



## INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES

### Opinion

We have audited the financial statements of Lahore University of Management Sciences (the 'University'), which comprise the balance sheet as at June 30, 2017, 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, 2017, 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.

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### **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 8, 2017**

**Name of the engagement partner:** Khurram Akbar Khan

# LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

## BALANCE SHEET AS AT JUNE 30, 2017

Note	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2017 Total Rupees	2016 Total Rupees (restated)	2015 Total Rupees (restated)
<b>Fund balance:</b>									
Accumulated surplus of income over expenditure	1,312,009,542	1,401,983,716	57,287,498	53,931,871	246,196,103	955,117,237	4,026,525,967	3,433,042,861	3,068,268,493
Unrealised (loss)/gain on available-for-sale investments	(3,194,259)	19,758,382	-	-	-	-	16,564,123	36,573,442	20,676,509
	<u>1,308,815,283</u>	<u>1,421,742,098</u>	<u>57,287,498</u>	<u>53,931,871</u>	<u>246,196,103</u>	<u>955,117,237</u>	<u>4,043,090,090</u>	<u>3,469,616,303</u>	<u>3,088,945,002</u>
<b>Represented by</b>									
<b>Non - current assets</b>									
Operating fixed assets	5	-	-	-	-	927,070,294	927,070,294	961,106,483	957,096,120
Intangible assets	6	-	-	-	-	55,975,616	55,975,616	37,280,526	31,127,038
Capital work-in-progress	7	2,579,331	-	-	6,731,309	-	9,310,640	30,653,601	6,562,074
Investments	8	1,131,559,808	1,195,022,735	-	30,897,397	-	2,357,479,940	1,966,791,469	1,673,677,871
Long term loans, advances and security deposits	9	56,233,477	4,138,028	2,158,713	-	-	62,530,218	57,239,918	62,407,321
		<u>1,190,372,616</u>	<u>1,199,160,763</u>	<u>2,158,713</u>	<u>30,897,397</u>	<u>983,045,910</u>	<u>3,412,366,708</u>	<u>3,053,071,997</u>	<u>2,730,870,424</u>
<b>Less: Non - current liabilities</b>									
Accumulating compensated absences	10	40,942,522	-	-	-	-	40,942,522	31,622,184	29,499,841
Long term security deposits	11	45,888,900	-	-	-	-	45,888,900	43,032,000	41,796,000
Deferred income	12	-	-	-	-	27,928,673	27,928,673	29,469,549	40,970,708
Loan from National Management Foundation (NMF)	13	-	-	-	-	-	-	35,016,320	-
		<u>86,831,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,928,673</u>	<u>114,760,095</u>	<u>139,140,053</u>	<u>112,266,549</u>
		<u>1,103,541,194</u>	<u>1,199,160,763</u>	<u>2,158,713</u>	<u>30,897,397</u>	<u>955,117,237</u>	<u>3,297,606,613</u>	<u>2,913,931,944</u>	<u>2,618,603,875</u>
<b>Current assets</b>									
Stores		16,803,897	-	-	-	-	16,803,897	13,973,278	15,641,076
Loans, advances, deposits, prepayments and other receivables	14	119,939,824	31,494,506	872,736	1,747,961	7,525,163	161,580,190	164,524,079	206,771,078
Short term investments	15	780,353,910	85,331,678	-	-	-	865,685,588	207,007,394	100,500,000
Cash and bank balances	16	50,500,856	105,937,508	118,307,766	21,295,818	239,985,991	536,027,939	901,083,548	688,254,959
		<u>967,598,487</u>	<u>222,763,692</u>	<u>119,180,502</u>	<u>23,043,779</u>	<u>247,511,154</u>	<u>1,580,097,614</u>	<u>1,286,588,299</u>	<u>1,011,167,113</u>
<b>Less: Current liabilities</b>									
Short term running finance		-	-	-	-	-	-	-	2,855,433
Creditors, accrued and other liabilities	17	766,686,748	182,357	3,570,544	9,305	8,046,360	778,495,314	708,417,161	516,619,828
Due to National Management Foundation		17,618,378	-	-	-	-	17,618,378	22,486,779	21,350,725
Current maturity of loan from NMF	13	38,500,445	-	-	-	-	38,500,445	-	-
		<u>822,805,571</u>	<u>182,357</u>	<u>3,570,544</u>	<u>9,305</u>	<u>8,046,360</u>	<u>834,614,137</u>	<u>730,903,940</u>	<u>540,825,986</u>
<b>Net current assets</b>		<u>144,792,916</u>	<u>222,581,335</u>	<u>115,609,958</u>	<u>23,034,474</u>	<u>239,464,794</u>	<u>745,483,477</u>	<u>555,684,359</u>	<u>470,341,127</u>
Due to/(from)	18	60,481,173	-	(60,481,173)	-	-	-	-	-
<b>CONTINGENCIES AND COMMITMENTS</b>	19								
<b>Net assets</b>		<u>1,308,815,283</u>	<u>1,421,742,098</u>	<u>57,287,498</u>	<u>53,931,871</u>	<u>246,196,103</u>	<u>4,043,090,090</u>	<u>3,469,616,303</u>	<u>3,088,945,002</u>

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

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Member of Management Committee

Head of Finance and Accounts



# LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2017

	Note	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2017 Total Rupees	2016 Total Rupees (restated)
<b>Income</b>									
Direct grants		-	-	433,952,603	-	208,777,279	9,295,398	652,025,280	663,717,858
Tuition fee and other income									
Tuition fee		2,291,956,707	-	-	-	-	-	2,291,956,707	2,068,394,164
Other fees		254,738,275	-	-	-	-	-	254,738,275	229,199,100
Consultancy fee		-	-	-	-	25,092,711	-	25,092,711	30,990,850
Executive development programmes		243,367,486	-	-	-	-	-	243,367,486	228,924,545
Miscellaneous income	21	502,833,285	-	120,000	7,566,621	6,937,641	-	517,457,547	445,168,480
Return on investments and term deposits	22	230,684,482	208,641,931	2,264,952	6,367,081	-	-	447,958,446	207,702,335
		3,523,580,235	208,641,931	2,384,952	13,933,702	32,030,352	-	3,780,571,172	3,210,379,474
Total income for the year		3,523,580,235	208,641,931	436,337,555	13,933,702	240,807,631	9,295,398	4,432,596,452	3,874,097,332
<b>Expenditure</b>									
Salaries, wages and amenities		1,617,940,008	960,319	13,099,201	6,579,670	66,897,540	-	1,705,476,738	1,528,296,574
Training		11,530,128	-	-	-	5,552,873	-	17,083,001	16,330,660
Fuel and power		208,543,191	-	-	-	-	-	208,543,191	206,807,394
Telephone and postage		6,844,779	40,872	263,499	-	286,057	-	7,435,207	7,909,721
Contribution for buildings and equipment		311,118,864	-	-	-	-	-	311,118,864	273,266,916
Foreign travel and recruitment		36,560,671	198,498	-	-	11,524,094	-	48,283,263	44,618,091
Travelling and vehicle running expenses		20,737,926	90,700	1,926,426	38,070	11,110,928	-	33,904,050	32,622,057
Cafeteria expenses		113,060,545	71,501	2,869,382	-	2,110,851	-	118,112,279	110,091,861
Rent expense		-	-	-	-	4,478,392	-	4,478,392	7,476,375
Rausing Executive Development Center (REDC) facility expenses		-	-	-	-	2,736,000	-	2,736,000	58,500
Repairs and maintenance		12,734,977	-	2,400	-	7,000	-	12,744,377	11,568,002
Advertisement and open house programme		62,629,387	10,000	3,315,080	-	1,039,619	-	66,994,086	61,447,656
Subscriptions		18,577,371	-	-	37,588	248,613	-	18,863,572	15,808,893
Research and case development		69,733,688	3,423,212	800,000	14,000	76,515,074	-	150,485,974	104,467,050
Convocation expenses		12,134,943	-	-	-	-	-	12,134,943	9,393,472
Printing, stationery and office supplies		129,959,857	577,313	1,179,297	-	14,757,118	-	146,473,585	142,419,874
Software consumables		55,683,853	-	-	-	180,500	-	55,864,353	58,697,584
Insurance		10,059,455	-	-	-	-	-	10,059,455	9,061,248
Scholarships and tuition fee waiver		103,245,787	73,777,726	375,439,458	-	1,539,666	-	554,002,637	454,904,625
PhD living allowance		86,738,139	1,779,750	-	-	2,540,400	-	91,058,289	60,163,100
Higher Education Commission scholarship		-	-	39,399,360	-	-	-	39,399,360	10,775,800
Legal and professional charges		14,806,506	-	249,751	-	84,000	-	15,140,257	44,847,661
Estate management		269,336	-	-	-	-	-	269,336	290,465
Internet charges		41,953,118	-	-	-	70,206	-	42,023,324	40,086,461
Depreciation on operating fixed assets		-	-	-	-	-	267,559,684	267,559,684	267,220,657
Amortization of intangible assets		-	-	-	-	-	18,206,510	18,206,510	13,651,408
Consultancy projects		1,999	-	-	-	7,902,608	-	7,904,607	26,683,971
Sports and student activities		51,650,417	624,468	1,029,685	-	12,500	-	53,317,070	49,307,085
Provision for doubtful receivables		6,666,862	135,850	-	-	-	-	6,802,712	12,664,144
Bad debts and advances written off		6,156,884	-	-	-	-	-	6,156,884	3,740,993
Exchange loss		19,297,183	-	-	-	-	-	19,297,183	7,620,702
Discounting cost on loan from National Management Foundation (NMF)		3,484,125	-	-	-	-	-	3,484,125	2,055,326
Finance cost		2,075,203	6,098	69	-	2,081	-	2,083,451	3,426,373
Miscellaneous		3,086,684	76,350	-	986,951	29,274,904	106,671	33,531,560	72,349,694
		3,037,281,886	81,772,657	439,573,608	7,656,279	238,871,024	285,872,865	4,091,028,319	3,710,130,393
<b>Surplus/(deficit) of income over expenditure before taxation</b>		486,298,349	126,869,274	(3,236,053)	6,277,423	1,936,607	(276,577,467)	341,568,133	163,966,939
Provision for taxation		-	-	-	-	-	-	-	-
<b>Surplus/(deficit) of income over expenditure after taxation</b>		486,298,349	126,869,274	(3,236,053)	6,277,423	1,936,607	(276,577,467)	341,568,133	163,966,939

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

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Member of Management Committee

Head of Finance and Accounts



# LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2017

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2017 Total Rupees	2016 Total Rupees (restated)
Surplus/(deficit) of income over expenditure after taxation	486,298,349	126,869,274	(3,236,053)	6,277,423	1,936,607	(276,577,467)	341,568,133	163,966,939
<b>Other comprehensive income/(loss):</b>								
<i>Items that may be reclassified subsequently to income and expenditure account:</i>								
Fair value (loss)/gain on remeasurement of available-for-sale investments	(3,784,833)	(4,497,433)	-	-	-	-	(8,282,266)	15,896,933
<i>Items that will not be reclassified subsequently to income and expenditure account:</i>								
Accumulated fair value gain on available-for-sale investments disposed of transferred to income and expenditure account	(3,909,513)	(7,817,540)	-	-	-	-	(11,727,053)	-
Other comprehensive income/(loss) for the year	(7,694,346)	(12,314,973)	-	-	-	-	(20,009,319)	15,896,933
<b>Total comprehensive income/(loss) for the year</b>	<u>478,604,003</u>	<u>114,554,301</u>	<u>(3,236,053)</u>	<u>6,277,423</u>	<u>1,936,607</u>	<u>(276,577,467)</u>	<u>321,558,814</u>	<u>179,863,872</u>

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

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LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2017

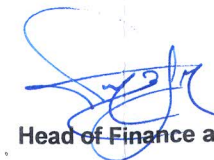
	Current Fund			Endowment Fund			Scholarship Fund	Chair Fund	Sponsored Projects	Fixed Assets Fund	Grand Total
	Unrealised gain/(loss) on investments	Accumulated surplus of income over expenditure Rupees	Total	Unrealised gain/(loss) on investments	Accumulated surplus of income over expenditure Rupees	Total	Accumulated surplus of income over expenditure Rupees	Accumulated surplus of income over expenditure Rupees	Accumulated surplus of income over expenditure Rupees	Accumulated surplus of income over expenditure Rupees	
Balance as at July 1, 2015 as previously reported	-	1,238,580,746	1,238,580,746	-	710,455,898	710,455,898	29,170,545	49,200,532	93,608,322	947,252,450	3,068,268,493
Effect of restatement as referred to in note 2.3	416,261	-	416,261	20,260,248	-	20,260,248	-	-	-	-	20,676,509
Balance as at July 1, 2015 - restated	416,261	1,238,580,746	1,238,997,007	20,260,248	710,455,898	730,716,146	29,170,545	49,200,532	93,608,322	947,252,450	3,088,945,002
Surplus/(deficit) of income over expenditure after taxation	-	361,229,055	361,229,055	-	50,361,066	50,361,066	(11,919,281)	2,391,723	31,064,282	(269,159,906)	163,966,939
Other comprehensive income for the year - restated	4,083,826	-	4,083,826	11,813,107	-	11,813,107	-	-	-	-	15,896,933
Total comprehensive income/(loss) for the year	4,083,826	361,229,055	365,312,881	11,813,107	50,361,066	62,174,173	(11,919,281)	2,391,723	31,064,282	(269,159,906)	179,863,872
Restricted funds received during the year	23	-	-	-	42,163,744	42,163,744	389,689,337	9,121,010	411,600,899	-	852,574,990
Transfer of restricted funds to income and expenditure account	-	-	-	-	-	-	(339,607,770)	(2,007,443)	(310,152,348)	-	(651,767,561)
Transfer (from)/to funds	-	(250,000,000)	(250,000,000)	-	250,000,000	250,000,000	-	-	-	-	-
Transfer of fixed assets additions (from)/to funds	-	(256,620,785)	(256,620,785)	-	(342,144)	(342,144)	(168,500)	(7,113,567)	(29,728,624)	293,973,620	-
Transfer of fixed assets disposals to/(from) funds	-	3,148,704	3,148,704	-	-	-	-	-	-	(3,148,704)	-
Balance as at June 30, 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	968,917,460	3,469,616,303
Surplus/(deficit) of income over expenditure after taxation	-	486,298,349	486,298,349	-	126,869,274	126,869,274	(3,236,053)	6,277,423	1,936,607	(276,577,467)	341,568,133
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)	126,869,274	114,554,301	(3,236,053)	6,277,423	1,936,607	(276,577,467)	321,558,814
Restricted funds received during the year	23	-	-	-	142,068,988	142,068,988	452,364,441	-	332,241,778	-	926,675,207
Transfer of restricted funds to income and expenditure account	-	-	-	-	-	-	(433,952,603)	-	(240,807,631)	-	(674,760,234)
Transfer (from)/to funds	24	(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	25	(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	(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	955,117,237	4,043,090,090

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

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Member of Management Committee



Head of Finance and Accounts



# LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
<b>Cash flow from operating activities</b>		
Surplus of income over expenditure before taxation	341,568,133	163,966,939
<b>Adjustment for non cash charges and other items:</b>		
Depreciation on operating fixed assets	267,559,684	267,220,657
Amortization on intangible assets	18,206,510	13,651,408
Loss/(gain) on disposal of operating fixed assets	1,913,463	(3,052,019)
Discounting cost on loan from NMF	3,484,125	2,055,326
Finance cost	2,083,451	3,426,373
Provision for passage fare assistance	47,410,340	41,349,548
Provision for doubtful debts	6,802,712	12,664,144
Bad debts and advances written off	6,156,884	3,740,993
Provision for accumulating compensated absences	15,239,640	17,506,214
Exchange loss	19,297,183	7,620,702
Return on investments and term deposits	(447,958,446)	(207,702,335)
Gain on initial recognition of loan from NMF	-	(6,895,916)
Amortization of deferred income	(9,295,398)	(11,712,159)
<b>(Deficit)/surplus before working capital changes</b>	<b>(69,099,852)</b>	<b>139,872,936</b>
<b>Effect on cash flow due to working capital changes:</b>		
(Increase)/decrease in stores	(2,830,619)	1,667,798
(Increase)/decrease in loans, advances, deposits prepayments and other receivables	(35,136,260)	17,645,722
(Decrease)/increase in due to NMF	(4,868,401)	1,136,054
Increase in creditors, accrued and other liabilities	70,142,824	191,188,723
	<b>27,307,544</b>	<b>211,638,297</b>
<b>Cash generated from operations</b>	<b>299,775,825</b>	<b>515,478,172</b>
Finance cost paid	(2,083,451)	(3,426,373)
Payment of accumulating compensated absences	(5,919,302)	(15,383,871)
Payment of passage fare assistance	(47,475,011)	(40,740,938)
Increase in long term loans, advances and security deposits	(2,433,400)	(4,985,543)
	<b>(57,911,164)</b>	<b>(64,536,725)</b>
<b>Net cash generated from operating activities</b>	<b>241,864,661</b>	<b>450,941,447</b>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(244,917,778)	(318,065,147)
Proceeds from disposal of operating fixed assets	1,676,703	6,200,723
Return on investments and term deposits received	441,937,621	208,277,773
Proceeds from maturity of investments	739,417,124	614,831,100
Proceeds from disposal of investments	2,681,556,723	498,739,882
Purchase of investments	(4,178,505,636)	(1,485,906,095)
<b>Net cash used in investing activities</b>	<b>(558,835,243)</b>	<b>(475,921,764)</b>
<b>Cash flow from financing activities</b>		
Restricted funds received from donors not utilized	251,914,973	200,807,429
Long term loan from NMF	-	39,856,910
<b>Net cash generated from financing activities</b>	<b>251,914,973</b>	<b>240,664,339</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(65,055,609)</b>	<b>215,684,022</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>901,083,548</b>	<b>685,399,526</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>836,027,939</b>	<b>901,083,548</b>

- note 26

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

  
Member of Management Committee

  
Head of Finance and Accounts



# LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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 in 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 four schools namely Suleman Dawood School of Business (SDSB), Mushtaq Ahmad Gurmani School of Humanities and Social Sciences (MGSHSS), Syed Babar Ali School of Science and Engineering (SBASSE) and Sheikh Ahmed Hassan School of Law (SAHSOL). The University is a Not-For-Profit organization 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.

The University's financial statements for the previous years were prepared in accordance with the Guideline for Accounting and Financial Reporting by Non-Government Organisations (NGOs)/Non-Profit Organisations (NPOs) (hereinafter referred to as the "Guideline") issued by ICAP. Effective July 1, 2016, the Guideline has been replaced by the Accounting Standard for NPOs that requires NPOs to follow prescribed accounting and reporting requirements for different classes of NPOs in addition to the Accounting Standard for NPOs. As per the classes of NPOs specified in the Accounting Standard for NPOs, the University is required to follow IFRS as applicable in Pakistan, in addition to the Accounting Standard for NPOs. Accordingly, these are the University's first annual financial statements prepared in accordance with the Accounting Standard for NPOs and IFRS as applicable in Pakistan. The change in the basis of preparation is treated as a change in accounting policy that has been applied retrospectively and the comparative information has been restated in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors", and its impact is disclosed in note 2.3.

Adoption of Accounting Standard for NPOs and IFRS has resulted in additional disclosure and presentation requirements that have been made in these financial statements. There is no effect of the transition on the surplus of income over expenditure for the year ended June 30, 2016 as previously reported under the Guideline, hence, its reconciliation has not been presented.

#### 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 01, 2016 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') 1 (Amendment), 'Presentation of financial statements'. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

- Notes – confirmation that the notes do not need to be presented in a particular order.



- Other comprehensive income arising from investments accounted for under the equity method – the share of other comprehensive income arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

- IAS 16 (Amendment), 'Property, plant and equipment, and IAS 38 (Amendment), 'Intangible assets'. The amendment to IAS 16 clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This amendment also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. IAS 38 now includes a rebuttable presumption that the amortization of intangible assets based on revenue is inappropriate. This presumption can be overcome if either:

- The intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or

- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

The University's current accounting treatment is already in line with the requirements of these standards.

## **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 entities having accounting periods beginning on or after July 1, 2017 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:

- IAS 7, 'Cashflow 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. It is unlikely that the amendment will have any significant impact on the University's financial statements.

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. 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 is yet to be notified by the SECP. 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.

- 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 Change in accounting policy**

As referred to in note 2.1 to these financial statements, the University has adopted the Accounting Standard for NPOs and IFRS as applicable in Pakistan. Previously, the University followed the Guideline. The following changes in accounting policy have taken place due to transition to the Accounting Standard for NPOs and IFRS as applicable in Pakistan:

Off



Previously, the University accounted for all its investments at cost. IAS 39, "Financial instruments: Recognition and measurement" require investments to be classified and accounted for according to the categories stated in note 4.13 and 4.14 depending upon the management's intention of holding them. Accordingly, the University has changed its accounting policy as referred to in note 4.13 and 4.14 and the effect of change in accounting policy is as follows:

	Rupees
<b>Effect on 2016</b>	
<b>Statement of comprehensive income presented</b>	
<b>Other comprehensive income</b>	
Recognition of fair value gain on remeasurement of available-for-sale investments	15,896,933
Increase in total comprehensive income for the year	<u>15,896,933</u>
<b>Balance sheet</b>	
Increase in non-current investments	<u>15,896,933</u>
Increase in unrealised gain on available-for-sale investments	15,896,933
Increase in fund balance	<u>15,896,933</u>
<b>Effect on 2015 and before</b>	
<b>Other comprehensive income</b>	
Recognition of fair value gain on remeasurement of available-for-sale investments	20,676,509
Increase in total comprehensive income for the year	<u>20,676,509</u>
<b>Balance sheet</b>	
Increase in non-current investments	<u>20,676,509</u>
Increase in unrealised gain on available-for-sale investments	20,676,509
Increase in fund balance	<u>20,676,509</u>

There is no effect of the change in accounting policy on the cash flow statement.

Had there been no change in the accounting policy, long term investments and fund balance as at June 30, 2017 would have been lower by Rs 16.564 million, surplus for the year would have been same and other comprehensive income for the year ended June 30, 2017 would have been higher by Rs 8.282 million respectively.

### 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 credited to this fund. It includes grants and donations for all four schools of the University.

#### 4.2 Endowment fund

This is a form of restricted fund which is held on trust to be retained for the benefit of the University as a capital fund, which is not utilized as income of the University. 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 received for this purpose are credited to the fund.

#### **4.4 Chair funds**

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

#### **4.5 Sponsored projects**

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

#### **4.6 Fixed assets fund**

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

#### **4.7 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 and depreciation**

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



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 disposed off. Impairment loss or its reversal, if any, is also charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated remaining useful life. 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 of operating fixed assets at least at each financial year end. Any change in estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation charge and impairment.

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. 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 other income when the University's right to receive payments is established.

Off



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**

Accounts payable and other amounts payable are initially recognized at fair value, which is normally the transaction cost and subsequently measured at amortised 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. 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 in the 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 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the University will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income and expenditure account over the period necessary to match with the costs that they are intended to compensate.

Off

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income and expenditure account on a straight-line basis over the expected lives of related assets.

#### **4.27 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 in the income and expenditure account 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 directly into the fund account. 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 directly into the fund account and are recognised when the ultimate collection is reasonably assured. Thereafter, an amount equivalent to that which has been disbursed as scholarship, is taken to the income and expenditure account.

##### **d) Chair fund**

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

##### **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 directly into the fund account. Thereafter, grants received are recognized in the income and expenditure account so as to match the amount received with the related costs which they are intended to compensate on a systematic basis.

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

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

##### **f) Fixed assets fund**

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

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.

#### **4.28 Expenses**

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

Off



5. Operating fixed assets

	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
<b>2017</b>	<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>	

Off

	Cost as at July 1, 2015 Rupees	Additions/ (deletions)/ adjustments Rupees	Cost as at June 30, 2016 Rupees	Accumulated depreciation as at July 01, 2015 Rupees	Depreciation/ (deletions)/ adjustments for the year Rupees	Accumulated depreciation as at June 30, 2016 Rupees	Book value as at June 30, 2016 Rupees	Annual rate of depreciation %
Furniture and fixtures	493,727,108	60,510,211 (1,455,994) (216,743)	552,564,582	200,851,203	97,881,373 (1,191,696) 7,578	297,548,458	255,016,124	30
Computers	482,906,842	63,801,893 (10,994,231) -	535,714,504	352,709,663	52,032,607 (10,667,271) (3,650)	394,071,349	141,643,155	33.3
Equipment	951,496,357	137,155,055 (6,252,769) 343,705	1,082,742,348	449,938,570	109,982,783 (5,273,528) 53,309	554,701,134	528,041,214	20
Vehicles	25,710,601	5,253,573 (5,823,650) -	25,140,524	15,117,242	2,248,587 (4,373,890) (14,726)	12,977,213	12,163,311	20
Books	83,788,228	7,658,992 (564,174) (2,117)	90,880,929	61,916,338	5,075,307 (435,729) 82,334	66,638,250	24,242,679	20
<b>2016</b>	<b>2,037,629,136</b>	<b>274,379,724 (25,090,818) 124,845</b>	<b>2,287,042,887</b>	<b>1,080,533,016</b>	<b>267,220,657 (21,942,114) 124,845</b>	<b>1,325,936,404</b>	<b>961,106,483</b>	

Off



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

6. Intangible assets

	Cost as at July 01, 2016 Rupees	Additions Rupees	Cost as at June 30, 2017 Rupees	Accumulated amortization as on July 01, 2016 Rupees	Amortization for the year Rupees	Accumulated amortization as on June 30, 2017 Rupees	Book value as at June 30, 2017 Rupees	Annual rate of amortization %
Computer software and license	151,542,736	36,901,600	188,444,336	114,262,210	18,206,510	132,468,720	55,975,616	33.3
2017	151,542,736	36,901,600	188,444,336	114,262,210	18,206,510	132,468,720	55,975,616	
2016	131,737,840	19,804,896	151,542,736	100,610,802	13,651,408	114,262,210	37,280,526	33.3

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

Off

7.	Capital work-in-progress	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2017 Total Rupees	2016 Total Rupees (restated)
	Advances for equipment	1,627,364	-	-	-	6,290,625	7,917,989	23,369,374
	Advances for computers	-	-	-	-	440,684	440,684	2,226,735
	Advances for books	-	-	-	-	-	-	-
	Advances for furniture and fixtures	786,519	-	-	-	-	786,519	-
	Intangible assets under development	165,448	-	-	-	-	165,448	5,057,492
		<u>2,579,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,731,309</u>	<u>9,310,640</u>	<u>30,653,601</u>

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

Opening balance							30,653,601	6,562,074
Additions during the year							109,858,980	160,037,869
							140,512,581	166,599,943
Transfers during the year							(131,201,941)	(135,946,342)
Closing balance							<u>9,310,640</u>	<u>30,653,601</u>

#### 8. Investments

##### Held to maturity:

Pakistan Investment Bonds	- note 8.1	55,740,412	536,280,620	-	30,897,397	-	622,918,429	611,074,234
Term finance certificates	- note 8.2	2,999,400	2,999,400	-	-	-	5,998,800	20,664,468
National savings certificates	- note 8.3	446,019,871	119,250,000	-	-	-	565,269,871	414,029,589
		<u>504,759,683</u>	<u>658,530,020</u>	<u>-</u>	<u>30,897,397</u>	<u>-</u>	<u>1,194,187,100</u>	<u>1,045,768,291</u>

##### Available-for-sale:

Shares of listed company		-	34,230,845	-	-	-	34,230,845	34,659,365
Units of mutual funds		626,800,125	502,261,870	-	-	-	1,129,061,995	886,363,813
		<u>626,800,125</u>	<u>536,492,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,163,292,840</u>	<u>921,023,178</u>
		<u>1,131,559,808</u>	<u>1,195,022,735</u>	<u>-</u>	<u>30,897,397</u>	<u>-</u>	<u>2,357,479,940</u>	<u>1,966,791,469</u>

8.1 These carry mark-up at coupon rates ranging from 9.25% to 11.5% (2016: 9.25% to 11.5%) per annum.

8.2 These carry mark-up at rate of 6.86% (2016: 6.86% to 15%) per annum.

8.3 These carry mark-up at rate of 7.4% (2016: 7.4%) per annum.

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

Balance as at beginning of the year	4,500,087	32,073,355	-	-	-	36,573,442	206,765,09
Fair value (loss)/gain on remeasurement recognized in other comprehensive income	(3,784,833)	(4,497,433)	-	-	-	(8,282,266)	15,896,933
Gain transferred to income and expenditure account on derecognition of investments	(3,909,513)	(7,817,540)	-	-	-	(11,727,053)	-
Balance as at end of the year	<u>(3,194,259)</u>	<u>19,758,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,564,123</u>	<u>36,573,442</u>

Off



		Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2017 Total Rupees	2016 Total Rupees
<b>9. Long term loans, advances and security deposits</b>								
Loans to employees	- note 9.1	1,116,091	-	-	-	-	1,116,091	1,846,613
Loans to students	- note 9.2	62,347,443	7,954,240	7,552,292	-	-	77,853,975	78,464,002
Long term security deposits		41,383,199	-	-	-	-	41,383,199	41,383,199
Advances to employees		207,498	-	-	-	-	207,498	107,352
		<u>105,054,231</u>	<u>7,954,240</u>	<u>7,552,292</u>	<u>-</u>	<u>-</u>	<u>120,560,763</u>	<u>121,801,166</u>
Less: Current portion included in current assets:	- note 14							
Loans to employees		635,694	-	-	-	-	635,694	737,539
Loans to students		48,185,060	3,816,212	5,393,579	-	-	57,394,851	63,823,709
		<u>48,820,754</u>	<u>3,816,212</u>	<u>5,393,579</u>	<u>-</u>	<u>-</u>	<u>58,030,545</u>	<u>64,561,248</u>
		<u>56,233,477</u>	<u>4,138,028</u>	<u>2,158,713</u>	<u>-</u>	<u>-</u>	<u>62,530,218</u>	<u>57,239,918</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% per annum (2016: 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:

	2017 Rupees	2016 Rupees
Opening balance	31,622,184	29,499,841
Provision for the year	15,239,640	17,506,214
Payments during the year	(5,919,302)	(15,383,871)
Closing balance	<u>40,942,522</u>	<u>31,622,184</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.

#### 12. Deferred income

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

	2017 Rupees	2016 Rupees
Opening balance	29,469,549	40,970,708
Additions during the year	7,754,522	211,000
Deletions during the year	(106,667)	-
Amortization during the year	(9,188,731)	(11,712,159)
Closing balance	<u>27,928,673</u>	<u>29,469,549</u>

		2017 Rupees	2016 Rupees
13.	<b>Loan from National Management Foundation</b>		
Receipt		39,856,910	39,856,910
Gain on initial recognition	- note 21	(6,895,916)	(6,895,916)
		<u>32,960,994</u>	<u>32,960,994</u>
Unwinding of discount		5,539,451	2,055,326
		<u>38,500,445</u>	<u>35,016,320</u>
Current maturity included in current liabilities		(38,500,445)	-
		<u>-</u>	<u>35,016,320</u>

13.1 This represents long term interest free loan from NMF in two tranches for the purpose of furnishing of Shaikh Ahmad Hassan School of Law. Each tranche is repayable after two years from its disbursement. The loan has been measured at amortized cost by using weighted average interest rate of 9.95% per annum (2016: 9.95% per annum).

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2017 Total Rupees	2016 Total Rupees
14.	<b>Loans, advances, deposits, prepayments and other receivables</b>						
Advances to:							
Employees	11,102,480	402	10,001	-	1,894,015	13,006,898	21,122,706
Suppliers	2,927,868	-	-	-	2,835,838	5,763,706	3,541,660
Prepayments	25,001	-	-	-	-	25,001	25,000
Accrued return on investments	17,847,490	13,854,591	20,100	1,589,575	506,642	33,818,398	39,641,768
Income tax refundable	43,899,051	15,386,883	27,679	158,386	174,747	59,646,746	10,331,642
Fee receivable	6,040,299	-	-	-	-	6,040,299	8,572,438
Receivable against REDC programs and other projects	19,340,895	-	-	-	2,030,934	21,371,829	24,197,547
Other receivables	5,609,652	583,000	-	-	82,987	6,275,639	31,139,487
Current portion of long term loans and advances							
Loans to employees - considered good	635,694	-	-	-	-	635,694	737,539
Loans to students							
- Considered good	12,511,394	1,669,630	814,956	-	-	14,995,980	25,214,292
- Considered doubtful	35,673,666	2,146,582	4,578,623	-	-	42,398,871	38,609,417
	<u>48,185,060</u>	<u>3,816,212</u>	<u>5,393,579</u>	<u>-</u>	<u>-</u>	<u>57,394,851</u>	<u>63,823,709</u>
Provision for doubtful receivables	(35,673,666)	(2,146,582)	(4,578,623)	-	-	(42,398,871)	(38,609,417)
	<u>119,939,824</u>	<u>31,494,506</u>	<u>872,736</u>	<u>1,747,961</u>	<u>7,525,163</u>	<u>161,580,190</u>	<u>164,524,079</u>

Off



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

	2017 Rupees	2016 Rupees
Opening balance		
Provision for the year	38,609,417	28,011,121
Provision reversed during the year	6,802,712	12,664,144
Closing balance	<u>(3,013,258)</u>	<u>(2,065,848)</u>
	<u>42,398,871</u>	<u>38,609,417</u>

14.2 Included in the current portion are following overdue installments from the students:

Overdue for a period:		
Not exceeding one year		
Exceeding one year but not more than five years	15,056,123	6,452,317
Exceeding five years	22,310,195	30,465,264
	<u>13,486,475</u>	<u>16,468,806</u>
	<u>50,852,793</u>	<u>53,386,387</u>

15. Short term investments

Held to maturity:

Pakistan Investment Bonds

Term deposit receipts

Term finance certificates - note 15.1

Current Fund Rupees	Endowment Fund Rupees	Chair Fund Rupees	2017 Total Rupees	2016 Total Rupees (restated)
-	-	-	-	193,621,626
780,353,910	80,646,090	-	861,000,000	13,385,768
-	4,685,588	-	4,685,588	-
<u>780,353,910</u>	<u>85,331,678</u>	<u>-</u>	<u>865,685,588</u>	<u>207,007,394</u>

15.1 These carry mark-up at rate of 15% per annum.

16. Cash and bank balances

Cash in hand

- US\$ 2,146 (2016: US\$ 9,999)

- PKR 240,875 (2016: PKR 320,531)

Balances at bank

In current accounts

- US\$ 100,051.09 (2016: US\$ 47,817.81)

- PKR 107,881,329 (2016: PKR 66,090,069)

In savings accounts

- US\$ 748,322.48 (2016: US\$ 1,201,252.53)

- Euro 0.5 (2016: Euro 169,316.39)

- GBP 0.00 (2016: 1,559,609.19)

- JPY 1.53 (2016: JPY 9,843,111.00)

- PKR 338,767,932 (2016: PKR 454,907,967)

Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2017 Total Rupees	2016 Total Rupees
465,765	-	-	-	-	465,765	1,365,415
21,419,645	18,481,686	24,006,131	452,932	54,006,288	118,366,682	71,087,009
28,615,446	87,455,822	94,301,635	20,842,886	185,979,703	417,195,492	828,631,124
<u>50,500,856</u>	<u>105,937,508</u>	<u>118,307,766</u>	<u>21,295,818</u>	<u>239,985,991</u>	<u>536,027,939</u>	<u>901,083,548</u>

Off

- 16.1 Included in savings accounts are Rs 30.033 million (2016: Rs 30.033 million) which are under lien against bank guarantee and letters of credit as referred to in note 19.1.
- 16.2 Furthermore, included in savings accounts is an amount of Rs 3.715 million (2016: Rs 3.100 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.

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2017 Total Rupees	2016 Total Rupees
<b>17. Creditors, accrued and other liabilities</b>							
Advance tuition and other fees	616,715,305	-	-	-	-	616,715,305	468,671,283
Creditors	3,136,210	10,151	-	9,305	988,441	4,144,107	45,883,400
Accrued liabilities	33,927,389	114,175	3,557,647	-	4,558,023	42,157,234	51,188,856
Payable against executive development programmes	18,397,360	-	-	-	-	18,397,360	16,875,309
Payable to student societies	14,235,212	-	-	-	437,780	14,672,992	19,454,277
Provident fund payable	-	-	-	-	-	-	8,567,943
Employee fund payable	9,258,984	-	-	-	-	9,258,984	8,455,045
Current portion of long term security deposits	- note 11 37,226,286	-	-	-	-	37,226,286	32,579,783
Other liabilities	33,790,002	58,031	12,897	-	2,062,116	35,923,046	56,741,265
	<u>766,686,748</u>	<u>182,357</u>	<u>3,570,544</u>	<u>9,305</u>	<u>8,046,360</u>	<u>778,495,314</u>	<u>708,417,161</u>

Off



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

## 19. Contingencies and commitments

### 19.1 Contingencies

(i) University has provided bank guarantee of Rs 18.0 million (2016: Rs 18.0 million) in favour of Sui Northern Gas Pipelines Limited (SNGPL) on account of payment of gas dues, Rs 0.802 million (2016: Rs 0.802 million) to Pakistan State Oil (PSO) on account of fuel cards and Rs 8.50 million to Oursun Solar Power Limited (2016: 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 1,036.235 million for the period 1993-94 to 2014-15. 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 1,036.235 million (2016: 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.

### 19.2 Commitments

Commitments in respect of contracts for capital expenditure amount to Rs 33.11 million (2016: Rs 40.722 million), whereas outstanding letters of credit amount to Rs 142.900 million (2016: Rs 6.182 million).

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

		2017		2016	
		USAID - ASP	UKAID - DFID	USAID - ASP	UKAID - DFID
		Rupees		Rupees	
Total receipts during the year	- note 20.1	-	259,998,886	119,180,875	241,199,010
Operating expenditure		-	(276,191,283)	(77,683,432)	(254,457,933)
Capital expenditure		-	(55,105)	(45,195)	(168,500)

20.1 Agreement with USAID expired in the financial year 2016.

Off

21. Miscellaneous income	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2017 Total Rupees	2016 Total Rupees
Hostel and faculty apartment income	192,960,735	-	-	-	-	192,960,735	145,040,671
Cafeteria income	130,638,313	-	-	-	-	130,638,313	125,058,248
Profit on sale of fixed assets	-	-	-	-	-	-	3,052,019
Liabilities written back/ (restored)	4,250,621	-	-	-	-	4,250,621	(6,660,714)
Test and processing fee	23,550,459	-	-	-	-	23,550,459	18,535,956
Sponsored projects income	28,747,838	-	-	-	-	28,747,838	52,911,897
Gain on initial recognition of loan	-	-	-	-	-	-	6,895,916
Societies sponsorship income	44,542,649	-	-	-	-	44,542,649	41,699,832
Rental income	13,629,434	-	-	-	-	13,629,434	16,638,315
Other income	64,513,236	-	120,000	7,566,621	6,937,641	79,137,498	41,996,340
	<u>502,833,285</u>	<u>-</u>	<u>120,000</u>	<u>7,566,621</u>	<u>6,937,641</u>	<u>517,457,547</u>	<u>445,168,480</u>

- note 13

22. Return on investments and term deposits	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2017 Total Rupees	2016 Total Rupees (restated)
Interest earned on savings accounts	25,894,436	5,464,413	2,264,952	751,114	-	34,374,915	30,282,615
Interest earned on investments	59,538,992	74,774,845	-	5,615,967	-	139,929,804	121,899,743
Dividend earned on investments	6,942,193	12,243,179	-	-	-	19,185,372	39,311,429
Gain on disposal of available-for-sale investments	3,909,513	7,817,540	-	-	-	11,727,053	-
Gain on disposal of investments	134,399,348	108,341,954	-	-	-	242,741,302	16,208,548
	<u>230,684,482</u>	<u>208,641,931</u>	<u>2,264,952</u>	<u>6,367,081</u>	<u>-</u>	<u>447,958,446</u>	<u>207,702,335</u>

23. Contributions in respect of restricted funds	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2017 Total Rupees	2016 Total Rupees
These are from the following major sources:							
Government	-	-	70,580,241	-	110,686,337	181,266,578	152,542,726
Foundations	-	131,198,339	32,318,188	-	25,397,781	188,914,308	42,989,685
Corporate	-	-	54,762,463	-	63,961,153	118,723,616	166,844,832
Individuals	-	9,185,165	21,773,046	-	2,200,000	33,158,211	34,523,040
Other Not-For-Profit organizations	-	1,685,484	272,930,503	-	129,996,507	404,612,494	455,674,707
	<u>-</u>	<u>142,068,988</u>	<u>452,364,441</u>	<u>-</u>	<u>332,241,778</u>	<u>926,675,207</u>	<u>852,574,990</u>

Off



**24. Inter-fund transfers**

		Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2017 Total Rupees	2016 Total Rupees
Transfer (from)/to funds - last year's surplus	- note 24.1	(81,000,000)	81,000,000	-	-	-	-	-
Transfer to/(from) funds - Higher Education Commission	- note 24.2	23,027,124	-	-	-	(23,027,124)	-	-
Transfer (from)/to funds - Mushtaq Ahmed Gurmani Foundation	- note 24.3	-	-	(24,997,513)	-	24,997,513	-	-
		<u>(57,972,876)</u>	<u>81,000,000</u>	<u>(24,997,513)</u>	<u>-</u>	<u>1,970,389</u>	<u>-</u>	<u>-</u>

**24.1** This amount, being last year's surplus, was transferred from the current fund to endowment fund as per the management's decision.

**24.2** This amount, received as a reimbursement against project bridged from current fund, was transferred from the sponsored projects to current fund.

**24.3** This amount, being donation for Gurmani Center, was transferred from the scholarship fund to sponsored projects as per the management's decision.

**25.** 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.

**26. Cash and cash equivalents**

		2017 Rupees	2016 Rupees
Cash and bank balances	- note 16	536,027,939	901,083,548
Term deposit receipts		300,000,000	-
		<u>836,027,939</u>	<u>901,083,548</u>

Off

## 27. 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:

	2017 Rupees	2016 Rupees
Remuneration	37,612,408	25,387,234
Housing rent	16,925,607	11,424,260
Medical expenses	3,008,988	2,030,962
Utilities	3,761,241	2,538,715
Other allowances	24,495,908	21,630,851
	<u>85,804,152</u>	<u>63,012,022</u>

## 28. 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:

Relationship with the University	Nature and transaction	2017 Rupees	2016 Rupees
Employee benefit plan	Provident fund contribution	58,347,330	50,068,417
Controlling organization	Contribution for buildings and equipment to National Management Foundation	307,964,015	273,266,916
Controlling organization	Grant received from The Coca Cola Export Corporation, Pakistan Branch transferred to NMF, along with the profit thereon	-	22,000,000
Controlling organization	Payments made on behalf of NMF to be recovered	970,825	5,520,489
Significantly influenced organizations	Donations received	12,490,000	19,263,310
Significantly influenced organizations	Services received	26,666,685	22,251,361
Significantly influenced organizations	Services provided	7,240,666	3,766,500
Significantly influenced organizations	Goods purchased	1,417,002	1,316,328
Significantly influenced organizations	Fixed assets purchased	4,794,696	6,104,201
Relationship with the University	Nature and balance		
Employee benefit plan	Provident fund (receivable)/ payable	(249,563)	8,567,943
Significantly influenced organizations	Payable in respect of services availed	1,224,394	326,352

Off



## 29. Financial risk management

### 29.1 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.

	2017 USD	2016 USD
Cash and bank balances	850,519	1,259,069
Other receivables	-	299,497
Short term investments	2,500,000	-
Accrued return on short term investments	22,377	-
Trade creditors	(9,161)	(1,603)
Net asset/(liability) exposure	<u>3,363,735</u>	<u>1,556,963</u>

At June 30, 2017, 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 35.152 million (2016: Rs 16.267 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US Dollar-denominated financial assets and liabilities.

	2017 GBP	2016 GBP
Cash and bank balances	24	1,559,609
Trade creditors	-	(125)
Net asset/(liability) exposure	<u>24</u>	<u>1,559,484</u>

At June 30, 2017, if the Rupee had weakened / strengthened by 10% against the GBP with all other variables held constant, surplus for the year would have been Nil (2016: Rs 21.819 million) higher/lower as a result of foreign exchange gains/losses on translation of GB Pound-denominated financial assets and liabilities.

	2017 EUR	2016 EUR
Cash and bank balances	1	169,316
Trade creditors	(4,749)	(1,635)
Net asset/(liability) exposure	<u>(4,748)</u>	<u>167,681</u>

At June 30, 2017, if the Rupee had weakened/strengthened by 10% against the EUR with all other variables held constant, surplus for the year would have been Rs 0.057 million (2016: Rs 1.947 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of Euro-denominated financial assets and liabilities.

##### (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 investments in equity of other entities that are publicly traded are included in the Pakistan Stock Exchange.

Off

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	
	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees
Pakistan Stock Exchange	-	-	3,423,085	3,499,749

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, 2017, 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:

	2017 Rupees	2016 Rupees
<b>Fixed rate instruments:</b>		
<b>Financial assets</b>		
Bank balances - savings accounts	417,195,492	828,631,124
Investments	1,194,187,100	1,045,768,291
	1,611,382,592	1,874,399,415
<b>Financial liabilities</b>	-	-
	1,611,382,592	1,874,399,415

### 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 and expenditure account 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 and 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:

	2017 Rupees	2016 Rupees
Investments	2,000,746,383	920,414,049
Long term loans, advances and security deposits	56,486,259	62,084,448
Loans, advances, deposits and other receivables	88,290,707	122,811,928
Balances with banks	535,562,174	899,718,133
	2,681,085,523	2,005,028,558

The aging analysis of fee receivable from students is as follows:

#### Past due but not impaired:

Up to 90 days	46,818	90,732
91 to 180 days	-	-
181 to 365 days	17,700	284,288
Above 365 days	5,975,781	8,197,418
	6,040,299	8,572,438

Qf



(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	2017 Rupees	2016 Rupees
<b>Bank balances and deposits:</b>					
Askari Bank Limited	AA+	A1+	PACRA	109,592,603	84,666,501
Bank Al-Habib Limited	AA+	A1+	PACRA	11,515,817	3,294,354
Bank Alfalah Limited	AA+	A1+	PACRA	111,631,282	69,016,710
Habib Metropolitan Bank Limited	AA+	A1+	PACRA	300,003,354	49,831
MCB Bank Limited	AAA	A1+	PACRA	6,880,450	151,929,837
Allied Bank Limited	AA+	A1+	PACRA	324,046,093	313,929,383
National Bank of Pakistan	AAA	A1+	PACRA	7,777,204	10,924,201
Standard Chartered Bank	AAA	A1+	PACRA	111,308	-
JS Bank Limited	AA-	A1+	PACRA	445,248	106,037
United Bank Limited	A-1+	AAA	JCR-VIS	2,978,722	13,467,002
Faysal Bank Limited	AA	A1+	PACRA	220,807,186	250,704,872
Meezan Bank Limited	A-1+	AA	JCR-VIS	300,686,768	5,854
Al Baraka Bank Limited	A	A1	PACRA	86,139	15,009,319
				<u>1,396,562,174</u>	<u>913,103,901</u>

**Units of mutual funds:**

ABL Islamic Stock Fund	-	A(f)	JCR-VIS	34,777,252	-
ABL Stock Fund	-	AM2+	JCR-VIS	51,709,406	-
Alfalah GHP Income Fund	-	A+(f)	PACRA	60,968,788	23,503,730
Alfalah GHP Income Multiplier Fund	-	A+(f)	PACRA	54,476,289	246,236,536
Alfalah GHP Islamic Stock Fund	3 star	-	PACRA	103,342,392	23,376,801
Alfalah GHP Prosperity Planning Fund					
(Alfalah GHP Moderate Allocation Plan)	-	AM2+	JCR-VIS	-	64,485,906
Alfalah GHP Stock Fund	4star	4 star	PACRA	124,496,721	22,805,374
Alfalah GHP Value Fund	-	AM2+	JCR-VIS	-	43,908,976
Alhamra Islamic Stock Fund (Formerly: MCB Pakistan Islamic Stock Fund)	4 star	4 star	PACRA	51,704,544	-
MCB Pakistan Stock Market Fund	3 star	3 star	PACRA	77,543,071	-
Meezan Strategic Allocation Fund (MSAP I)	-	AM1	JCR-VIS	62,247,331	-
NAFA Islamic Asset Allocation Fund	-	3-Star	PACRA	-	499,249
NAFA Islamic Stock Fund	-	4 star	PACRA	68,779,561	-
NAFA Money Market Fund	-	AA(f)	PACRA	65,522,863	50,000,000
NAFA Stock Fund	-	4-Star	PACRA	93,226,272	50,000,000
UBL Al Ameen Islamic Aggressive Income Fund	-	BBB+(f)	JCR-VIS	-	1,074,281
UBL Al Ameen Shariah Stock Fund	-	AM2++	JCR-VIS	86,301,748	-
UBL Stock Advantage Fund	-	AM2++	JCR-VIS	128,192,804	-
Alfalah GHP Sovereign Fund	-	AA-(f)	PACRA	-	244,488,701
Alfalah Capital Preservation Fund	-	AA-(f)	JCR-VIS	-	58,909,856
Alfalah GHP IPPF Islamic Active Allocation Plan	-	AM2+	JCR-VIS	65,772,953	-
UBL Al Ameen Islamic Principal Preservation Fund	-	AM2++	JCR-VIS	-	57,074,403
				<u>1,129,061,995</u>	<u>886,363,813</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.

*Off*

The following are the contractual maturities of financial liabilities as at June 30, 2017 and June 30, 2016:

**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>

**At June 30, 2016**

	Carrying value Rupees	Less than 1 year Rupees	Between 1 and 2 years Rupees	3 to 5 years Rupees
Long term security deposits	43,032,000	-	39,970,000	3,062,000
Loan from National Management Foundation	35,016,320	-	35,016,320	-
Creditors, accrued and other liabilities	230,996,828	230,996,828	-	-
Due to National Management Foundation	22,486,779	22,486,779	-	-
	<u>331,531,927</u>	<u>253,483,607</u>	<u>74,986,320</u>	<u>3,062,000</u>

**29.2 Fair value estimation**

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, 2017**

	Level 1	Level 2	Level 3	Total
	Rupees			
<b>Recurring fair value measurements</b>				
<b>Assets</b>				
Investments - Available-for-sale	1,163,292,840	-	-	1,163,292,840
<b>Total assets</b>	<u>1,163,292,840</u>	<u>-</u>	<u>-</u>	<u>1,163,292,840</u>
<b>Liabilities</b>	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**As at June 30, 2016**

**Recurring fair value measurements**

<b>Assets</b>				
Investments - Available-for-sale	921,023,178	-	-	921,023,178
<b>Total assets</b>	<u>921,023,178</u>	<u>-</u>	<u>-</u>	<u>921,023,178</u>
<b>Liabilities</b>	-	-	-	-
<b>Total liabilities</b>	<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.

Off



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.

### 29.3 Financial instruments by categories

	Held to maturity	Available- for-sale	Loans and receivables	Total
	(Rupees)			
<b>As at June 30, 2017</b>				
<b>Assets as per balance sheet</b>				
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>

	Held to maturity	Available- for-sale	Loans and receivables	Total
	(Rupees)			
<b>As at June 30, 2016</b>				
<b>Assets as per balance sheet</b>				
Investments	1,045,768,291	921,023,178	-	1,966,791,469
Long term loans, advances and security deposits	-	-	62,084,448	62,084,448
Loans, advances, deposits and other receivables	-	-	122,811,928	122,811,928
Short term investments	207,007,394	-	-	207,007,394
Cash and bank balances	-	-	901,083,548	901,083,548
	<u>1,252,775,685</u>	<u>921,023,178</u>	<u>1,085,979,924</u>	<u>3,259,778,787</u>

	Financial liabilities at amortized cost	
	2017	2016
	(Rupees)	
<b>Liabilities as per balance sheet</b>		
Long term security deposits	45,888,900	43,032,000
Loan from National Management Foundation	38,500,445	35,016,320
Creditors, accrued and other liabilities	153,893,424	230,996,828
Due to National Management Foundation	17,618,378	22,486,779
	<u>255,901,147</u>	<u>331,531,927</u>

*Off*

**29.4 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.

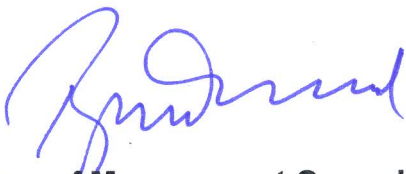
**30. Corresponding figures**

Corresponding figures have been re-arranged and re-classified wherever necessary, for the purposes of comparison and better presentation. However, no significant reclassification has been made.

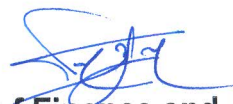
**31. Date of authorization**

These financial statements were authorized for issue on December 8, 2017 by the Board of Trustees of the University.

Off



**Member of Management Committee**



**Head of Finance and Accounts**