



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

Opinion

We have audited the financial statements of Lahore University of Management Sciences (the 'University'), which comprise the balance sheet as at June 30, 2019, and the income and expenditure account, the statement of comprehensive income, the statement of changes in fund balances and the statement of cashflows 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, 2019, 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 2, 2019


Name of the engagement partner: Khurram Akbar Khan

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

BALANCE SHEET AS AT JUNE 30, 2019

Note	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2019 Total Rupees	2018 Total Rupees
Fund balance	<u>1,727,263,860</u>	<u>1,915,266,556</u>	<u>69,609,027</u>	<u>30,142,150</u>	<u>403,111,190</u>	<u>1,197,490,453</u>	<u>5,342,883,236</u>	<u>4,809,428,607</u>
Represented by								
Non - current assets								
Operating fixed assets	5	-	-	-	-	1,160,591,006	1,160,591,006	1,191,753,724
Intangible assets	6	-	-	-	-	36,899,447	36,899,447	47,548,918
Capital work-in-progress	7	64,076,648	860,305	-	5,214,181	-	70,151,134	7,497,085
Investments	8	564,475,948	946,673,407	-	-	-	1,511,149,355	1,196,201,485
Long term loans, advances and security deposits	9	132,447,247	8,747,731	3,561,094	-	-	144,756,072	121,226,012
		760,999,843	956,281,443	3,561,094	-	5,214,181	2,923,547,014	2,564,227,224
Less: Non - current liabilities								
Accumulating compensated absences	10	55,740,874	-	-	-	-	55,740,874	48,393,597
Long term security deposits	11	65,698,300	-	-	-	-	65,698,300	57,737,900
Deferred contributions	12	70,343,216	-	-	-	-	70,343,216	56,435,787
Loan from National Management Foundation (NMF)	13	35,159,253	-	-	-	-	35,159,253	-
		226,941,643	-	-	-	-	226,941,643	162,567,284
		534,058,200	956,281,443	3,561,094	-	5,214,181	2,696,605,371	2,401,659,940
Current assets								
Stores		25,402,086	-	-	-	-	25,402,086	21,143,063
Loans, advances, deposits, prepayments and other receivables	14	191,771,275	20,653,443	1,157,246	375,480	19,721,849	233,679,293	208,859,726
Short term investments	15	1,150,086,996	314,095,629	-	19,000,000	-	1,483,182,625	1,622,658,660
Current maturity of long term investments	16	53,649,065	526,986,012	-	2,093,078	-	582,728,155	786,524,560
Cash and bank balances	17	610,293,788	98,185,554	121,473,522	8,675,820	408,119,364	1,246,748,048	614,931,265
Due from NMF		2,458,288	-	-	-	-	2,458,288	1,708,718
		2,033,661,498	959,920,638	122,630,768	30,144,378	427,841,213	3,574,198,495	3,255,825,992
Less: Current liabilities								
Creditors, accrued and other liabilities	18	896,984,441	935,525	54,232	2,228	29,944,204	927,920,630	848,057,325
Net current assets		<u>1,136,677,057</u>	<u>958,985,113</u>	<u>122,576,536</u>	<u>30,142,150</u>	<u>397,897,009</u>	<u>2,646,277,865</u>	<u>2,407,768,667</u>
Due to/(from)	19	56,528,603	-	(56,528,603)	-	-	-	-
CONTINGENCIES AND COMMITMENTS								
	20							
Net assets		<u>1,727,263,860</u>	<u>1,915,266,556</u>	<u>69,609,027</u>	<u>30,142,150</u>	<u>403,111,190</u>	<u>5,342,883,236</u>	<u>4,809,428,607</u>

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


Member of Management Committee


Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2019

	Note	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2019 Total Rupees	2018 Total Rupees
Income									
Direct grants	22	102,962,740	37,624,466	375,590,742	-	624,717,808	16,702,058	1,157,597,814	1,391,579,624
Tuition fee and other income									
Tuition fee		2,823,716,740	-	-	-	-	-	2,823,716,740	2,555,591,756
Other fees		325,075,600	-	-	-	-	-	325,075,600	294,418,875
Consultancy fee		-	-	-	-	32,999,319	-	32,999,319	21,734,587
Executive development programmes		321,396,320	-	-	-	-	-	321,396,320	283,361,077
Miscellaneous income	23	615,797,740	575,180	660,620	14,561,254	57,296,696	-	688,891,490	634,700,486
Return on investments and term deposits	24	219,540,744	122,494,231	170,337	2,436,907	1,952,338	-	346,594,557	174,377,266
Exchange gain		98,649,967	-	-	-	220,210	-	98,870,177	39,740,130
		4,404,177,111	123,069,411	830,957	16,998,161	92,468,563	-	4,637,544,203	4,003,924,177
Total income for the year		4,507,139,851	160,693,877	376,421,699	16,998,161	717,186,371	16,702,058	5,795,142,017	5,395,503,801
Expenditure									
Salaries, wages and amenities		2,065,059,122	2,775,216	753,455	17,829,693	102,314,735	-	2,188,732,221	1,884,067,940
Training		26,903,595	-	241,500	-	16,417,286	-	43,562,381	21,618,844
Fuel and power		306,040,931	-	-	-	-	-	306,040,931	217,436,605
Telephone and postage		-	32,004	-	-	293,639	-	8,631,420	10,096,391
Contribution for buildings and equipment		257,179,200	-	-	-	-	-	257,179,200	268,927,884
Foreign travel and recruitment		61,184,510	215,138	260,043	2,710,209	13,473,775	-	77,843,675	62,929,744
Travelling and vehicle running expenses		29,409,225	1,256,670	9,600	-	25,017,715	-	55,693,210	40,188,605
Cafeteria expenses		130,721,005	514,580	-	-	9,115,015	-	140,350,600	125,808,015
Rent expense		909,090	-	-	-	4,683,531	-	5,592,621	3,855,957
Repairs and maintenance		15,226,822	-	-	-	27,121	-	15,253,943	16,125,048
Advertisement and open house programme		79,518,243	101,852	-	26,778	6,486,368	-	86,133,241	82,519,346
Subscriptions		26,085,445	-	-	-	234,968	-	26,320,413	23,633,102
Research and case development		85,117,629	5,897,186	200,000	439,992	142,252,683	-	233,907,490	163,139,197
Convocation expenses		15,878,970	-	-	-	-	-	15,878,970	12,685,384
Printing, stationery and office supplies		188,298,847	1,205,508	408,128	74,823	38,376,978	-	228,364,284	196,094,780
Software consumables		62,300,777	-	-	-	723,296	-	63,024,073	58,999,722
Insurance		17,375,436	-	-	-	-	-	17,375,436	10,487,427
Scholarships and tuition fee waiver		183,414,335	71,968,813	354,658,940	-	423,962	-	610,466,050	646,433,597
PhD living allowance		92,439,040	776,600	-	643,050	8,505,590	-	102,364,280	116,417,017
Higher Education Commission scholarship		-	-	44,708,847	-	770,000	-	45,478,847	40,197,475
Legal and professional charges		22,906,817	-	274,875	-	3,203,446	-	26,385,138	40,572,843
Estate management		872,794	-	-	-	-	-	872,794	550,778
Internet charges		60,029,588	-	-	-	60,478	-	60,090,066	49,616,030
Depreciation on operating fixed assets		-	-	-	-	-	313,612,930	313,612,930	271,095,353
Amortization of intangible assets		-	-	-	-	-	16,939,211	16,939,211	21,090,665
Consultancy projects		-	-	-	-	18,922,119	-	18,922,119	11,562,330
Sports and student activities		16,652,472	-	-	-	45,397,707	-	62,050,179	51,935,563
Net impairment losses on financial and contract assets		-	-	-	-	-	-	-	2,895,188
Bad debts and advances written off		97,071	-	-	-	-	-	97,071	6,531,392
Discounting cost on long term loans to students		75,501,297	4,962,489	2,285,693	-	-	-	82,749,479	-
Discounting cost on loan from NMF		1,410,956	-	-	-	-	-	1,410,956	1,356,467
Finance cost		3,399,840	-	321,038	-	12,070	-	3,732,948	3,371,387
Fair value loss on investments at fair value through profit or loss		47,797,552	46,491,358	-	-	-	-	94,288,910	-
Miscellaneous		1,391,832	237,900	19,691	1,898,006	48,658,667	136,205	52,342,301	113,282,949
		3,881,428,218	136,435,314	404,141,810	23,622,551	485,371,149	330,688,346	5,261,687,388	4,575,523,025
Surplus/(deficit) of income over expenditure before taxation		625,711,633	24,258,563	(27,720,111)	(6,624,390)	231,815,222	(313,986,288)	533,454,629	819,980,776
Provision for taxation		-	-	-	-	-	-	-	-
Surplus/(deficit) of income over expenditure after taxation		625,711,633	24,258,563	(27,720,111)	(6,624,390)	231,815,222	(313,986,288)	533,454,629	819,980,776

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

Member of Management Committee

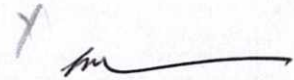
Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2019 Total Rupees	2018 Total Rupees
Surplus/(deficit) of income over expenditure after taxation	625,711,633	24,258,563	(27,720,111)	(6,624,390)	231,815,222	(313,986,288)	533,454,629	819,980,776
Other comprehensive loss:								
<i>Items that may be reclassified subsequently to income and expenditure account:</i>								
Fair value loss on remeasurement of available-for-sale investments	-	-	-	-	-	-	-	(83,430,497)
<i>Items that will not be reclassified subsequently to income and expenditure account:</i>								
Accumulated fair value loss on available-for-sale investments disposed off transferred to income and expenditure account	-	-	-	-	-	-	-	1,859,565
Other comprehensive loss for the year	-	-	-	-	-	-	-	(81,570,932)
Total comprehensive income/(loss) for the year	<u>625,711,633</u>	<u>24,258,563</u>	<u>(27,720,111)</u>	<u>(6,624,390)</u>	<u>231,815,222</u>	<u>(313,986,288)</u>	<u>533,454,629</u>	<u>738,409,844</u>

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


Member of Management Committee



Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

Note	Current Fund			Endowment Fund			Scholarship Fund	Chair Fund	Sponsored Projects	Fixed Assets Fund	Grand Total
	Unrealised gain/(loss) on available-for-sale investments	Accumulated surplus of income over expenditure	Total	Unrealised gain/(loss) on investments	Accumulated surplus of income over expenditure	Total	Accumulated surplus of income over expenditure	Accumulated surplus of income over expenditure	Accumulated surplus of income over expenditure	Accumulated surplus of income over expenditure	
	Rupees			Rupees			Rupees	Rupees	Rupees	Rupees	
Balance as at July 1, 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	983,045,910	4,071,018,763
Surplus/(deficit) of income over expenditure after taxation	-	665,138,065	665,138,065	-	(41,812,021)	(41,812,021)	39,777,041	1,465,539	428,584,733	(273,172,581)	819,980,776
Other comprehensive loss for the year	(36,404,969)	-	(36,404,969)	(45,165,963)	-	(45,165,963)	-	-	-	-	(81,570,932)
Total comprehensive (loss)/income for the year	(36,404,969)	665,138,065	628,733,096	(45,165,963)	(41,812,021)	(86,977,984)	39,777,041	1,465,539	428,584,733	(273,172,581)	738,409,844
Transfer (from)/to funds	-	(207,000,000)	(207,000,000)	-	207,000,000	207,000,000	-	-	-	-	-
Transfer of fixed assets additions (from)/to funds	-	(121,622,354)	(121,622,354)	-	(449,262)	(449,262)	(155,113)	(292,501)	(408,466,891)	530,986,121	-
Transfer of fixed assets disposals to/(from) funds	-	1,212,754	1,212,754	-	-	-	-	-	344,054	(1,556,808)	-
Balance as at June 30, 2018 as originally presented	(39,599,228)	1,649,738,007	1,610,138,779	(25,407,581)	1,566,722,433	1,541,314,852	96,909,426	55,104,909	266,657,999	1,239,302,642	4,809,428,607
Effect of change in accounting policy - note 2.2.1 (a)	39,599,228	(39,599,228)	-	25,407,581	(25,407,581)	-	-	-	-	-	-
Adjusted balance as on June 30, 2018	-	1,610,138,779	1,610,138,779	-	1,541,314,852	1,541,314,852	96,909,426	55,104,909	266,657,999	1,239,302,642	4,809,428,607
Surplus/(deficit) of income over expenditure after taxation	-	625,711,633	625,711,633	-	24,258,563	24,258,563	(27,720,111)	(6,624,390)	231,815,222	(313,986,288)	533,454,629
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	625,711,633	625,711,633	-	24,258,563	24,258,563	(27,720,111)	(6,624,390)	231,815,222	(313,986,288)	533,454,629
Transfer (from)/to funds	25	(350,000,000)	(350,000,000)	-	350,000,000	350,000,000	-	-	-	-	-
Transfer of fixed assets additions (from)/to funds	26	(160,399,091)	(160,399,091)	-	(306,859)	(306,859)	-	(18,339,019)	(95,934,904)	274,979,873	-
Transfer of fixed assets disposals to/(from) funds	-	1,812,539	1,812,539	-	-	-	419,712	650	572,873	(2,805,774)	-
Balance as at June 30, 2019	-	1,727,263,860	1,727,263,860	-	1,915,266,556	1,915,266,556	69,609,027	30,142,150	403,111,190	1,197,490,453	5,342,883,236

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


Member of Management Committee


Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES


STATEMENT OF CASHFLOWS FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
Cash flow from operating activities		
Surplus of income over expenditure before taxation	533,454,629	819,980,776
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	313,612,930	271,095,353
Amortization on intangible assets	16,939,211	21,090,665
Net (gain)/loss on disposal of operating fixed assets	(2,336,530)	645,411
Gain on initial recognition of loan from NMF	(16,251,290)	-
Discounting cost on loan from NMF	1,410,956	1,356,467
Discounting cost on long term loans to students	82,749,479	-
Finance cost	3,732,948	3,371,387
Grants income	(1,157,597,814)	(1,391,579,624)
Provision for loss allowance	-	2,895,188
Bad debts and advances written off	97,071	6,531,392
Provision for accumulating compensated absences	13,245,991	12,505,654
Exchange gain	(98,870,177)	(39,740,130)
Amortization of deferred income	(98,332,288)	(30,691,847)
Return on investments and term deposits	(346,594,557)	(174,377,266)
	<u>(1,288,194,070)</u>	<u>(1,316,897,350)</u>
Deficit before working capital changes	(754,739,441)	(496,916,574)
Effect on cashflow due to working capital changes:		
Increase in stores	(4,259,023)	(4,339,166)
Increase in loans, advances, deposits prepayments and other receivables	(50,955,649)	(48,506,483)
Increase in due from NMF	(749,570)	(19,327,096)
Increase in creditors, accrued and other liabilities	79,863,305	72,190,326
	<u>23,899,063</u>	<u>17,581</u>
Cash used in operations	(730,840,378)	(496,898,993)
Finance cost paid	(3,732,948)	(3,371,387)
Payment of accumulating compensated absences	(5,898,714)	(5,054,579)
Payment of passage fare assistance	-	(84,044)
Restricted contributions received	112,239,717	87,127,634
Increase in long term loans, advances and security deposits	(97,770,608)	(46,846,794)
	<u>4,837,447</u>	<u>31,770,830</u>
Net cash used in operating activities	(726,002,931)	(465,128,163)
Cash flow from investing activities		
Fixed capital expenditure	(287,656,136)	(529,172,065)
Proceeds from disposal of operating fixed assets	5,300,310	924,632
Return on investments and term deposits received	372,085,037	150,266,924
Proceeds from maturity of investments	9,396,673,124	3,856,145,291
Proceeds from disposal of investments	182,572,606	688,648,037
Purchase of investments	(8,674,069,843)	(4,565,382,935)
Net cash generated from/(used in) investing activities	994,905,098	(398,570,116)
Cash flow from financing activities		
Grants received	1,140,895,756	1,372,552,702
Repayment of long term loan from NMF	-	(39,856,912)
Net cash generated from financing activities	1,140,895,756	1,332,695,790
Net increase in cash and cash equivalents	1,409,797,923	468,997,511
Cash and cash equivalents at the beginning of the year	1,312,109,665	836,027,939
Effects of exchange rate changes on cash and cash equivalents	8,023,085	7,084,215
Cash and cash equivalents at the end of the year	<u>2,729,930,673</u>	<u>1,312,109,665</u>

- note 27

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

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


Member of Management Committee


Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. University and its operations

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

2. Basis of preparation

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

2.2 Initial application of standards, amendments or 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 accounting standards are effective for accounting periods beginning on July 1, 2018 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 as mentioned below:

(a) IFRS 9, 'Financial Instruments'

This standard was notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods ending on or after June 30, 2019. This standard replaces guidance in International Accounting Standard ('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. Accordingly, the University has changed its accounting policies and followed the requirements of IFRS 9 for:

- classification and measurement of all financial assets; and
- recognition of loss allowance for financial assets other than investments in equity instruments.

In respect of application of IFRS 9, the University has adopted modified retrospective approach as permitted by this standard, according to which the University is not required to restate the prior period results. The adoption of IFRS 9 has resulted in an adjustment on the opening balance of accumulated surplus of income over expenditure as shown in the statement of changes in fund balances. In respect of classification of financial assets, the University's management has assessed which business models apply to the financial assets held by the University and has classified its financial instruments into the appropriate IFRS 9 categories, including 'amortised cost', 'fair value through profit and loss' (FVPL) and 'fair value through other comprehensive income' (FVOCI) as follows:

	Measurement category		Carrying amount as at June 30, 2018		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
Non-current financial assets					
Investments	Available-for-sale	Fair value through profit or loss	474,517,437	474,517,437	-

	Measurement category		Carrying amount as at June 30, 2018		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
Investments	Held to maturity	Amortised cost	721,684,048	721,684,048	-
Long term loans, advances and security deposits	Held to maturity	Amortised cost	121,226,012	121,226,012	-
Current financial assets					
Investments	Held to maturity	Amortised cost	2,181,204,017	2,181,204,017	-
Investments	Available-for-sale	Fair value through profit or loss	227,979,203	227,979,203	-
Advances and other receivables	Loans and receivables	Amortised cost	125,588,795	125,588,795	-
Due from NMF	Loans and receivables	Amortised cost	1,708,718	1,708,718	-
Cash and bank balances	Loans and receivables	Amortised cost	614,931,265	614,931,265	-

(a) IFRS 15, 'Revenue from contracts with customers'

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

The University has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of un-appropriated profits in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any material impact on the revenue recognition policy of the University and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profits in the period of initial application is not material. Therefore, the comparative information has not been restated and continues to be reported under the previous accounting policy.

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 accounting standards and interpretations that are mandatory for the entities having accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or to have any significant effect on the University's operations and are, therefore, not detailed in these financial statements, except for the following:

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

- Amendment to IFRS 9, 'Financial instruments', on prepayment features with negative compensation and modification of financial liabilities: (effective for periods beginning on or after July 1, 2019). This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The University is yet to assess the impact of this standard.

3. Basis of measurement

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

3.2 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the University's accounting policies.

This note provides an overview of the area that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

a) Useful lives and residual values of property, plant and equipment - note 4.8

b) Employee benefits - note 4.18

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

4. Significant accounting policies

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

4.1 Current Fund

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

4.2 Endowment Fund

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

4.3 Scholarship Fund

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

4.4 Chair Funds

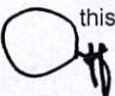
These are restricted funds. The funds received are expended on financing academic chairs.

4.5 Sponsored Projects

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

4.6 Fixed Assets Fund

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



4.7 Taxation

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

Current

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

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

Deferred

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

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

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

4.8 Operating fixed assets

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

Depreciation on additions to operating fixed assets is charged from the month in which the asset is available for use, while no depreciation is charged for the month in which the asset is derecognised or retired from active use. Impairment loss or its reversal, if any, is also charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated remaining useful life. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.11).

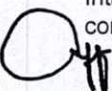
The University reviews the useful lives and residual values of operating fixed assets at least at each financial year end. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The University's estimate of the residual value of its operating fixed assets as at June 30, 2019, has not required any adjustment as its impact is considered insignificant.

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

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

4.9 Intangible assets

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



Amortization is charged to income on the reducing balance method so as to write off the cost of the intangible asset over its estimated useful life at the rates given in note 6. Amortization on additions to intangibles is charged from the month in which the asset is available for use, while no amortization is charged for the month in which the asset is disposed off. When an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated remaining useful life.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.11).

4.10 Capital work-in-progress

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

4.11 Impairment of non-financial assets

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

4.12 Leases

4.12.1 Operating leases

The University is the lessor:

Leases where a significant portion of the risks and rewards of ownership are retained by the University (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.

The University is the lessee:

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged 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 reporting date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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

4.14 Financial assets

4.14.1 Classification

From July 1, 2018, the University classifies its financial assets in the following measurement categories:

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

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

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

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

4.14.2 Recognition and derecognition

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

4.14.3 Measurement

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

Debt instruments

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

- i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in income or expenditure. Impairment losses are presented as a separate line item in the income and expenditure account.
- ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in income or expenditure. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified to income or expenditure. Interest income from these financial assets is included in income using the effective interest rate method.
- iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in income or expenditure in the period in which it arises.

Equity instruments

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

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

4.14.4 Impairment of financial assets other than investment in equity instruments

From July 1, 2018, the University assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. General 3-stage approach is used for investments carried at amortised cost, loans, receivables and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument has not increased significantly since initial recognition.

Following are the financial assets that are subject to the ECL model:

- Investments carried at amortised cost;
- Long term loans, advances and security deposits;
- Other receivables; and
- Bank balances.



The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

The University considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the University compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty;
- significant increase in credit risk on other financial instruments of the same counterparty; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

The University considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the counterparty is unlikely to pay its creditors, including the University, in full (without taking into account any collaterals held by the University).

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

4.15 Accounting policies applied until June 30, 2018

The University has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the University's previous accounting policy.

Financial assets

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 reporting date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits 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 reporting 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.

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 statement of comprehensive income as part of other income when the University's right to receive payments is established.

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

Impairment of financial assets

The University assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

a) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in income and expenditure account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the University can measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment is recognised (such as an improvement in the counterparty's credit rating), the reversal of the previously recognised impairment loss is recognised in income or expenditure.

b) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income or expenditure – is removed from fund balance and recognised in income or expenditure.

Impairment losses on equity instruments that were recognised in income and expenditure account are not reversed through income or expenditure in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss is recognised in income or expenditure, the impairment loss is reversed through income or expenditure.

4.16 Financial liabilities

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

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

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

4.17 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.

4.18 Employee benefits

(i) Short term obligations

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

(ii) Post employment benefits

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

(a) Defined contribution plan - Provident Fund

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

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

4.19 Stores

These are valued at the lower of weighted average cost and current replacement cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date while the items considered obsolete are carried at nil value.

4.20 Cash and cash equivalents

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

4.21 Creditors, accrued and other liabilities

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

4.22 Provisions

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

4.23 Borrowings

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

4.24 Borrowing costs

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

4.25 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

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

b) Endowment Fund

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

c) Scholarship Fund

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

d) Chair Fund

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

e) Sponsored Projects

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

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

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

f) Fixed Assets Fund

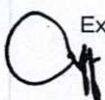
Fixed assets received as a grant are debited to the property, plant and equipment and intangibles account at fair value and a corresponding amount credited to income.

4.28 Deferred contributions

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

4.29 Expenses

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



5. Operating fixed assets

	Cost as at July 1, 2018 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2019 Rupees	Accumulated depreciation as at July 01, 2018 Rupees	Depreciation/ (deletions) for the year Rupees	Accumulated depreciation as at June 30, 2019 Rupees	Book value as at June 30, 2019 Rupees	Annual rate of depreciation %
Furniture and fixtures	690,416,652	41,217,471 (2,945,986)	728,688,137	451,082,555	78,469,297 (2,570,005)	526,981,847	201,706,290	30
Computers	660,523,828	78,976,854 (4,791,350)	734,709,332	499,976,820	64,240,168 (4,438,000)	559,778,988	174,930,344	33.3
Equipment	1,529,434,991	149,383,153 (9,006,885)	1,669,811,259	782,039,501	160,357,841 (7,260,554)	935,136,788	734,674,471	20
Vehicles	29,262,997	5,335,394 (4,681,510)	29,916,881	17,383,916	3,176,910 (4,207,293)	16,353,533	13,563,348	20
Books	111,641,240	10,501,120 (47,383)	122,094,977	79,043,192	7,368,714 (33,482)	86,378,424	35,716,553	20
	<u>3,021,279,708</u>	<u>285,413,992 (21,473,114)</u>	<u>3,285,220,586</u>	<u>1,829,525,984</u>	<u>313,612,930 (18,509,334)</u>	<u>2,124,629,580</u>	<u>1,160,591,006</u>	

	Cost as at July 1, 2017 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2018 Rupees	Accumulated depreciation as at July 01, 2017 Rupees	Depreciation/ (deletions) for the year Rupees	Accumulated depreciation as at June 30, 2018 Rupees	Book value as at June 30, 2018 Rupees	Annual rate of depreciation %
Furniture and fixtures	595,903,900	95,966,992 (1,454,240)	690,416,652	379,045,631	73,136,342 (1,099,418)	451,082,555	239,334,097	30
Computers	593,806,925	67,568,421 (851,518)	660,523,828	436,478,211	63,947,083 (448,474)	499,976,820	160,547,008	33.3
Equipment	1,173,837,852	359,701,004 (4,103,865)	1,529,434,991	660,067,005	125,264,764 (3,292,268)	782,039,501	747,395,490	20
Vehicles	25,139,772	4,146,145 (22,920)	29,262,997	15,384,823	2,021,433 (22,340)	17,383,916	11,879,081	20
Books	101,674,976	9,966,264	111,641,240	72,317,461	6,725,731	79,043,192	32,598,048	20
	<u>2,490,363,425</u>	<u>537,348,826 (6,432,543)</u>	<u>3,021,279,708</u>	<u>1,563,293,131</u>	<u>271,095,353 (4,862,500)</u>	<u>1,829,525,984</u>	<u>1,191,753,724</u>	

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

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

	2019			2018		
	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees
Furniture and fixtures	103,561,480	38,583,427	64,978,053	94,909,558	13,259,677	81,649,881
Computers	66,655,125	32,526,443	34,128,682	49,377,655	20,994,110	28,383,545
Equipment	650,495,250	258,166,103	392,329,147	583,002,362	171,954,225	411,048,137
	<u>820,711,855</u>	<u>329,275,973</u>	<u>491,435,882</u>	<u>727,289,575</u>	<u>206,208,012</u>	<u>521,081,563</u>

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

	2019			2018		
	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees
Furniture and fixtures	51,903,021	39,508,988	12,394,033	48,607,570	34,685,515	13,922,055
Computers	13,398,699	5,524,388	7,874,311	13,408,699	1,597,712	11,810,987
Equipment	33,946,273	13,324,899	20,621,374	21,121,215	9,256,417	11,864,798
	<u>99,247,993</u>	<u>58,358,275</u>	<u>40,889,718</u>	<u>83,137,484</u>	<u>45,539,644</u>	<u>37,597,840</u>

6. Intangible assets

	Cost as at July 01, 2018 Rupees	Additions Rupees	Cost as at June 30, 2019 Rupees	Accumulated amortization as on July 01, 2018 Rupees	Amortization for the year Rupees	Accumulated amortization as on June 30, 2019 Rupees	Book value as at June 30, 2019 Rupees	Annual rate of amortization %
	Computer software and license	<u>201,108,303</u>	<u>6,289,740</u>	<u>207,398,043</u>	<u>153,559,385</u>	<u>16,939,211</u>	<u>170,498,596</u>	<u>36,899,447</u>
	Cost as at July 01, 2017 Rupees	Additions Rupees	Cost as at June 30, 2018 Rupees	Accumulated amortization as on July 01, 2017 Rupees	Amortization for the year Rupees	Accumulated amortization as on June 30, 2018 Rupees	Book value as at June 30, 2018 Rupees	
Computer software and license	<u>188,444,336</u>	<u>12,663,967</u>	<u>201,108,303</u>	<u>132,468,720</u>	<u>21,090,665</u>	<u>153,559,385</u>	<u>47,548,918</u>	33.3

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

7.	Capital work-in-progress	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2019 Total Rupees	2018 Total Rupees
	Advances for equipment	5,820,531	860,305	-	-	4,875,854	11,556,690	1,538,910
	Advances for computers	-	-	-	-	212,980	212,980	169,311
	Advances for books	33,506	-	-	-	-	33,506	-
	Advances for furniture and fixtures	8,012,626	-	-	-	125,347	8,137,973	5,788,864
	Intangible assets under development	210,398	-	-	-	-	210,398	-
	Standy-by equipment and others	49,999,587	-	-	-	-	49,999,587	-
		<u>64,076,648</u>	<u>860,305</u>	<u>-</u>	<u>-</u>	<u>5,214,181</u>	<u>70,151,134</u>	<u>7,497,085</u>

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

Opening balance							7,497,085	9,310,640
Additions during the year							240,676,690	358,554,363
Transfers during the year							248,173,775	367,865,003
Closing balance						- note 7.1	<u>(178,022,641)</u>	<u>(360,367,918)</u>
							<u>70,151,134</u>	<u>7,497,085</u>

7.1 This represents stand-by equipment, furniture and fixtures and computers and related accessories for Chemical Engineering laboratory of SBASSE.

8. Investments

At amortised cost (2018: Held to maturity)	- note 8.1	1,540,040,519	1,500,782,238	-	21,093,078	-	3,061,915,835	2,902,888,065
At fair value through profit or loss (2018: Available-for-sale)	- note 8.2	228,171,490	286,972,810	-	-	-	515,144,300	702,496,640
		<u>1,768,212,009</u>	<u>1,787,755,048</u>	<u>-</u>	<u>21,093,078</u>	<u>-</u>	<u>3,577,060,135</u>	<u>3,605,384,705</u>
Less: Short term investments		1,150,086,996	314,095,629	-	19,000,000	-	1,483,182,625	1,622,658,660
Current maturity of long term investments		53,649,065	526,986,012	-	2,093,078	-	582,728,155	786,524,560
		<u>1,203,736,061</u>	<u>841,081,641</u>	<u>-</u>	<u>21,093,078</u>	<u>-</u>	<u>2,065,910,780</u>	<u>2,409,183,220</u>
		<u>564,475,948</u>	<u>946,673,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,511,149,355</u>	<u>1,196,201,485</u>

8.1 At amortised cost (2018: Held to maturity)

Pakistan Investment Bonds	- note 8.1.1	326,966,523	1,029,439,609	-	2,093,078	-	1,358,499,210	620,315,005
Term finance certificates	- note 8.1.2	62,987,000	37,997,000	-	-	-	100,984,000	60,996,400
Term deposit receipts - PKR	- note 8.1.3	428,005,746	314,095,629	-	19,000,000	-	761,101,375	1,130,280,260
Term deposit receipts - USD	- note 8.1.4	381,925,000	-	-	-	-	381,925,000	295,200,000
Treasury Bills		340,156,250	-	-	-	-	340,156,250	197,178,400
National Savings Certificates	- note 8.1.5	-	-	-	-	-	-	479,668,000
Special Savings Certificates	- note 8.1.6	-	119,250,000	-	-	-	119,250,000	119,250,000
		<u>1,540,040,519</u>	<u>1,500,782,238</u>	<u>-</u>	<u>21,093,078</u>	<u>-</u>	<u>3,061,915,835</u>	<u>2,902,888,065</u>

8.1.1 This represents investments in Pakistan Investment Bonds. These carry mark-up at coupon rates ranging from 7.25% to 11.5% (2018: 9.25% to 11.5%) per annum.

8.1.2 This represents investments in term finance certificates. These carry mark-up at rates ranging from 7% to 12.5% (2018: 6.86% to 15%) per annum.

8.1.3 This represents investments in term deposit receipts. These carry mark-up at rates ranging from 6.25% to 13% (2018: 7.25% to 8%) per annum.

8.1.4 This represents investments in term deposit receipts. These carry mark-up at rates ranging from 3.05% to 4.75% (2018: 2.45% to 3.3%) per annum.

8.1.5 This represented investment in National Savings Certificates. These carried mark-up at the rate of 7.4% per annum.

8.1.6 This represents investment in Special Savings Certificates. These carry mark-up at the rate of 10.96% per annum.

		Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2019 Total Rupees	2018 Total Rupees
8.2	FVPL (2018: Available-for-sale)							
Shares of The Hub Power Company Limited	- note 8.2.1	-	22,955,625	-	-	-	22,955,625	26,864,640
<i>Units of:</i>								
UBL Fund Managers mutual funds	- note 8.2.2	66,357,104	51,120,960	-	-	-	117,478,064	141,774,226
Alfalah GHP mutual funds	- note 8.2.2	74,475,136	100,898,662	-	-	-	175,373,798	198,465,600
ABL Fund Managers mutual funds	- note 8.2.2	10,287,119	7,995,137	-	-	-	18,282,256	21,895,225
Al-Meezan mutual funds	- note 8.2.2	-	44,842,875	-	-	-	44,842,875	54,297,536
MCB Arif Habib mutual funds	- note 8.2.2	40,268,670	31,419,390	-	-	-	71,688,060	87,223,641
NBP mutual funds	- note 8.2.2	28,298,136	19,255,761	-	-	-	47,553,897	171,963,262
HBL Fund Managers mutual funds	- note 8.2.2	8,485,325	8,484,400	-	-	-	16,969,725	12,510
		<u>228,171,490</u>	<u>286,972,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>515,144,300</u>	<u>702,496,640</u>

8.2.1 This represents 291,500 (2018: 291,500) shares, measured at market value of Rs 78.75 (2018: Rs 92.16) per share, of The Hub Power Company Limited.

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

		Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2019 Total Rupees	2018 Total Rupees
9.	Long term loans, advances and security deposits							
Loans to employees	- note 9.1	224,267	-	-	-	-	224,267	689,672
Loans to students	- note 9.2	136,567,828	12,742,421	8,266,313	-	-	157,576,562	136,778,576
Long term security deposits	- note 9.3	41,483,199	-	-	-	-	41,483,199	41,383,199
Advances to employees		352,785	-	-	-	-	352,785	22,716
		<u>178,628,079</u>	<u>12,742,421</u>	<u>8,266,313</u>	<u>-</u>	<u>-</u>	<u>199,636,813</u>	<u>178,874,163</u>
Less:	Current portion included in current assets:							
	- note 14							
	Loans to employees	224,267	-	-	-	-	224,267	489,998
	Loans to students	45,956,565	3,994,690	4,705,219	-	-	54,656,474	57,158,153
		<u>46,180,832</u>	<u>3,994,690</u>	<u>4,705,219</u>	<u>-</u>	<u>-</u>	<u>54,880,741</u>	<u>57,648,151</u>
		<u>132,447,247</u>	<u>8,747,731</u>	<u>3,561,094</u>	<u>-</u>	<u>-</u>	<u>144,756,072</u>	<u>121,226,012</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% (2018: 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 are measured at amortised cost using interest rate of 14% per annum.

9.3 These 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:

	2019 Rupees	2018 Rupees
Opening balance	48,393,597	40,942,522
Provision for the year	13,245,991	12,505,654
Payments during the year	(5,898,714)	(5,054,579)
Closing balance	<u>55,740,874</u>	<u>48,393,597</u>

11. Long term security deposits

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

	2019 Rupees	2018 Rupees
Security deposits	107,315,800	93,362,100
Less: Current maturity classified in current liabilities	- note 18 (41,617,500)	(35,624,200)
	<u>65,698,300</u>	<u>57,737,900</u>

12. Deferred contributions

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

	2019 Rupees	2018 Rupees
Opening balance	56,435,787	-
Receipts during the year	112,239,717	87,127,634
Amortization during the year - recognised in grants income of current fund	(98,332,288)	(30,691,847)
Closing balance	<u>70,343,216</u>	<u>56,435,787</u>

13. Loan from National Management Foundation

Receipt	-	38,500,445
Fair value of assets received	- note 13.1 49,999,587	-
Gain on initial recognition	(16,251,290)	-
	<u>33,748,297</u>	<u>38,500,445</u>
Unwinding of discount	1,410,956	1,356,467
Repayment	-	(39,856,912)
	<u>35,159,253</u>	<u>-</u>

13.1 This represents interest free amount payable against fair value of assets received from NMF during the current year for Chemical Engineering laboratory equipment. It is payable in three years from the date of receipt of assets i.e. on March 13, 2022, and has been measured at amortized cost by using the interest rate of 14% (2018: Nil) per annum. The comparative figure represented interest free loan from NMF for furnishing of SAHSOL. This loan was repaid during the last year and was measured at amortized cost by using weighted average interest rate of 9.95% per annum.

14. Loans, advances, deposits, prepayments and other receivables	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2019 Total Rupees	2018 Total Rupees
Advances to:							
Employees	65,008,583	76,000	-	-	5,721,461	70,806,044	52,074,265
Suppliers	17,002,930	-	-	-	10,002,374	27,005,304	5,579,130
Prepayments	656,680	-	-	-	-	656,680	1,603,807
Accrued return on investments	10,588,461	3,215,146	-	217,095	2,506,849	16,527,551	42,018,031
Income tax refundable	64,302,520	15,700,945	27,679	158,385	196,421	80,385,950	76,087,994
Fee receivable	10,183,846	-	-	-	-	10,183,846	5,187,873
Receivable against REDC programs and other projects	4,448,740	-	-	-	1,119,063	5,567,803	5,144,268
Other receivables	6,021,113	-	-	-	175,681	6,196,794	6,097,126
Current portion of long term loans and advances:							
Loans to employees	224,267	-	-	-	-	224,267	489,998
Loans to students	45,956,565	3,994,690	4,705,219	-	-	54,656,474	57,158,153
	46,180,832	3,994,690	4,705,219	-	-	54,880,741	57,648,151
Loss allowance	(32,622,430)	(2,333,338)	(3,575,652)	-	-	(38,531,420)	(42,580,919)
	191,771,275	20,653,443	1,157,246	375,480	19,721,849	233,679,293	208,859,726

14.1 Loss allowance (2018: Provision for doubtful receivables)

The reconciliation of loss allowance is as follows:

	2019 Rupees	2018 Rupees
Balance at the beginning of the year under IAS 39	42,580,919	42,398,871
Effect of change in accounting policy due to adoption of IFRS 9 - note 2.2.1 (a)	-	-
Balance as at beginning of the year under IFRS 9	42,580,919	42,398,871
Increase in loss allowance during the year	-	2,895,188
Unused amount reversed during the year	(4,049,499)	(2,713,140)
Closing balance	38,531,420	42,580,919

15. Short term investments	Current Fund Rupees	Endowment Fund Rupees	Chair Fund Rupees	2019 Total Rupees	2018 Total Rupees
At amortised cost (2018: Held to maturity)					
Term deposit receipts	809,930,746	314,095,629	19,000,000	1,143,026,375	1,425,480,260
Treasury Bills	340,156,250	-	-	340,156,250	197,178,400
	1,150,086,996	314,095,629	19,000,000	1,483,182,625	1,622,658,660

15.1 These carry mark-up at rates ranging from 6.25% to 13% (2018: 7.25% to 8%) per annum.

16.	Current maturity of long term investments	Current Fund Rupees	Endowment Fund Rupees	Chair Fund Rupees	2019 Total Rupees	2018 Total Rupees
At amortised cost (2018: Held to maturity)						
	Pakistan Investment Bonds	53,649,065	482,143,137	2,093,078	537,885,280	78,877,357
	National Savings Certificates	-	-	-	-	479,668,000
FVPL (2018: Available-for-sale)						
	Units of mutual funds	-	44,842,875	-	44,842,875	227,979,203
		<u>53,649,065</u>	<u>526,986,012</u>	<u>2,093,078</u>	<u>582,728,155</u>	<u>786,524,560</u>

17.	Cash and bank balances	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2019 Total Rupees	2018 Total Rupees
	Cash in hand	1,050,115	-	-	-	-	1,050,115	677,805
	- US\$ 5,620 (2018: US\$ 2,839.97)							
	- PKR 128,440 (2018: PKR 333,029)							
	Balances at bank							
	In current accounts	24,253,147	-	58,726,736	-	165,131,953	248,111,836	142,324,188
	- US\$ 23,774.17 (2018: US\$ 102,254.54)							
	- PKR 244,212,872 (2018: PKR 129,910,356)							
	In savings accounts	584,990,526	98,185,554	62,746,786	8,675,820	242,987,411	997,586,097	471,929,272
	- US\$ 152,115.9 (2018: US\$ 242,292.30)							
	- EUR 2.53 (2018: EUR 0.95)							
	- JPY 1.53 (2018: JPY 1.53)							
	- PKR 972,638,618 (2018: PKR 442,514,601)							
		<u>610,293,788</u>	<u>98,185,554</u>	<u>121,473,522</u>	<u>8,675,820</u>	<u>408,119,364</u>	<u>1,246,748,048</u>	<u>614,931,265</u>

17.1 Included in savings accounts are Rs 30.033 million (2018: Rs 30.033 million) which are under lien against bank guarantee and letters of credit as referred to in note 20.1.

17.2 Furthermore, included in savings accounts is an amount of Rs 4.555 million (2018: Rs 4.120 million) in an escrow account with MCB Bank Limited (MCB). Under the terms of agreement between MCB and LUMS, the University has deposited 6% of each tranche of the finance extended by MCB to students of the University. MCB has the right to utilize this amount for the purpose of recovery in case of default by any student.

18.	Creditors, accrued and other liabilities	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2019 Total Rupees	2018 Total Rupees
	Advance tuition and other fees	633,745,706	-	-	-	-	633,745,706	592,311,665
	Creditors	18,580,050	73,118	4,484	-	3,902,862	22,560,514	58,891,458
	Accrued liabilities	89,812,257	322,657	48,000	714	10,158,494	100,342,122	57,761,426
	Payable against executive development programmes	26,106,448	-	-	-	-	26,106,448	29,323,788
	Payable to student societies	870,818	-	-	-	13,527,202	14,398,020	17,718,626
	Provident fund payable	14,341,793	-	-	-	-	14,341,793	14,521,152
	Employee fund payable	11,855,696	-	-	-	-	11,855,696	8,845,033
	Current portion of long term security deposits - note 11	41,617,500	-	-	-	-	41,617,500	35,624,200
	Other security deposits	2,333,635	-	-	-	-	2,333,635	1,717,598
	Other liabilities	57,720,538	539,750	1,748	1,514	2,355,646	60,619,196	31,342,379
		<u>896,984,441</u>	<u>935,525</u>	<u>54,232</u>	<u>2,228</u>	<u>29,944,204</u>	<u>927,920,630</u>	<u>848,057,325</u>

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

20. Contingencies and commitments

20.1 Contingencies

(i) The University has provided bank guarantee of Rs 18.0 million (2018: Rs 18.0 million) in favour of Sui Northern Gas Pipelines Limited (SNGPL) on account of payment of gas dues, Rs 0.802 million (2018: Rs 0.802 million) to Pakistan State Oil Company Limited (PSO) on account of fuel cards and Rs 8.50 million to Oursun Solar Power Limited (2018: 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 17.1, for an amount equal to 110% of the amount of guarantee.

(ii) Walton Cantonment Board has levied property tax on buildings under LUMS occupation amounting to Rs 1,425.784 million for the period 1993-94 to 2017-18. LUMS has contended the assessment on account of exemption available to it under the Cantonment Act, 1924 and has filed an appeal before the Director General, Military Lands and Cantonment, Rawalpindi. Pending the outcome of the appeal, no provision has been made in these financial statements for the demand aggregating to Rs 1,425.784 million (2018: Rs 1,425.784 million) since in the management and its legal counsel's view, the outcome of the appeal is expected to be favourable.

(iii) In continuance to the show cause notice under section 161(1A)/205(3) of the Income Tax Ordinance, 2001 ('Ordinance'), dated October 16, 2018 to the University, the Assistant / Deputy Commissioner (Enforcement & Collection), Inland Revenue has raised a demand against the University under section 137(2) of the Ordinance, whereby the University is required to deposit an amount of Rs 70.477 million in the government treasury in respect of withholding tax required to be deducted/collected under various provisions of the Ordinance for the Tax Year 2016. The amount relates to the withholding/advance tax on hostel income, salaries and purchases made from commercial importers and certain local suppliers or service providers. The University has preferred an appeal before the Commissioner Inland Revenue (Appeals) against the aforementioned order and a stay has been granted. Based on the advice of the University's tax consultant, the management is confident that the demand raised would be disposed off in the University's favour. Consequently, no provision in this respect has been made in these financial statements.

(iv) On May 20, 2019, the Additional Commissioner, Punjab Revenue Authority (PRA), has passed an order requiring the University to pay an amount of Rs 49.779 million in respect of Punjab Sales Tax on contributions for building and equipment for the period from July 2016 to June 2017, however, the University has filed an appeal before the Commissioner (Appeals), PRA against the aforementioned order stating that the order is bad in law since the University's tax consultant is of the view that the aforementioned contributions are outside the purview of Punjab Sales Tax on Services Act, 2012 and the related rules. Based on the advice of the University's tax consultant, management is confident that the case would ultimately be decided in the University's favour. Therefore, no provision in this respect has been made in these financial statements.

20.2 Commitments

Aggregate facilities available for opening letters of credit and guarantees aggregate to Rs 75 million (2018: Rs 75 million). The amount utilised at June 30, 2019, for letters of credit was Rs 4.949 million (2018: Nil).

Commitments in respect of contracts for capital expenditure amount to Rs 2.081 million (2018: Rs 32.655 million).

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

		2019 UKAID - DFID Rupees	2018 UKAID - DFID Rupees
Total receipts during the year	- note 21.1	-	220,421,663
Operating expenditure		-	(193,801,271)
Capital expenditure		-	(155,112)

21.1 Agreement with UKAID-DFID has expired during the current year.

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	Fixed Assets Fund Rupees	2019 Total Rupees	2018 Total Rupees
22. Contributions								
These are from the following major sources:								
Government	-	-	609,679	-	274,038,540	-	274,648,219	469,649,429
Foundations	116,870,169	-	57,515,401	-	118,444,592	-	292,830,162	447,475,301
Corporate	-	11,000,000	58,633,020	-	46,051,679	147,408	115,832,107	197,217,609
Individuals	-	26,624,466	14,207,592	-	-	-	40,832,058	49,436,349
Other Not-For-Profit organizations	-	-	244,625,050	-	186,182,997	16,554,650	447,362,697	284,236,723
	<u>116,870,169</u>	<u>37,624,466</u>	<u>375,590,742</u>	<u>-</u>	<u>624,717,808</u>	<u>16,702,058</u>	<u>1,171,505,243</u>	<u>1,448,015,411</u>

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Projects Rupees	2019 Total Rupees	2018 Total Rupees
23. Miscellaneous income							
Hostel and faculty apartment income	226,796,706	-	-	-	-	226,796,706	207,988,200
Cafeteria income	147,966,697	-	-	-	2,000	147,968,697	137,195,838
Liabilities written back	-	-	-	-	-	-	1,893,754
Gain on sale of fixed assets	2,729,558	-	-	-	-	2,729,558	-
Gain on initial recognition of loan from NMF	16,251,290	-	-	-	-	16,251,290	-
Test and processing fee	28,119,646	-	-	-	-	28,119,646	30,022,011
Sponsored projects income	56,996,767	-	-	-	-	56,996,767	90,346,507
Societies sponsorship income	236,000	-	-	-	44,549,594	44,785,594	38,485,913
Rental income	16,226,552	-	-	-	-	16,226,552	16,716,358
Other income	120,474,524	575,180	660,620	14,561,254	12,745,102	149,016,680	112,051,905
	<u>615,797,740</u>	<u>575,180</u>	<u>660,620</u>	<u>14,561,254</u>	<u>57,296,696</u>	<u>688,891,490</u>	<u>634,700,486</u>

24. Return on investments and term deposits

Interest earned on savings accounts	98,799,444	8,565,686	170,337	2,012,025	1,952,338	111,499,830	33,275,772
Interest earned on investments carried at amortised cost	120,134,577	113,769,216	-	424,882	-	234,328,675	174,178,757
Dividend earned on investments carried at FVPL	2,097,352	1,514,756	-	-	-	3,612,108	2,761,372
Loss on disposal of available-for-sale investments	-	-	-	-	-	-	(1,859,565)
Loss on disposal of investments carried at FVPL	(1,490,629)	(1,355,427)	-	-	-	(2,846,056)	(33,979,070)
	<u>219,540,744</u>	<u>122,494,231</u>	<u>170,337</u>	<u>2,436,907</u>	<u>1,952,338</u>	<u>346,594,557</u>	<u>174,377,266</u>

25.

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

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

27. Cash and cash equivalents

		2019 Rupees	2018 Rupees
Cash and bank balances	- note 17	1,246,748,048	614,931,265
Term deposit receipts		1,143,026,375	500,000,000
Treasury bills		340,156,250	197,178,400
		<u>2,729,930,673</u>	<u>1,312,109,665</u>

28. Remuneration of key management personnel

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

	2019 Rupees	2018 Rupees
Remuneration	58,879,917	46,284,700
Housing rent	18,097,466	20,828,118
Medical expenses	5,887,992	4,628,475
Utilities	15,779,554	4,628,475
Other allowances	15,405,229	24,965,042
	<u>114,050,158</u>	<u>101,334,810</u>

29. Transactions with related parties

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

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

Relationship with the University	Nature and transaction	2019 Rupees	2018 Rupees
Employee benefit plan	Provident fund contribution	79,940,821	69,639,828
Affiliate	Grant received from The Coca-Cola Export Corporation transferred to NMF	23,000,000	21,000,000
Affiliate	Contribution for buildings and equipment to NMF	257,179,200	294,854,456
Affiliate	Payments made on behalf of NMF to be recovered	628,527	2,359,015
Affiliates	Donations received	17,272,597	13,000,000
Affiliates	Services received	38,553,613	29,080,369
Affiliates	Services provided	40,501,860	11,971,800
Affiliates	Goods purchased	14,173,760	2,237,267
Affiliates	Fixed assets purchased	1,400,316	13,891,690
Affiliates	Expenses incurred by LUMS on behalf of related party	-	12,376,900
Relationship with the University	Nature and balance		
Employee benefit plan	Provident fund payable	14,341,793	14,521,152
Affiliates	Payable/(receivable) in respect of services availed/rendered	1,509,010	(151,260)

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

30. Financial risk management

30.1 Financial risk factors

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

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

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

(a) Market risk

(i) Currency risk

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

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

	2019 USD	2018 USD
Cash and bank balances	175,890	344,547
Short term investments	2,500,000	2,500,000
Accrued return on short term investments	6,904	5,783
Trade creditors	-	(4,230)
Net asset exposure	<u>2,682,794</u>	<u>2,846,100</u>

At June 30, 2019, 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 42.925 million (2018: Rs 34.552 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US Dollar-denominated financial assets and liabilities.

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

(ii) Other price risk

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

The University is exposed to equity securities price risk because of investments held by the University and classified as at fair value through profit or loss (2018: available-for-sale). Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Committee. The primary goal of the University's investment strategy is to maximise investment returns.

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

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

Impact on surplus for the year		Impact on other components of fund balance	
2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
<u>2,295,563</u>	<u>-</u>	<u>-</u>	<u>2,686,464</u>

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 at fair value through other comprehensive income (2018: available-for-sale).

(iii) Interest rate risk

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

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

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

	2019 Rupees	2018 Rupees
Fixed rate instruments:		
Financial assets		
Bank balances - savings accounts	997,586,097	471,929,272
Investments	2,706,165,919	2,847,888,065
	<u>3,703,752,016</u>	<u>3,319,817,337</u>
Financial liabilities		
Loan from NMF	35,159,253	-
	<u>3,668,592,763</u>	<u>3,319,817,337</u>
Floating rate instruments:		
Financial assets		
Investments	355,749,916	55,000,000
Financial liabilities		
	-	-
	<u>355,749,916</u>	<u>55,000,000</u>

Net exposure

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(b) Credit risk

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

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

(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:

	2019 Rupees	2018 Rupees
Investments	3,554,104,510	3,578,520,065
Long term loans, advances and security deposits	144,756,072	121,226,012
Loans, advances, deposits and other receivables	54,825,315	73,514,530
Due from NMF	2,458,288	1,708,718
Balances with banks	1,245,697,933	614,253,460
	<u>5,001,842,118</u>	<u>4,389,222,785</u>

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

Up to 90 days	7,002,190	2,561,003
91 to 180 days	-	-
181 to 365 days	1,014,331	547,854
Above 365 days	2,167,325	2,079,016
	<u>10,183,846</u>	<u>5,187,873</u>

(ii) **Impairment of financial assets**

The identified impairment loss was immaterial in respect of financial assets subject to the impairment requirements of IFRS 9.

(iii) **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 asset management company) or to historical information about counterparty default rate:

	Rating Short term	Rating Long term	Rating Agency	2019 Rupees	2018 Rupees
Bank balances and deposits:					
Allied Bank Limited	A1+	AAA	PACRA	299,206,377	279,285,744
Faysal Bank Limited	AA	A-1+	JCR-VIS	284,007,364	328,883,645
Askari Bank Limited	A1+	AA-	PACRA	95,432,000	127,617,742
Bank Alfalah Limited	AA+	A-1+	JCR-VIS	4,547,309	72,588,301
JS Bank Limited	AA-	A1+	PACRA	292,927,607	333,340,208
MCB Bank Limited	A1+	AAA	PACRA	60,716,227	31,472,562
United Bank Limited	AAA	A-1+	JCR-VIS	54,450,061	9,781,236
Meezan Bank Limited	AA+	A-1+	JCR-VIS	494,740,287	489,108,464
Habib Bank Limited	AAA	A-1+	JCR-VIS	7,883,748	8,434,919
Standard Chartered Bank Pakistan Limited	AAA	A1+	PACRA	12,390,534	6,079,318
National Bank of Pakistan	AAA	A-1+	PACRA	108,538,195	2,590,659
NRSP Microfinance Bank Limited	A	A-1	JCR-VIS	798,721	50,437,351
Al Baraka Bank Limited	A+	A-1	JCR-VIS	90,514	87,888
Habib Metropolitan Bank Limited	AA+	A1+	PACRA	300,209,602	200,015,226
Mobilink Microfinance Bank Limited	A	A1	PACRA	882,785	50,007,364
Telenor Microfinance Bank Limited	A+	A-1	JCR-VIS	34,119	50,003,093
Samba Bank Limited	AA	A-1	JCR-VIS	53,864,440	-
Dubai Islamic Bank Limited	AA	A-1+	JCR-VIS	60,094,308	-
Bank Al Habib Limited	AA+	A1+	PACRA	257,910,110	-
				<u>2,388,724,308</u>	<u>2,039,733,720</u>

Units of mutual funds:	Rating		Rating Agency	2019	2018
	Short term	Long term		Rupees	Rupees
ABL Islamic Stock Fund	-	AM2++	JCR-VIS	7,311,712	8,771,308
ABL Stock Fund	-	AM2++	JCR-VIS	10,954,066	13,123,917
ABL Cash Fund	-	AA(f)	JCR-VIS	16,478	-
Alfalah GHP Income Fund	-	A+(f)	PACRA	323,014	-
Alfalah GHP Income Multiplier Fund	-	A+(f)	PACRA	639,878	-
Alfalah GHP Islamic Stock Fund	-	AM2+	PACRA	54,058,840	65,779,586
Alfalah GHP Stock Fund	3 star	2 star	PACRA	60,590,539	72,409,083
Alfalah GHP Money Market Fund	-	AA+(f)	PACRA	59,761,529	-
Alhamra Islamic Stock Fund	-	AA-(f)	PACRA	27,041,067	33,856,296
MCB Pakistan Stock Market Fund	-	AM2++	PACRA	44,641,060	53,367,346
MCB Cash Management Optimizer	-	AA+(f)	PACRA	5,932	-
Meezan Strategic Allocation Fund (MSAP I)	-	AM1	JCR-VIS	44,842,875	54,297,536
NAFA Islamic Stock Fund	-	AM1	PACRA	35,594,313	44,623,056
NAFA Money Market Fund	-	AA(f)	PACRA	529,704	87,601,183
NAFA Stock Fund	-	AM1	PACRA	11,429,880	39,740,420
UBL Al Ameen Shariah Stock Fund	-	AM1	JCR-VIS	45,904,870	56,292,541
UBL Stock Advantage Fund	-	AM1	JCR-VIS	71,569,543	85,481,684
UBL Money Market Fund	-	AA(f)	JCR-VIS	2,299	-
UBL Al Ameen Islamic Cash Fund	-	AA(f)	JCR-VIS	1,351	-
Alfalah GHP IPPF Islamic Active Allocation Plan	-	AM2+	JCR-VIS	-	60,276,932
HBL Cash Fund	-	AA+(f)	PACRA	10,925	11,112
HBL Stock Fund	-	AM2+	JCR-VIS	16,958,800	-
				<u>492,188,675</u>	<u>675,632,000</u>

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

(c) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities as at June 30, 2019 and June 30, 2018:

At June 30, 2019

	Carrying value Rupees	Less than 1 year	Between 1 and 2 years	3 to 5 years
		Rupees	Rupees	Rupees
Long term security deposits	65,698,300	-	62,121,300	3,577,000
Creditors, accrued and other liabilities	265,877,742	265,877,742	-	-
Loan from NMF	35,159,253	-	-	35,159,253
	<u>366,735,295</u>	<u>265,877,742</u>	<u>62,121,300</u>	<u>38,736,253</u>

At June 30, 2018

	Carrying value Rupees	Less than 1 year	Between 1 and 2 years	3 to 5 years
		Rupees	Rupees	Rupees
Long term security deposits	57,737,900	-	51,819,200	5,918,700
Creditors, accrued and other liabilities	249,102,884	249,102,884	-	-
	<u>306,840,784</u>	<u>249,102,884</u>	<u>51,819,200</u>	<u>5,918,700</u>

30.2 Fair value estimation

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

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

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

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

As at June 30, 2019	Level 1	Level 2	Level 3	Total
	Rupees			
Recurring fair value measurements				
Assets				
Investments - FVPL	515,144,300	-	-	515,144,300
Total assets	515,144,300	-	-	515,144,300
Liabilities				
Total liabilities	-	-	-	-
As at June 30, 2018				
Recurring fair value measurements				
Assets				
Investments - Available-for-sale	702,496,640	-	-	702,496,640
Total assets	702,496,640	-	-	702,496,640
Liabilities				
Total liabilities	-	-	-	-

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

30.3 Financial instruments by categories

As at June 30, 2019	At fair value through profit or loss	At Amortised cost (Rupees)	Total
Assets as per balance sheet			
Investments	515,144,300	3,061,915,835	3,577,060,135
Long term loans, advances and security deposits	-	144,756,072	144,756,072
Loans, advances, deposits and other receivables	-	54,825,315	54,825,315
Cash and bank balances	-	1,246,748,048	1,246,748,048
Due from National Management Foundation	-	2,458,288	2,458,288
	515,144,300	4,510,703,558	5,025,847,858

As at June 30, 2018	Held to maturity	Available- for-sale	Loans and receivables	Total
	(Rupees)			
Assets as per balance sheet				
Investments	721,684,048	474,517,437	-	1,196,201,485
Long term loans, advances and security deposits	-	-	121,226,012	121,226,012
Loans, advances, deposits and other receivables	-	-	73,514,530	73,514,530
Short term investments	2,181,204,017	227,979,203	-	2,409,183,220
Cash and bank balances	-	-	614,931,265	614,931,265
Due from National Management Foundation	-	-	1,708,718	1,708,718
	2,902,888,065	702,496,640	811,380,525	4,416,765,230

Liabilities as per balance sheet	Financial liabilities at amortized cost	
	2019	2018
	(Rupees)	
Long term security deposits	65,698,300	57,737,900
Loan from National Management Foundation	35,159,253	-
Creditors, accrued and other liabilities	265,877,742	249,102,884
	366,735,295	306,840,784

30.4 Offsetting financial assets and financial liabilities

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

31. Date of approval of financial statements

These financial statements were approved on December 2, 2019 by the Board of Trustees of the University.


Member of Management Committee


Chief Financial Officer