assets Fund	Grand Total
	Unrealised gain/(loss) on investments	Accumulated surplus of income over expenditure	Total	Unrealised gain/(loss) on investments	Accumulated surplus of income over expenditure	Total	Accumulated surplus of income over expenditure	Accumulated surplus of income over expenditure	Accumulated surplus of income over expenditure	Accumulated surplus of income over expenditure	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 1, 2016 as previously reported	4,500,087	1,096,337,720	1,100,837,807	32,073,355	1,052,638,564	1,084,711,919	67,164,331	51,592,255	196,392,531	968,917,460	3,469,616,303
Effect of restatement as referred to in note 2.3	-	-	-	-	-	-	-	-	-	29,469,549	29,469,549
Balance as at July 1, 2016 - restated	4,500,087	1,096,337,720	1,100,837,807	32,073,355	1,052,638,564	1,084,711,919	67,164,331	51,592,255	196,392,531	998,387,009	3,499,085,852
Surplus/(deficit) of income over expenditure after taxation	-	486,298,349	486,298,349	-	268,938,262	268,938,262	15,175,785	6,277,423	93,370,754	(278,118,343)	591,942,230
Other comprehensive loss for the year	(7,694,346)	-	(7,694,346)	(12,314,973)	-	(12,314,973)	-	-	-	-	(20,009,319)
Total comprehensive (loss)/income for the year	(7,694,346)	486,298,349	478,604,003	(12,314,973)	268,938,262	256,623,289	15,175,785	6,277,423	93,370,754	(278,118,343)	571,932,911
Transfer (from)/to funds	-	(57,972,876)	(57,972,876)	-	81,000,000	81,000,000	(24,997,513)	-	1,970,389	-	-
Transfer of fixed assets additions (from)/to funds	-	(216,137,147)	(216,137,147)	-	(593,110)	(593,110)	(55,105)	(3,937,807)	(45,537,571)	266,260,740	-
Transfer of fixed assets disposals to/(from) funds	-	3,483,496	3,483,496	-	-	-	-	-	-	(3,483,496)	-
Balance as at June 30, 2017 - restated	(3,194,259)	1,312,009,542	1,308,815,283	19,758,382	1,401,983,716	1,421,742,098	57,287,498	53,931,871	246,196,103	983,045,910	4,071,018,763
Surplus/(deficit) of income over expenditure after taxation	-	665,138,065	665,138,065	-	(41,812,021)	(41,812,021)	39,777,041	1,465,539	428,584,733	(273,172,581)	819,980,776
Other comprehensive loss for the year	(36,404,969)	-	(36,404,969)	(45,165,963)	-	(45,165,963)	-	-	-	-	(81,570,932)
Total comprehensive (loss)/income for the year	(36,404,969)	665,138,065	628,733,096	(45,165,963)	(41,812,021)	(86,977,984)	39,777,041	1,465,539	428,584,733	(273,172,581)	738,409,844
Transfer (from)/to funds	25	-	(207,000,000)	(207,000,000)	-	207,000,000	207,000,000	-	-	-	-
Transfer of fixed assets additions (from)/to funds	26	-	(121,622,354)	(121,622,354)	-	(449,262)	(449,262)	(155,113)	(292,501)	(408,466,891)	530,986,121
Transfer of fixed assets disposals to/(from) funds		1,212,754	1,212,754	-	-	-	-	-	344,054	(1,556,808)	-
Balance as at June 30, 2018	(39,599,228)	1,649,738,007	1,610,138,779	(25,407,581)	1,566,722,433	1,541,314,852	96,909,426	55,104,909	266,657,999	1,239,302,642	4,809,428,607

The annexed notes 1 to 31 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, 2018

	2018 Rupees	2017 Rupees (restated)
Cash flow from operating activities		
Surplus of income over expenditure before taxation	819,980,776	591,942,230
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	271,095,353	267,559,684
Amortization on intangible assets	21,090,665	18,206,510
Loss on disposal of operating fixed assets	645,411	1,913,463
Discounting cost on loan from NMF	1,356,467	3,484,125
Finance cost	3,371,387	2,083,451
Grants income	(1,391,579,624)	(893,831,793)
Provision for passage fare assistance	-	47,410,340
Provision for doubtful debts	2,895,188	6,802,712
Bad debts and advances written off	6,531,392	6,156,884
Provision for accumulating compensated absences	12,505,654	15,239,640
Exchange (gain)/loss	(39,740,130)	19,297,183
Amortization of deferred income	(30,691,847)	-
Return on investments and term deposits	(174,377,266)	(447,958,446)
	<u>(1,316,897,350)</u>	<u>(953,636,247)</u>
Deficit before working capital changes	(496,916,574)	(361,694,017)
Effect on cash flow due to working capital changes:		
Increase in stores	(4,339,166)	(2,830,619)
Increase in loans, advances, deposits prepayments and other receivables	(48,506,483)	(16,552,026)
Decrease in due to NMF	(19,327,096)	(4,868,401)
Increase in creditors, accrued and other liabilities	72,190,326	70,142,824
	<u>17,581</u>	<u>45,891,778</u>
Cash used in operations	(496,898,993)	(315,802,239)
Finance cost paid	(3,371,387)	(2,083,451)
Payment of accumulating compensated absences	(5,054,579)	(5,919,302)
Payment of passage fare assistance	(84,044)	(47,475,011)
Unrestricted contributions received	87,127,634	-
Increase in long term loans, advances and security deposits	(46,846,794)	(2,433,400)
	<u>31,770,830</u>	<u>(57,911,164)</u>
Net cash used in operating activities	(465,128,163)	(373,713,403)
Cash flow from investing activities		
Fixed capital expenditure	(529,172,065)	(244,917,778)
Proceeds from disposal of operating fixed assets	924,632	1,676,703
Return on investments and term deposits received	150,266,924	441,937,621
Proceeds from maturity of investments	3,856,145,291	739,417,124
Proceeds from disposal of investments	688,648,037	2,681,556,723
Purchase of investments	(4,565,382,935)	(4,178,505,636)
Net cash used in investing activities	(398,570,116)	(558,835,243)
Cash flow from financing activities		
Restricted contributions received	1,372,552,702	886,077,271
Repayment of long term loan from NMF	(39,856,912)	-
Net cash generated from financing activities	1,332,695,790	886,077,271
Net increase/(decrease) in cash and cash equivalents	468,997,511	(46,471,375)
Cash and cash equivalents at the beginning of the year	836,027,939	901,083,548
Effects of exchange rate changes on cash and cash equivalents	7,084,215	(18,584,234)
Cash and cash equivalents at the end of the year	1,312,109,665	836,027,939

- note 27

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

The annexed notes 1 to 31 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, 2018

1. University and its operations

The Lahore University of Management Sciences (hereinafter referred to as 'LUMS' or the 'University') is a body corporate and has been established in Pakistan under the Lahore University of Management Sciences Order, 1985 on March 31, 1985. The registered office of the University is situated opposite to Sector U, Phase V, Defence Housing Authority, Lahore Cantt, Lahore. The principal aims and objectives of the University are to design, prepare and offer courses of international standard and to undertake, organize, and promote research and dissemination of knowledge. The University has been divided into five schools namely Suleman Dawood School of Business (SDSB), Mushtaq Ahmad Gurmani School of Humanities and Social Sciences (MGSHSS), Syed Babar Ali School of Science and Engineering (SBASSE), Syed Hyder Ali & Syed Maratib Ali School of Education (SOE) and Sheikh Ahmed Hassan School of Law (SAHSOL). The University is a Not-For-Profit organization under section 2(36) of the Income Tax Ordinance, 2001 and its surplus, if any, is carried forward to the subsequent year, and is not available for appropriation.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the Accounting Standard for Not for Profit Organisations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as applicable in Pakistan i.e. as notified by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of IFRS differ from those of the Accounting Standard for NPOs, the requirements of the IFRS prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

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

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

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 1, 2017, but are considered not to be relevant or to have any significant effect on the University's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- International Accounting Standard ('IAS') 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The University has given the required disclosure in these financial statements.

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the entities having accounting periods beginning on or after July 1, 2018 but are considered not to be relevant or to have any significant effect on the University's operations and are, therefore, not detailed in these financial statements, except for the following:

- IFRS 9, 'Financial instruments': (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The University is yet to assess the full impact of the standard.

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The University is yet to assess the full impact of the standard.

- IFRS 16, 'Leases': (effective for periods beginning on or after January 1, 2019). This standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The University is yet to assess the full impact of the standard.

- IFRIC 23, 'Uncertainty over income tax treatments': (effective for periods beginning on or after January 1, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The University is yet to assess the full impact of the standard.

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the interpretation will have any significant impact on the University's financial statements.

2.3 Prior period error

Following is the detail of prior period error that has been inadvertently made by the University:

2.3.1 Endowment and restricted contributions

As per the Accounting Standard for NPOs, endowment and restricted contributions for which a corresponding endowment and restricted fund is presented should be recognized as revenue of that fund in the current period. A restricted contribution is a contribution subject to externally imposed stipulations that specify the purpose for which it is to be used.

A contribution restricted for the purchase of a capital asset or a contribution of the capital asset itself is a type of restricted contribution. In the prior years, however, the University recognized such contributions as deferred income in non-current liabilities of Current Fund, instead of recognizing them as grant income of Fixed Assets Fund in the periods in which they were received.

Furthermore, grants received to carry out different projects were credited directly into the relevant fund account and transferred to income on a systematic basis so as to match the income with the related costs, instead of recognizing the receipts as income of the relevant fund in the periods in which they were received.

Therefore, due to the above, the University has corrected these prior period errors retrospectively and the comparative information has been restated in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The effect of the restatement is as follows:

	2017 Rupees	2016 and before Rupees
Contributions of capital assets:		
Balance Sheet:		
Current Fund		
Decrease in deferred income	27,928,673	29,469,549
Statement of Changes in Fund Balances:		
Fixed Assets Fund		
Increase in surplus of income over expenditure	27,928,673	29,469,549

Off

2017
Rupees

Income and Expenditure account:

Fixed Assets Fund

Increase/(decrease) in direct grants income	(1,540,876)
Increase/(decrease) in surplus of income over expenditure for the year	<u>(1,540,876)</u>

There is no effect on the amounts reported in the cash flow statement of previous year due to correction of the error in respect of contributions of capital assets since it is a non-cash item.

2017
Rupees

Restricted contributions for specific projects:

Income and Expenditure account:

Restricted contributions received recognised in 'direct grants income'	918,107,623
Restricted contributions received recognised in 'consultancy fee'	4,439,121
Restricted contributions received recognised in 'miscellaneous income'	4,128,463
Transfer of restricted contributions to direct grants income, not recognised	(674,760,234)
Increase in surplus of income over expenditure for the year	<u>251,914,973</u>

Statement of Changes in Fund Balances:

Increase in surplus of income over expenditure for the year	251,914,973
Restricted contributions received not recognised in statement of changes in fund balances	(926,675,207)
Transfer of restricted contributions to income and expenditure account, not recognised	<u>674,760,234</u>

Cashflow Statement:

Increase in grants income in cash generated from operations	251,914,973
Decrease in restricted funds received from donors not utilized in net cash generated from financing activities	<u>(251,914,973)</u>

There is no effect on the amounts reported in the balance sheets of previous years due to correction of the error in respect of restricted contributions for specific projects.

3. Basis of measurement

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

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

- a) Useful lives and residual values of property, plant and equipment - note 4.8
- b) Employee benefits - note 4.17

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 recognised in this fund. It includes grants and donations for all five schools of the University.

4.2 Endowment Fund

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

Off

4.3 Scholarship Fund

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

4.4 Chair Funds

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

4.5 Sponsored Projects

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

4.6 Fixed Assets Fund

This fund represents the net book value of the tangible fixed assets and intangible assets of the University. These assets are accounted for in accordance with the policies given in note 4.8 and 4.9 respectively. Fixed assets received directly as donations are debited to the property, plant and equipment or intangibles account at fair value and a corresponding amount credited to income of this fund. Such items are thereafter depreciated as per the policy of the University.

4.7 Taxation

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

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the surplus for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable surplus. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable surplus or deficit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income and expenditure account, except in the case of items credited or charged to other comprehensive income or statement of changes in fund balances in which case it is included in other comprehensive income or statement of changes in fund balances.

Deferred tax has not been provided in these financial statements as the University's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the University is allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final taxes, under section 100C of the Income Tax Ordinance, 2001.

4.8 Operating fixed assets

Operating fixed assets are stated at historical cost less accumulated depreciation and any identified impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of items. Depreciation on all operating fixed assets is charged to income and expenditure account on a reducing balance method, so as to write off the historical cost of an asset over its estimated useful life at the rates given in note 5 after taking into account their residual values.

Off

Depreciation on additions to operating fixed assets 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 derecognised or retired from active use. 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. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.11).

The University reviews the useful lives and residual values of operating fixed assets at least at each financial year end. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The University's estimate of the residual value of its operating fixed assets as at June 30, 2018, has not required any adjustment as its impact is considered insignificant.

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.

An item of operating fixed assets is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.9 Intangible assets

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

Amortization is charged to income on the reducing balance method so as to write off the cost of the intangible asset over its estimated useful life at the rates 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 4.11).

4.10 Capital work-in-progress

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

4.11 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, land - are not subject to depreciation/ amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to depreciation/ amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.12 Leases

4.12.1 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 credited to income on a straight-line basis over the lease term.



4.13 Investments

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

Investments made by the University are classified for the purpose of measurement into the following categories as explained in note 4.14.

4.14 Financial assets

4.14.1 Classification

The University classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits, prepayments and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

4.14.2 Recognition and measurement

All financial assets are recognized at the time when the University becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date; the date on which the University commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income and expenditure account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the University has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For investments having quoted price in active market, the quoted price represents the fair value. In other cases, fair value is measured using appropriate valuation methodology and where fair value cannot be measured reliably, these are carried at cost. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income and expenditure account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income and expenditure account as part of return on investments and term deposits when the University's right to receive payments is established.



Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in the fund are included in the income and expenditure account as gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognized in the income and expenditure account. Dividends on available-for-sale equity instruments are recognized in the income and expenditure account when the University's right to receive payments is established.

The University assesses at each balance sheet date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from the fund and recognized in the income and expenditure account. Impairment losses recognized in the income and expenditure account on equity instruments are not reversed through the income and expenditure account. Impairment testing of accounts receivable and other receivables is described in note 4.18.

4.15 Financial liabilities

All financial liabilities are recognized at the time when the University becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the income and expenditure account.

4.16 Offsetting of financial assets and financial liabilities

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

4.17 Employee benefits

(a) Defined contribution plan - Provident Fund

There is an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the University and the employees to the fund at the rate of 10 percent of the basic salary.

Retirement benefits are payable to the staff on completion of prescribed qualifying period of service under the scheme.

(b) Accumulating compensated absences

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

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

4.18 Accounts receivable and other receivables

Accounts receivable and other receivables are recognised initially at invoice amount, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The provision is recognized in the income and expenditure account. Receivables, considered irrecoverable, are written off as and when identified. Subsequent recoveries of amounts previously written off are credited to the income and expenditure account.

4.19 Stores

Stores are valued principally at the lower of weighted average cost and current replacement cost. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.20 Cash and cash equivalents

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

4.21 Creditors, accrued and other liabilities

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

4.22 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.

4.23 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income and expenditure account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance cost to the extent of the amount remaining unpaid. Borrowings are classified as current liabilities unless the University has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.24 Borrowing costs

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

4.25 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 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.



4.26 Income recognition

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

a) Current Fund

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

b) Endowment Fund

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

c) Scholarship Fund

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

d) Chair Fund

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

e) Sponsored Projects

Grant is recognized when conditions for its receipt have been complied with and there is a reasonable assurance that the grant will be received. Grants received to carry out different projects are credited to income.

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

On the conclusion of the projects, any balances lying to the credit of the fund account are transferred to the Current Fund, provided there are no restrictions imposed by the donor.

f) Fixed Assets Fund

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

In all Funds, income on investments (bank deposits, terms deposits and savings accounts etc.) is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

4.27 Deferred contributions

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

4.28 Expenses

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

Off

5. Operating fixed assets

	Cost as at July 1, 2017 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2018 Rupees	Accumulated depreciation as at July 01, 2017 Rupees	Depreciation/ (deletions) for the year Rupees	Accumulated depreciation as at June 30, 2018 Rupees	Book value as at June 30, 2018 Rupees	Annual rate of depreciation %
Furniture and fixtures	595,903,900	95,966,992 (1,454,240)	690,416,652	379,045,631	73,136,342 (1,099,418)	451,082,555	239,334,097	30
Computers	593,806,925	67,568,421 (851,518)	660,523,828	436,478,211	63,947,083 (448,474)	499,976,820	160,547,008	33.3
Equipment	1,173,837,852	359,701,004 (4,103,865)	1,529,434,991	660,067,005	125,264,764 (3,292,268)	782,039,501	747,395,490	20
Vehicles	25,139,772	4,146,145 (22,920)	29,262,997	15,384,823	2,021,433 (22,340)	17,383,916	11,879,081	20
Books	101,674,976	9,966,264	111,641,240	72,317,461	6,725,731	79,043,192	32,598,048	20
2018	<u>2,490,363,425</u>	<u>537,348,826</u> <u>(6,432,543)</u>	<u>3,021,279,708</u>	<u>1,563,293,131</u>	<u>271,095,353</u> <u>(4,862,500)</u>	<u>1,829,525,984</u>	<u>1,191,753,724</u>	
	-	(6,432,543)	-	-	(4,862,500)	-	-	
	Cost as at July 1, 2016 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2017 Rupees	Accumulated depreciation as at July 01, 2016 Rupees	Depreciation/ (deletions) for the year Rupees	Accumulated depreciation as at June 30, 2017 Rupees	Book value as at June 30, 2017 Rupees	Annual rate of depreciation %
Furniture and fixtures	552,564,582	44,998,083 (1,658,765)	595,903,900	297,548,458	82,923,422 (1,426,249)	379,045,631	216,858,269	30
Computers	535,714,504	76,684,416 (18,591,995)	593,806,925	394,071,349	60,555,376 (18,148,514)	436,478,211	157,328,714	33.3
Equipment	1,082,742,348	104,567,115 (13,471,611)	1,173,837,852	554,701,134	115,974,331 (10,608,460)	660,067,005	513,770,847	20
Vehicles	25,140,524	70,000 (70,752)	25,139,772	12,977,213	2,427,344 (19,734)	15,384,823	9,754,949	20
Books	90,880,929	10,794,047	101,674,976	66,638,250	5,679,211	72,317,461	29,357,515	20
2017	<u>2,287,042,887</u>	<u>237,113,661</u> <u>(33,793,123)</u>	<u>2,490,363,425</u>	<u>1,325,936,404</u>	<u>267,559,684</u> <u>(30,202,957)</u>	<u>1,563,293,131</u>	<u>927,070,294</u>	

5.1

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

5.2

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

	2018			2017		
	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees
Furniture and fixtures	94,909,558	13,259,677	81,649,881	13,292,038	3,942,768	9,349,270
Computers	49,377,655	20,994,110	28,383,545	25,061,541	12,366,139	12,695,402
Equipment	583,002,362	171,954,225	411,048,137	286,286,892	122,935,944	163,350,948
	<u>727,289,575</u>	<u>206,208,012</u>	<u>521,081,563</u>	<u>324,640,471</u>	<u>139,244,851</u>	<u>185,395,620</u>

5.3

Following assets have been contributed by various donors to LUMS:

	2018			2017		
	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees
Furniture and fixtures	48,607,570	34,685,515	13,922,055	46,730,070	29,311,449	17,418,621
Computers	13,408,699	1,597,712	11,810,987	410,225	213,594	196,631
Equipment	21,121,215	9,256,417	11,864,798	17,016,764	6,839,292	10,177,472
	<u>83,137,484</u>	<u>45,539,644</u>	<u>37,597,840</u>	<u>64,157,059</u>	<u>36,364,335</u>	<u>27,792,724</u>

6.

Intangible assets

	Cost as at July 01, 2017 Rupees	Additions Rupees	Cost as at June 30, 2018 Rupees	Accumulated amortization as on July 01, 2017 Rupees	Amortization for the year Rupees	Accumulated amortization as on June 30, 2018 Rupees	Book value as at June 30, 2018 Rupees	Annual rate of amortization %
Computer software and license	188,444,336	12,663,967	201,108,303	132,468,720	21,090,665	153,559,385	47,548,918	33.3
2018	<u>188,444,336</u>	<u>12,663,967</u>	<u>201,108,303</u>	<u>132,468,720</u>	<u>21,090,665</u>	<u>153,559,385</u>	<u>47,548,918</u>	
2017	<u>151,542,736</u>	<u>36,901,600</u>	<u>188,444,336</u>	<u>114,262,210</u>	<u>18,206,510</u>	<u>132,468,720</u>	<u>55,975,616</u>	33.3

6.1

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

7. Capital work-in-progress	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2018 Total Rupees	2017 Total Rupees
Advances for equipment	409,501	-	-	-	1,129,409	1,538,910	7,917,989
Advances for computers	107,430	-	-	-	61,881	169,311	440,684
Advances for books	-	-	-	-	-	-	-
Advances for furniture and fixtures	2,183,732	-	-	-	3,605,132	5,788,864	786,519
Intangible assets under development	-	-	-	-	-	-	165,448
	<u>2,700,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,796,422</u>	<u>7,497,085</u>	<u>9,310,640</u>

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

Opening balance						9,310,640	30,653,601
Additions during the year						358,554,363	109,858,980
						367,865,003	140,512,581
Transfers during the year						(360,367,918)	(131,201,941)
Closing balance						<u>7,497,085</u>	<u>9,310,640</u>

8. Investments

Held to maturity:

Pakistan Investment Bonds	- note 8.1	54,139,785	485,163,249	-	2,134,614	-	541,437,648	622,918,429
Term finance certificates	- note 8.2	42,998,200	17,998,200	-	-	-	60,996,400	5,998,800
National savings certificates	- note 8.3	-	119,250,000	-	-	-	119,250,000	565,269,871
		<u>97,137,985</u>	<u>622,411,449</u>	<u>-</u>	<u>2,134,614</u>	<u>-</u>	<u>721,684,048</u>	<u>1,194,187,100</u>

Available-for-sale:

Shares of listed company		-	26,864,640	-	-	-	26,864,640	34,230,845
Units of mutual funds		264,409,790	183,243,007	-	-	-	447,652,797	1,129,061,995
		<u>264,409,790</u>	<u>210,107,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>474,517,437</u>	<u>1,163,292,840</u>
		<u>361,547,775</u>	<u>832,519,096</u>	<u>-</u>	<u>2,134,614</u>	<u>-</u>	<u>1,196,201,485</u>	<u>2,357,479,940</u>

8.1 These carry mark-up at coupon rates ranging from 9.25% to 11.5% (2017: 9.25% to 11.5%) per annum.

8.2 These carry mark-up at rates ranging from 6.86% to 15% (2017: 6.86%) per annum.

8.3 These carry mark-up at rate of 7.4% (2017: 7.4%) per annum.

8.4 Cumulative fair value gain/(loss) on available-for-sale investments

Balance as at beginning of the year	(3,194,259)	19,758,382	-	-	-	16,564,123	36,573,442
Fair value loss on remeasurement recognized in other comprehensive income	(37,264,765)	(46,165,732)	-	-	-	(83,430,497)	(8,282,266)
Loss/(gain) transferred to income and expenditure account on derecognition of investments	859,796	999,769	-	-	-	1,859,565	(11,727,053)
Balance as at end of the year	<u>(39,599,228)</u>	<u>(25,407,581)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,006,809)</u>	<u>16,564,123</u>

Off

		Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2018 Total Rupees	2017 Total Rupees
9. Long term loans, advances and security deposits								
Loans to employees	- note 9.1	689,672	-	-	-	-	689,672	1,116,091
Loans to students	- note 9.2	100,609,457	26,911,701	9,257,418	-	-	136,778,576	77,853,975
Long term security deposits		41,383,199	-	-	-	-	41,383,199	41,383,199
Advances to employees		22,716	-	-	-	-	22,716	207,498
		<u>142,705,044</u>	<u>26,911,701</u>	<u>9,257,418</u>	<u>-</u>	<u>-</u>	<u>178,874,163</u>	<u>120,560,763</u>
Less: Current portion included in current assets:	- note 13							
Loans to employees		489,998	-	-	-	-	489,998	635,694
Loans to students		48,216,437	3,736,434	5,205,282	-	-	57,158,153	57,394,851
		<u>48,706,435</u>	<u>3,736,434</u>	<u>5,205,282</u>	<u>-</u>	<u>-</u>	<u>57,648,151</u>	<u>58,030,545</u>
		<u>93,998,609</u>	<u>23,175,267</u>	<u>4,052,136</u>	<u>-</u>	<u>-</u>	<u>121,226,012</u>	<u>62,530,218</u>

9.1 These represent long term loans given to employees for construction of houses. The house building loans given are recoverable within a period of 10 years commencing from the date of disbursement through monthly deductions from salaries. These loans are secured against retirement benefits of the employees and guarantee provided by the employee's spouse or immediate family members. These carry mark-up at the rate of 9.95% (2017: 9.95%) per annum on the outstanding balances.

9.2 These represent un-secured interest free loans given to students. Loans over and above Rs 150,000 are repayable in fixed number of installments (60) within the specified period of five years after six months from completion of course. Loans up to Rs 150,000 are required to be repaid in fixed number of installments (36) by the students within specified period of three years after six months from completion of course. These loans have not been carried at amortised cost as the effect of discounting is not considered material.

10. Accumulating compensated absences

The movement in accumulating compensated absences during the year is as follows:

	2018 Rupees	2017 Rupees
Opening balance	40,942,522	31,622,184
Provision for the year	12,505,654	15,239,640
Payments during the year	(5,054,579)	(5,919,302)
Closing balance	<u>48,393,597</u>	<u>40,942,522</u>

11. Long term security deposits

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

Security deposits		95,079,698	83,115,186
Less: Current maturity classified in current liabilities	- note 18	<u>(37,341,798)</u>	<u>(37,226,286)</u>
		<u>57,737,900</u>	<u>45,888,900</u>

12. Deferred contributions

This represents the donation made by Syed Babar Ali Foundation for meeting operational expenses of SOE. The movement in deferred contributions during the year is as follows:

	2018 Rupees	2017 Rupees (restated)
Opening balance	-	-
Receipts during the year	87,127,634	-
Amortization during the year - transferred to income	(30,691,847)	-
Closing balance	<u>56,435,787</u>	<u>-</u>

13. Loan from National Management Foundation

Receipt	38,500,445	39,856,910
Gain on initial recognition	- note 13.1 -	(6,895,916)
Unwinding of discount	38,500,445	32,960,994
Repayment	1,356,467	5,539,451
	<u>(39,856,912)</u>	<u>-</u>
	<u>-</u>	<u>38,500,445</u>

13.1 This represented long term interest free loan from NMF in two tranches for the purpose of furnishing of Shaikh Ahmad Hassan School of Law. This has been repaid during the year. The loan had been measured at amortized cost by using weighted average interest rate of 9.95% per annum.

14. Loans, advances, deposits, prepayments and other receivables	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2018 Total Rupees	2017 Total Rupees
Advances to:							
Employees	49,844,761	35,000	35,000	-	2,159,504	52,074,265	13,006,898
Suppliers	3,218,743	-	-	-	2,360,387	5,579,130	5,763,706
Prepayments	1,603,807	-	-	-	-	1,603,807	25,001
Accrued return on investments	18,939,850	21,218,552	-	1,859,629	-	42,018,031	33,818,398
Income tax refundable	59,987,125	15,718,384	27,679	158,385	196,421	76,087,994	59,646,746
Fee receivable	5,187,873	-	-	-	-	5,187,873	6,040,299
Receivable against REDC programs and other projects	4,261,973	-	-	-	882,295	5,144,268	21,371,829
Other receivables	6,095,948	-	-	-	1,178	6,097,126	6,275,639
Current portion of long term loans and advances	- note 9						
Loans to employees - considered good	489,998	-	-	-	-	489,998	635,694
Loans to students							
- Considered good	12,806,427	801,797	969,010	-	-	14,577,234	14,995,980
- Considered doubtful	35,410,010	2,934,637	4,236,272	-	-	42,580,919	42,398,871
	<u>48,216,437</u>	<u>3,736,434</u>	<u>5,205,282</u>	<u>-</u>	<u>-</u>	<u>57,158,153</u>	<u>57,394,851</u>
Provision for doubtful receivables	- note 14.1						
	(35,410,010)	(2,934,637)	(4,236,272)	-	-	(42,580,919)	(42,398,871)
	<u>162,436,505</u>	<u>37,773,733</u>	<u>1,031,689</u>	<u>2,018,014</u>	<u>5,599,785</u>	<u>208,859,726</u>	<u>161,580,190</u>

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14.1 The movement in provision during the year is as follows:

Opening balance
Provision for the year
Provision reversed during the year
Closing balance

2018 Rupees	2017 Rupees
42,398,871	38,609,417
2,895,188	6,802,712
(2,713,140)	(3,013,258)
<u>42,580,919</u>	<u>42,398,871</u>

14.2 Included in the current portion are following overdue installments (past due but not impaired) from the students:

Overdue for a period:
Not exceeding one year
Exceeding one year but not more than five years
Exceeding five years

2018 Rupees	2017 Rupees
3,243,699	15,056,123
23,871,527	22,310,195
8,598,384	13,486,475
<u>35,713,610</u>	<u>50,852,793</u>

15. Short term investments

Held to maturity:

Term deposit receipts - note 15.1
Term finance certificates
Treasury bills

Current Fund Rupees	Endowment Fund Rupees	Chair Fund Rupees	2018 Total Rupees	2017 Total Rupees
1,281,384,631	125,095,629	19,000,000	1,425,480,260	861,000,000
-	-	-	-	4,685,588
116,678,400	80,500,000	-	197,178,400	-
<u>1,398,063,031</u>	<u>205,595,629</u>	<u>19,000,000</u>	<u>1,622,658,660</u>	<u>865,685,588</u>

15.1 These carry mark-up at rates ranging from 7.25% to 8% (2017: 5.75% to 7.25%) per annum.

16. Current maturity of long term investments

Pakistan Investment Bonds - note 16.1
National Savings Certificates - note 16.2

Available-for-sale:

Units of mutual funds

1,157,286	48,750,672	28,969,399	78,877,357	-
272,668,000	207,000,000	-	479,668,000	-
56,702,368	171,276,835	-	227,979,203	-
<u>330,527,654</u>	<u>427,027,507</u>	<u>28,969,399</u>	<u>786,524,560</u>	<u>-</u>

16.1 These carry mark-up at coupon rates ranging from 9.25% to 11.5% (2017: 9.25% to 11.5%) per annum.

16.2 These carry mark-up at rate of 7.4% (2017: 7.4%) per annum.

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17.	Cash and bank balances	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2018 Total Rupees	2017 Total Rupees
	Cash in hand	677,805	-	-	-	-	677,805	465,765
	- US\$ 2,839.97 (2017: US\$ 2,146)							
	- PKR 333,029 (2017: PKR 240,875)							
	Balances at bank							
	In current accounts	43,042,447	-	3,462,365	6,112	95,813,264	142,324,188	118,366,682
	- US\$ 102,254.54 (2017: US\$ 100,051.09)							
	- PKR 129,910,356 (2017: PKR 107,881,329)							
	In savings accounts	126,354,105	16,334,442	135,946,005	2,981,962	190,312,758	471,929,272	417,195,492
	- US\$ 242,292.30 (2017: US\$ 748,322.48)							
	- Euro 0.95 (2017: Euro 0.5)							
	- JPY 1.53 (2017: JPY 1.53)							
	- PKR 442,514,601 (2017: PKR 338,767,932)							
		<u>170,074,357</u>	<u>16,334,442</u>	<u>139,408,370</u>	<u>2,988,074</u>	<u>286,126,022</u>	<u>614,931,265</u>	<u>536,027,939</u>

17.1 Included in savings accounts are Rs 30.033 million (2017: Rs 30.033 million) which are under lien against bank guarantee and letters of credit as referred to in note 20.1.

17.2 Furthermore, included in savings accounts is an amount of Rs 4.120 million (2017: Rs 3.715 million) in an escrow account with MCB Bank Limited (MCB). Under the terms of agreement between MCB and LUMS, the University has deposited 6% of each tranche of the finance extended by MCB to students of the University. MCB has the right to utilize this amount for the purpose of recovery in case of default by any student.

18.	Creditors, accrued and other liabilities	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2018 Total Rupees	2017 Total Rupees
	Advance tuition and other fees	592,311,665	-	-	-	-	592,311,665	616,715,305
	Creditors	50,485,784	88,864	34,136	-	8,282,674	58,891,458	4,144,107
	Accrued liabilities	48,686,018	74,349	3,874,168	5,192	5,121,699	57,761,426	42,157,234
	Payable against executive development programmes	29,323,788	-	-	-	-	29,323,788	18,397,360
	Payable to student societies	2,689,119	-	-	-	15,029,507	17,718,626	14,672,992
	Provident fund payable	14,521,152	-	-	-	-	14,521,152	-
	Employee fund payable	8,845,033	-	-	-	-	8,845,033	9,258,984
	Current portion of long term security deposits	37,341,798	-	-	-	-	37,341,798	37,226,286
	Other liabilities	28,937,173	947,607	27,249	-	1,430,350	31,342,379	35,923,046
		<u>813,141,530</u>	<u>1,110,820</u>	<u>3,935,553</u>	<u>5,192</u>	<u>29,864,230</u>	<u>848,057,325</u>	<u>778,495,314</u>

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

20. Contingencies and commitments

20.1 Contingencies

(i) University has provided bank guarantee of Rs 18.0 million (2017: Rs 18.0 million) in favour of Sui Northern Gas Pipelines Limited (SNGPL) on account of payment of gas dues, Rs 0.802 million (2017: Rs 0.802 million) to Pakistan State Oil Company Limited (PSO) on account of fuel cards and Rs 8.50 million to Oursun Solar Power Limited (2017: Rs 8.50 million) on account of any damage to solar power panels installed at LUMS. These guarantees have been secured by lien on savings account balance as mentioned in note 16.1, for an amount equal to 110% of the amount of guarantee.

(ii) Walton Cantonment Board has levied property tax on buildings under LUMS occupation amounting to Rs 1,425.784 million for the period 1993-94 to 2017-18. LUMS has contended the assessment on account of exemption available to it under the Cantonment Act, 1924 and has filed an appeal before the Director General, Military Lands and Cantonment, Rawalpindi. Pending the outcome of the appeal, no provision has been made in these financial statements for the demand aggregating to Rs 1,425.784 million (2017: Rs 1,036.235 million) since in the management and its legal counsel's view, the outcome of the appeal is expected to be favourable.

20.2 Commitments

Commitments in respect of contracts for capital expenditure amount to Rs 32.655 million (2017: Rs 33.11 million), whereas outstanding letters of credit amount to Nil (2017: Rs 142.9 million).

21. Direct grants for scholarship projects include the grant of UKAID-DFID for the Empowerment Through Education Initiative project. The details are as follows:

		2018 UKAID - DFID Rupees	2017 UKAID - DFID Rupees
Total receipts during the year	note 21.1	<u>220,421,663</u>	<u>259,998,886</u>
Operating expenditure		<u>(193,801,271)</u>	<u>(276,191,283)</u>
Capital expenditure		<u>(155,112)</u>	<u>(55,105)</u>

21.1 Agreement with UKAID-DFID has ended, subsequent to the year end.

22. Contributions

These are from the following major sources:

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2018 Total Rupees	2017 Total Rupees (restated)
Government		-	67,574,689	-	402,074,740	-	469,649,429	166,861,683
Foundations	87,127,634		161,321,552	-	199,026,115	-	447,475,301	188,914,308
Corporate		76,000	80,849,354	-	116,292,255	-	197,217,609	114,506,855
Individuals		21,263,545	27,472,804	-	700,000	-	49,436,349	33,158,212
Other Not-For-Profit organizations		-	223,006,706	-	42,203,095	19,026,922	284,236,723	390,390,735
	<u>87,127,634</u>	<u>21,339,545</u>	<u>560,225,105</u>	<u>-</u>	<u>760,296,205</u>	<u>19,026,922</u>	<u>1,448,015,411</u>	<u>893,831,793</u>

23. Miscellaneous income

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2018 Total Rupees	2017 Total Rupees (restated)
Hostel and faculty apartment income	207,988,200	-	-	-	-	207,988,200	192,960,735
Cafeteria income	137,195,838	-	-	-	-	137,195,838	130,638,313
Liabilities written back	1,893,754	-	-	-	-	1,893,754	4,250,621
Test and processing fee	30,022,011	-	-	-	-	30,022,011	23,550,459
Sponsored projects income	90,346,507	-	-	-	-	90,346,507	32,876,301
Societies sponsorship income	1,388,007	-	-	-	37,097,906	38,485,913	44,542,649
Rental income	16,716,358	-	-	-	-	16,716,358	13,629,434
Other income	89,809,540	58,514	342,351	13,691,653	8,149,847	112,051,905	79,137,498
	<u>575,360,215</u>	<u>58,514</u>	<u>342,351</u>	<u>13,691,653</u>	<u>45,247,753</u>	<u>634,700,486</u>	<u>521,586,010</u>

24. Return on investments and term deposits

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2018 Total Rupees	2017 Total Rupees
Interest earned on savings accounts	29,917,512	2,729,291	316,814	312,155	-	33,275,772	34,374,915
Interest earned on investments	91,034,981	78,670,785	-	4,472,991	-	174,178,757	139,929,804
Dividend earned on investments	346,996	2,414,376	-	-	-	2,761,372	19,185,372
(Loss)/gain on disposal of available-for-sale investments	(859,796)	(999,769)	-	-	-	(1,859,565)	11,727,053
(Loss)/gain on disposal of investments	(20,188,743)	(13,790,327)	-	-	-	(33,979,070)	242,741,302
	<u>100,250,950</u>	<u>69,024,356</u>	<u>316,814</u>	<u>4,785,146</u>	<u>-</u>	<u>174,377,266</u>	<u>447,958,446</u>

Off

25. Inter-fund transfers

		Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2018 Total Rupees	2017 Total Rupees
Transfer (from)/to funds - last year's surplus	- note 25.1	(207,000,000)	207,000,000	-	-	-	-	-
		<u>(207,000,000)</u>	<u>207,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

27. Cash and cash equivalents

		2018 Rupees	2017 Rupees
Cash and bank balances	- note 17	614,931,265	536,027,939
Term deposit receipts		500,000,000	300,000,000
Treasury bills		197,178,400	-
		<u>1,312,109,665</u>	<u>836,027,939</u>

28. Remuneration of key management personnel

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

	2018 Rupees	2017 Rupees
Remuneration	46,284,700	37,612,408
Housing rent	20,828,118	16,925,607
Medical expenses	4,628,475	3,008,988
Utilities	4,628,475	3,761,241
Other allowances	24,965,042	24,495,908
	<u>101,334,810</u>	<u>85,804,152</u>

Off

29. Transactions with related parties

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

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

		2018 Rupees	2017 Rupees
Relationship with the University	Nature and transaction		
Employee benefit plan	Provident fund contribution	69,639,828	58,347,330
Controlling organization	Grant received from TCCEC transferred to NMF	21,000,000	20,880,000
Controlling organization	Contribution for buildings and equipment to National Management Foundation	294,854,456	307,964,015
Controlling organization	Payments made on behalf of NMF to be recovered	2,359,015	970,825
Significantly influenced organizations	Donations received	13,000,000	12,490,000
Significantly influenced organizations	Services received	29,080,369	26,666,685
Significantly influenced organizations	Services provided	11,971,800	7,240,666
Significantly influenced organizations	Goods purchased	2,237,267	1,417,002
Significantly influenced organizations	Fixed assets purchased	13,891,690	4,794,696
Significantly influenced organizations	Expenses incurred by LUMS on behalf of related party	12,376,900	-
Relationship with the University	Nature and balance		
Employee benefit plan	Provident fund payable/(receivable)	14,521,152	(249,563)
Significantly influenced organizations	(Receivable)/payable in respect of services availed	(151,260)	1,224,394

The above transactions have been conducted in the normal course of business on fair value.

30. Financial risk management

30.1 Financial risk factors

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

Risk management is carried out by the Management Committee (the Committee). The Committee provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

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

(a) Market risk

(i) Currency risk

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

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

	2018 USD	2017 USD
Cash and bank balances	344,547	850,519
Short term investments	2,500,000	2,500,000
Accrued return on short term investments	5,783	22,377
Trade creditors	(4,230)	(9,161)
Net asset exposure	<u>2,846,100</u>	<u>3,363,735</u>

At June 30, 2018, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, surplus for the year would have been Rs 34.552 million (2017: Rs 35.152 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US Dollar-denominated financial assets and liabilities.

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

(ii) Other price risk

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

The University is exposed to equity securities price risk because of investments held by the University and classified as available-for-sale. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Committee. The primary goal of the University's investment strategy is to maximise investment returns.

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

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

Impact on surplus for the year		Impact on other components of fund balance	
2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
-	-	2,686,464	3,423,085

Surplus for the year would increase / decrease as a result of gains / losses on equity securities classified as at fair value through profit or loss. Other components of fund balance would increase / decrease as a result of gains / losses on equity securities classified as available-for-sale. As at June 30, 2018, the University had no investments classified as at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk

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

As the University has no significant floating interest rate instruments, the University's income is substantially independent of changes in market interest rates.

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

	2018 Rupees	2017 Rupees
Fixed rate instruments:		
Financial assets		
Bank balances - savings accounts	471,929,272	417,195,492
Investments	2,902,888,065	1,194,187,100
	<u>3,374,817,337</u>	<u>1,611,382,592</u>
Financial liabilities	-	-
	<u>3,374,817,337</u>	<u>1,611,382,592</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(b) Credit risk

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

(i) Exposure to credit risk

The University monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets exposed to credit risk and which are neither past due nor impaired are as under:

	2018 Rupees	2017 Rupees
Investments	2,162,108,660	2,000,746,383
Long term loans, advances and security deposits	56,491,197	56,486,259
Loans, advances, deposits and other receivables	121,669,388	88,290,707
Balances with banks	614,253,460	535,562,174
	<u>2,954,522,705</u>	<u>2,681,085,523</u>

The aging analysis of fee receivable from students that are past due and not impaired is as follows:

Up to 90 days	2,561,003	46,818
91 to 180 days	-	-
181 to 365 days	547,854	17,700
Above 365 days	2,079,016	5,975,781
	<u>5,187,873</u>	<u>6,040,299</u>

(ii) Credit quality of financial assets

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

	Rating Short term	Long term	Rating Agency	2018 Rupees	2017 Rupees
Bank balances and deposits:					
Allied Bank Limited	A1+	AAA	PACRA	279,285,744	324,046,093
Faysal Bank Limited	A1+	AA	PACRA	328,883,645	220,807,186
Askari Bank Limited	A+	AA+	PACRA	127,617,742	109,592,603
Bank Alfalah Limited	A+	AA+	PACRA	72,588,301	111,631,282
JS Bank Limited	A1+	AA-	PACRA	333,340,208	445,248
MCB Bank Limited	A1+	AAA	PACRA	31,472,562	6,880,450
United Bank Limited	A-1+	AAA	JCR-VIS	9,781,236	2,978,722
Meezan Bank Limited	A-1+	AA+	JCR-VIS	489,108,464	300,686,768
Habib Bank Limited	A-1+	AAA	JCR-VIS	8,434,919	11,515,817
Standard Chartered Bank Pakistan Limited	A1+	AAA	PACRA	6,079,318	111,308
National Bank of Pakistan	A1+	AAA	PACRA	2,590,659	7,777,204
NRSP Microfinance Bank Limited	A1	A	PACRA	50,437,351	-
Al Baraka Bank Limited	A1	A	PACRA	87,888	86,139
Habib Metropolitan Bank Limited	A+	AA+	PACRA	200,015,226	300,003,354
Mobilink Microfinance Bank Limited	A1	A	PACRA	50,007,364	-
Telenor Microfinance Bank Limited	A1	A+	PACRA	50,003,093	-
				<u>2,039,733,720</u>	<u>1,396,562,174</u>

Units of mutual funds:

ABL Islamic Stock Fund	-	AM2++	JCR-VIS	8,771,308	34,777,252
ABL Stock Fund	-	AM2+	JCR-VIS	13,123,917	51,709,406
Alfalah GHP Income Fund	-	A+(f)	PACRA	-	60,968,788
Alfalah GHP Income Multiplier Fund	-	A+(f)	PACRA	-	54,476,289
Alfalah GHP Islamic Stock Fund	3-Star	AM2+	PACRA	65,779,586	103,342,392
Alfalah GHP Stock Fund	4star	AM2+	PACRA	72,409,083	124,496,721
Alhamra Islamic Stock Fund	3 star	4 star	PACRA	33,856,296	51,704,544
MCB Pakistan Stock Market Fund	3 star	3 star	PACRA	53,367,346	77,543,071
Meezan Strategic Allocation Fund (MSAP I)	-	AM1	JCR-VIS	54,297,536	62,247,331
NAFA Islamic Stock Fund	4 star	AM1	PACRA	44,623,056	68,779,561
NAFA Money Market Fund	4 star	AA(f)	PACRA	87,601,183	65,522,863
NAFA Stock Fund	4-Star	4-Star	PACRA	39,740,420	93,226,272
UBL Al Ameen Shariah Stock Fund	-	AM1	JCR-VIS	56,292,541	86,301,748
UBL Stock Advantage Fund	-	AM1	JCR-VIS	85,481,684	128,192,804
Alfalah GHP IPPF Islamic Active Allocation Plan	-	AM2+	JCR-VIS	60,276,932	65,772,953
HBL Cash Fund	-	AA(f)	JCR-VIS	11,112	-
				<u>675,632,000</u>	<u>1,129,061,995</u>

(c) Liquidity risk

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

The University's approach to managing liquidity is to ensure that, as far as possible, it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable loss or risking damage to the University's reputation.

The following are the contractual maturities of financial liabilities as at June 30, 2018 and June 30, 2017:

At June 30, 2018

	Carrying value Rupees	Less than 1 year Rupees	Between 1 and 2 years Rupees	3 to 5 years Rupees
Long term security deposits	57,737,900	-	51,819,200	5,918,700
Creditors, accrued and other liabilities	248,004,817	248,004,817	-	-
	<u>305,742,717</u>	<u>248,004,817</u>	<u>51,819,200</u>	<u>5,918,700</u>

At June 30, 2017

	Carrying value Rupees	Less than 1 year Rupees	Between 1 and 2 years Rupees	3 to 5 years Rupees
Long term security deposits	45,888,900	-	43,101,000	2,787,900
Loan from National Management Foundation	38,500,445	38,500,445	-	-
Creditors, accrued and other liabilities	153,893,424	153,893,424	-	-
Due to National Management Foundation	17,618,378	17,618,378	-	-
	<u>255,901,147</u>	<u>210,012,247</u>	<u>43,101,000</u>	<u>2,787,900</u>

30.2 Fair value estimation

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the University is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is determined on the basis of objective evidence at each reporting date.

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

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

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

As at June 30, 2018

	Level 1	Level 2	Level 3	Total
	Rupees			
<i>Recurring fair value measurements</i>				
Assets				
Investments - Available-for-sale	702,496,640	-	-	702,496,640
Total assets	<u>702,496,640</u>	<u>-</u>	<u>-</u>	<u>702,496,640</u>
Liabilities				
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at June 30, 2017

<i>Recurring fair value measurements</i>				
Assets				
Investments - Available-for-sale	1,163,292,840	-	-	1,163,292,840
Total assets	<u>1,163,292,840</u>	<u>-</u>	<u>-</u>	<u>1,163,292,840</u>
Liabilities				
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Movement in the fair value reserve has been disclosed in the statement of changes in fund balances. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the years.

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

30.3 Financial instruments by categories

	Held to maturity	Available-for-sale	Loans and receivables	Total
As at June 30, 2018	(Rupees)			
Assets as per balance sheet				
Investments	721,684,048	474,517,437	-	1,196,201,485
Long term loans, advances and security deposits	-	-	56,491,197	56,491,197
Loans, advances, deposits and other receivables	-	-	121,669,388	121,669,388
Short term investments	2,181,204,017	227,979,203	-	2,409,183,220
Cash and bank balances	-	-	614,931,265	614,931,265
Due from National Management Foundation	-	-	1,708,718	1,708,718
	<u>2,902,888,065</u>	<u>702,496,640</u>	<u>794,800,568</u>	<u>4,400,185,273</u>

	Held to maturity	Available-for-sale	Loans and receivables	Total
As at June 30, 2017	(Rupees)			
Assets as per balance sheet				
Investments	1,194,187,100	1,163,292,840	-	2,357,479,940
Long term loans, advances and security deposits	-	-	56,486,259	56,486,259
Loans, advances, deposits and other receivables	-	-	88,290,707	88,290,707
Short term investments	865,685,588	-	-	865,685,588
Cash and bank balances	-	-	536,027,939	536,027,939
	<u>2,059,872,688</u>	<u>1,163,292,840</u>	<u>680,804,905</u>	<u>3,903,970,433</u>

	Financial liabilities at amortized cost	
	2018	2017
	(Rupees)	
Liabilities as per balance sheet		
Long term security deposits	57,737,900	45,888,900
Loan from National Management Foundation	-	38,500,445
Creditors, accrued and other liabilities	248,004,817	153,893,424
Due to National Management Foundation	-	17,618,378
	<u>305,742,717</u>	<u>255,901,147</u>

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30.4 Offsetting financial assets and financial liabilities

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

31. Date of authorization

These financial statements were authorized for issue on 07 Dec 18 by the Board of Trustees of the University.

A handwritten signature in black ink, appearing to be 'A.H.', located to the left of the authorization text.


Member of Management Committee


Chief Financial Officer