

**FOUNDATION UNIVERSITY ISLAMABAD  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

### Opinion

We have audited the financial statements of **Foundation University Islamabad** (the University), which comprise the statement of financial position as at September 30, 2020 and the income statement, the statement of comprehensive income, the statement of changes in funds, the statement of cash flows 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 September 30, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium - Sized Entities (IFRS for SMEs).

### Basis for Opinion

We conducted our audit in accordance with 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.

### Other Matters:

The financial statements of the University for the year ended September 30, 2019 were audited by another auditor who expressed an unmodified audit opinion on June 25, 2020.

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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs and for such internal control as management 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, management 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.

## 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.

  
Grant Thornton Anjum Rahman  
Chartered Accountants

Engagement Partner: Waqas Waris  
Islamabad  
February 9, 2022

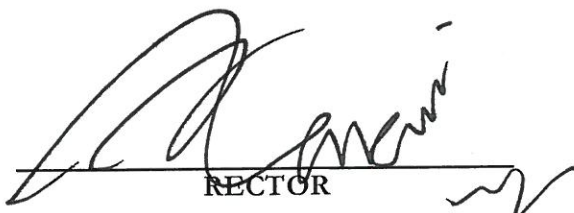
FOUNDATION UNIVERSITY ISLAMABAD  
STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2020

	Note	2020 ----- Amount in Rupees -----	2019 -----
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	677,315,664	591,064,375
Capital work in progress	5	45,519,077	33,112,985
Intangible assets	6	670,000	-
Long term security deposits		2,136,669	2,156,669
		<b>725,641,410</b>	<b>626,334,029</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	7	9,675,813	8,509,901
Due from students		45,314,886	75,608,187
Prepayments and advances	8	31,794,089	628,089,547
Other receivables	9	6,556,186	10,095,010
Tax deducted at source	10	507,244,701	482,516,250
Short term investments	11	2,188,349,201	265,366,046
Cash and bank balances	12	1,996,260,899	2,900,882,707
		<b>4,785,195,775</b>	<b>4,371,067,648</b>
<b>TOTAL ASSETS</b>		<b>5,510,837,185</b>	<b>4,997,401,677</b>
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Deferred credit and restricted funds	14	16,776,897	16,731,491
Long term security deposits	15	66,413,557	77,666,102
Employee benefit obligations	16	204,340,254	174,949,773
		<b>287,530,708</b>	<b>269,347,366</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	183,268,216	209,150,108
Due to related party	18	200,628,189	173,705,587
Unearned revenue	19	518,106,561	535,625,702
		<b>902,002,966</b>	<b>918,481,397</b>
<b>TOTAL LIABILITIES</b>		<b>1,189,533,674</b>	<b>1,187,828,763</b>
<b>NET ASSETS</b>		<b>4,321,303,511</b>	<b>3,809,572,914</b>
<b>REPRESENTED BY:</b>			
Endowment fund		544,689,898	558,580,279
General fund		3,776,613,613	3,250,992,635
		<b>4,321,303,511</b>	<b>3,809,572,914</b>

**CONTINGENCIES & COMMITMENTS**

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*The annexed notes 1 to 32 form an integral part of these financial statements.*

  
RECTOR

  
DIRECTOR FINANCE

FOUNDATION UNIVERSITY ISLAMABAD  
INCOME STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Note	2020	2019
		----- Amount in Rupees -----	
<b>INCOME</b>			
Fee income	21	1,859,160,027	1,728,490,160
Investment income - net	22	194,318,436	81,260,204
Other income	23	163,939,232	360,559,027
		2,217,417,695	2,170,309,391
<b>EXPENDITURES</b>			
Salaries, allowances and other benefits	24	998,700,268	854,322,990
Trainees stipend	25	102,421,459	74,483,214
FAP/Merit scholarship		30,670,373	22,847,871
Teaching hospital charges		27,457,576	32,194,260
Research & Development		9,436,730	8,372,245
Rents, rates and taxes		204,558,881	185,272,126
Depreciation and amortization		125,590,974	102,342,182
Utilities		39,203,112	39,214,902
Repairs & maintenance		39,546,303	22,744,581
Security & Janitorial expenses		28,480,199	28,842,846
Vehicle running expense		7,832,494	8,852,453
Printing & stationary		9,270,942	12,168,272
Discount on fee		9,238,830	7,773,210
Stores consumed		8,533,997	6,715,230
Labs expenses		7,844,340	11,067,445
University events		3,449,376	3,071,066
Examination		4,476,429	2,816,735
Legal & professional charges		2,861,860	6,537,332
Fines and penalties		-	5,975,656
Insurance		2,092,619	2,149,195
Communication expenses		1,843,631	2,203,848
Travelling and conveyance		365,448	3,767,895
Students medical facility		2,910,181	952,266
Advertisement		2,285,232	2,706,883
Auditors remuneration		611,600	590,000
Bank charges		500,860	633,537
Loss on disposal of fixed assets		-	16,605
Registration/Affiliation		785,720	1,150,919
Debit balance written off		7,816,637	-
Miscellaneous expenses		26,901,027	27,018,691
		1,705,687,098	1,476,804,455
<b>SURPLUS OF INCOME OVER EXPENDITURES</b>		<b>511,730,597</b>	<b>693,504,936</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

  
RECTOR

  
DIRECTOR FINANCE

FOUNDATION UNIVERSITY ISLAMABAD  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020	2019
	----- Amount in Rupees -----	
Surplus of income over expenditure	511,730,597	693,504,936
Other comprehensive income	-	-
Total comprehensive income	<u>511,730,597</u>	<u>693,504,936</u>

*The annexed notes 1 to 32 form an integral part of these financial statements.*


  
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DIRECTOR FINANCE

FOUNDATION UNIVERSITY ISLAMABAD  
STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Endowment fund	General fund	Total
	----- Amount in Rupees -----		
<b>Balance as at October 01, 2018</b>	529,281,031	2,586,786,947	3,116,067,978
Total comprehensive income	-	693,504,936	693,504,936
Research fund - Endowment	30,000,000	(30,000,000)	-
Apportionment of income of endowment	9,620,857	(9,620,857)	-
Utilization during the year	(10,321,609)	10,321,609	-
<b>Balance as at September 30, 2019</b>	<u>558,580,279</u>	<u>3,250,992,635</u>	<u>3,809,572,914</u>
<b>Balance as at October 01, 2019</b>	558,580,279	3,250,992,635	3,809,572,914
Total comprehensive income	-	511,730,597	511,730,597
Apportionment of income of endowment	15,655,038	(15,655,038)	-
Utilization during the year	(29,545,419)	29,545,419	-
<b>Balance as at June 30, 2020</b>	<u>544,689,898</u>	<u>3,776,613,613</u>	<u>4,321,303,511</u>

*The annexed notes 1 to 32 form an integral part of these financial statements.*

  
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DIRECTOR FINANCE

FOUNDATION UNIVERSITY ISLAMABAD  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020	2019
Note	----- Amount in Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus of income over expenditure	511,730,597	693,504,936
<b>Adjustments for non-cash items:</b>		
Depreciation on property and equipment	4 125,260,974	102,342,181
Amortization of intangible assets	6 330,000	-
Amortization of deferred credit and restricted funds	(2,384,968)	1,640,279
(Gain)/ loss on disposal of property and equipment	(4,405,957)	16,605
Exchange gain	(83,940,575)	(248,572,638)
Provision for employees' benefits - net	29,390,481	27,071,965
	<u>64,249,955</u>	<u>(117,501,608)</u>
<b>Operating surplus before working capital changes</b>	<b>575,980,552</b>	<b>576,003,328</b>
<b>Changes in working capital</b>	<b>27 587,754,789</b>	<b>(862,327,443)</b>
<b>Cash generated from operations</b>	<b>1,163,735,341</b>	<b>(286,324,115)</b>
Security deposits - net	(11,232,545)	(6,629,396)
<b>Net cash flow from operating activities</b>	<b>1,152,502,796</b>	<b>(292,953,511)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures on property and equipment	(182,196,758)	(263,934,538)
Capital expenditures on capital work in progress	(43,337,331)	(19,386,492)
Capital expenditures on intangibles	(1,000,000)	-
Short term investments - net	(893,684,501)	2,668,946,794
Exchange gain	83,940,575	248,572,638
Proceeds from sale of property and equipment	6,021,691	3,058,883
<b>Net cash used in investing activities</b>	<b>(1,030,256,324)</b>	<b>2,637,257,285</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Deferred credit and restricted funds	2,430,374	6,029,680
<b>Net cash generated from financing activities</b>	<b>2,430,374</b>	<b>6,029,680</b>
<b>Net increase in cash and cash equivalents</b>	<b>124,676,846</b>	<b>2,350,333,454</b>
Cash and cash equivalents at beginning of the year	2,900,882,707	550,549,253
<b>Cash and cash equivalents at end of the year</b>	<b>26 3,025,559,553</b>	<b>2,900,882,707</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

  
RECTOR

  
DIRECTOR FINANCE



**FOUNDATION UNIVERSITY ISLAMABAD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**1. UNIVERSITY AND ITS OPERATIONS**

Foundation University Islamabad ("the University") was established under the Foundation University Ordinance, 2002. The University is engaged in providing education through its colleges in the field of medicine, engineering, developing technologies, arts and sciences.

These financial statements include Endowment Fund established in compliance with the requirements of the Higher Education Commission and the result of following campuses:

- Foundation University Islamabad - Secretariat;
- Foundation University Islamabad Campus;
- Foundation University Rawalpindi Campus;
- Foundation University Sialkot Campus.

**2. BASIS OF PREPARATION**

**2.1. Statement of compliance**

These financial statements have been prepared in accordance with accounting and reporting standards, as applicable in Pakistan. Accounting and reporting standards comprise of;

- International Financial Reporting Standards for Small and Medium – Sized Entities (IFRS for SMEs), issued by International Accounting Standard Board (IASB) as are notified by Securities and Exchange Commission of Pakistan (SECP) to companies in Pakistan.

The University is not required to comply with the requirements of IFRS for SMEs, however to follow the best practices, the University has adopted accounting and reporting standards as applicable in Pakistan as a framework for preparation of these financial statements.

**2.2. Basis of measurement**

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

**2.3. Functional and presentation currency**

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

**2.4. Use of estimates and judgments**

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the University's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful life and depreciation method of property and equipment (Note 3.1)
- Useful life and amortization method of intangible assets (Note 3.2)
- Impairment of non-financial assets (Note 3.4)
- Provision for employee benefits obligations (Note 3.7)
- Provisions (Note 3.10)
- Contingent liabilities (3.11)
- Taxation (3.12) \*

### 3. SIGNIFICANT ACCOUNTING POLICIES

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#### 3.1. Property and equipment

These are stated at cost, which includes purchase price, import duties and directly attributable costs less accumulated depreciation and impairment loss, if any.

Normal repairs and maintenance are charged to income statement as and when incurred whereas major improvements and modifications are capitalized.

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis.

Depreciation is charged on straight line basis. Depreciation is charged to the income statement over its estimated useful life at the rates given in Note 4. Full year's depreciation is charged on the assets if addition is made during the first half of the year, whereas half year's depreciation is charged if addition is made in second half of the year. No depreciation is charged in the year in which the assets are disposed off.

Gains and losses on disposals of property, plant and equipment are charged to income statement.

#### 3.2. Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition, an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the University. The useful life and amortization method is reviewed and adjusted, if appropriate, at each reporting date.

#### 3.3. 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 property and equipment as and when these are available for use.

#### 3.4. Impairment of non-financial assets

The assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognized in the income statement. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. The University recognizes the reversal immediately in the income statement.

#### 3.5. Stores, spares and loose tools

Stores and spare parts are valued at lower of weighted average cost or net realizable value, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

#### 3.6. Due from students

Due from students are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of the receivables.

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**FOUNDATION UNIVERSITY ISLAMABAD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**3.7. Employee benefit obligations**

**3.7.1. Provision for employees' compensated absences**

The University accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Provision for compensated absences has been made on the basis of Projected Unit Credit ("PUC") actuarial cost method. The amount recognized in the statement of financial position represents the present value of defined benefit obligations. Calculation of compensated absences requires assumptions to be made of future outcomes which mainly include increase in remuneration and the discount rates used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

**3.7.2. Gratuity**

The University operates an unfunded gratuity scheme for Welfare and Rehabilitation (W&R) employees who have completed the minimum qualifying period of services as specified by the scheme. Provision is made annually to cover obligations under the scheme in accordance with actuarial valuation using the projected unit credit method. The actuarial gains or losses at each evaluation date are charged to other comprehensive income. The amount recognized in the statement of financial position represents the present value of defined benefit obligations. Calculation of gratuity requires assumptions to be made of future outcomes which mainly include increase in remuneration and the discount rates used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

**3.8. Trade creditors**

Trade creditors are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

**3.9. Income**

Income from tuition fee is recognized over the period and the amount received against which tuition is not provided till the year end is recognized as unearned revenue in statement of financial position. Revenue from admission fee is recognized at the time of admission. Profit on bank deposit is recognized on a time proportion basis taking into account the principal outstanding and the interest applicable. Return on investment is recognized on accrual basis at the rates specified in respective investment instrument assuming that such investment will be held till maturity.

**3.10. Provision**

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

**3.11. Contingent liabilities**

A contingent liability is disclosed when the University has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the University; or the University has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

**3.12. Taxation**

**3.12.1. Current tax**

Current tax is the expected tax payable on the taxable income for the year; calculated using rates enacted or substantively enacted by the end of the reporting period. The calculation of current tax takes into account tax credit and tax rebates, if any, and is inclusive of any adjustment to income tax payable or recoverable in respect of previous years.

The University is a non-profit organization can claim tax credit equal to 100% of the tax payable under section 100C of the Income Tax Ordinance 2001. Accordingly, no provision for tax has been made in the financial statements.

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**FOUNDATION UNIVERSITY ISLAMABAD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**3.12.2. Deferred tax**

A deferred tax liability is recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and the carryforward of unused tax losses.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax has not been provide 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 100% of the tax payable, including minimum tax and final taxes, under section 100C of the Income Tax Ordinance 2001.

**3.13. Foreign currency transactions and translations**

Foreign currency transactions are translated into Pakistani Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupee at the exchange rates prevailing at the reporting date. All non-monetary items are translated into Pakistani Rupee at exchange rate prevailing on the date of transaction or the date when the fair values are determined. Exchange differences are taken to income account.

**3.14. Endowment fund**

**3.14.1. General endowment fund**

General endowment fund is established in compliance with the requirements of the Higher Education Commission for sustainability of operation of the University. The principal objective of the University is to make investments in schemes where principal asset is not depleted. 50% of the income for the year earned from endowment fund's investments is used to fund the activities of the University while remaining balance is retained in endowment fund.

**3.14.2. Financial assistance programme**

Financial Assistance Program (FAP) means to provide assistance to deserving and underprivileged students. The available amount is given to the deserving students after detailed scrutiny of the documents by the Financial Assistance Committees (FACs) of FUI Campuses. 50% of the income for the year earned from fund's investments is used to fund the activities of the University while remaining balance is retained in financial assistance programme fund. Financial assistance is initially granted for one academic year/semester and would continue on the basis of the performance of the student.

**3.14.3. Research endowment fund**

Research endowment fund is created to provide a steady and additional funding source for the research activities and also provide a sustainable solution for the research requirement of the University. 50% of the income for the year earned from research endowment fund's investments is used to fund the research activities of the University while remaining balance is retained in research endowment fund.

**3.15. Deferred grants**

Deferred credit represents the amount received from Higher Education Commission and from different Companies of Fauji Foundation group for scholarship purposes. Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the University will comply with all attached conditions.

Grants relating to expenses are deferred and recognized in the income statement in the period in which the related expense is incurred.

Grants relating to property and equipment are presented separately from the assets to which they relate and recognized as income equal to the amount of respective asset's depreciation or amortization charge. Grants received before the income recognition criteria are satisfied are presented as a separate liability in the statement of financial position.

**FOUNDATION UNIVERSITY ISLAMABAD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**3.16. Financial instruments at amortized cost**

Financial instruments are recognized on the date the University becomes a party to the contractual provisions of the instrument.

A financial instruments is derecognized when the contractual rights/obligations to the cash flows from the instruments expire, or when the University transfers the rights/obligations to settle the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial instruments are transferred. Any interest in such transferred financial instruments that is created or retained by the University is recognized as a separate asset or liability.

**3.16.1. Measurement**

Financial instruments at amortized cost include due from students, short term investments, cash and bank balances, trade and other payables and security deposits. These financial instruments are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest method. Debt instruments which are classified as current assets and liabilities are measured at the undiscounted amount of cash expected to be received or paid unless the credit terms are deferred beyond normal credit term, in which case the arrangement is effectively a financing arrangement and shall be measured at the present value of the future payments/receipts discounted at a market interest rate for similar instruments.

**3.16.2. Impairment of financial assets**

The financial assets other than those that are carried at fair value are assessed at each reporting date to determine whether there is any objective evidence of their impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

The impairment loss is recognized immediately in the income statement and the carrying amount of the related financial asset is reduced accordingly. An impairment loss is reversed only if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

**3.16.3. Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the University has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**3.17. Cash and cash equivalents**

Cash and cash equivalents comprises of cash and bank balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the University in the management of its short-term commitments.

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FOUNDATION UNIVERSITY ISLAMABAD  
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4	Property and equipment	Rupees.....									
	Particulars	Leasehold improvements	Motor vehicles	Furniture and fixtures	Office & other equipments	Laboratory equipments	Computer equipments	Books	FM Radio	Total Assets	
2020	Cost										
	Balance as at October 01, 2019	252,558,117	93,316,732	157,183,594	156,495,945	298,402,091	93,945,350	60,984,334	11,641,819	1,124,527,982	
	Additions	18,569,741	32,755,584	26,567,285	49,279,749	31,283,562	14,470,624	7,600,305	1,669,908	182,196,758	
	Transfer from CWTP	1,377,136	-	517,613	29,036,490	-	-	-	-	30,931,239	
	Disposal	-	(6,840,322)	(600,470)	(1,678,033)	(1,321,700)	(71,955)	-	-	(10,512,480)	
	Balance as at September 30, 2020	272,504,994	119,231,994	183,668,022	233,134,151	328,363,953	108,344,019	68,584,639	13,311,727	1,327,143,499	
	Accumulated depreciation										
	Balance as at October 01, 2019	18,623,840	58,330,203	75,878,048	79,337,981	216,608,999	65,203,506	17,560,130	1,920,900	533,463,607	
	Depreciation for the year	12,683,862	18,767,893	10,854,434	23,048,462	36,469,501	15,936,757	3,382,730	4,117,335	125,260,974	
	Disposal	-	(5,264,570)	(590,013)	(1,426,306)	(1,309,029)	(306,828)	-	-	(8,896,746)	
	Balance as at September 30, 2020	31,307,702	71,833,526	86,142,469	100,960,137	251,769,471	80,833,435	20,942,860	6,038,235	649,827,835	
	Written down value as at September 30, 2020	241,197,292	47,398,468	97,525,553	132,174,014	76,594,482	27,510,584	47,641,779	7,273,492	677,315,664	
2019	Rate %	5%	25%	10% - 15%	15% - 33%	15%	33%	5%	33%		
	Cost										
	Balance as at October 01, 2018	59,446,862	54,625,924	119,146,307	107,844,637	265,696,036	60,894,723	46,086,596	-	713,741,085	
	Additions	50,952,315	40,049,753	39,070,012	49,489,989	32,852,221	33,050,627	14,897,738	3,571,883	263,934,538	
	Transfer from CWTP	142,158,940	-	-	-	-	-	-	8,069,936	150,228,876	
	Disposal	-	(1,358,945)	(1,032,725)	(838,681)	(146,166)	-	-	-	(3,376,517)	
	Balance as at September 30, 2020	252,558,117	93,316,732	157,183,594	156,495,945	298,402,091	93,945,350	60,984,334	11,641,819	1,124,527,982	
	Accumulated depreciation										
	Balance as at October 01, 2019	7,211,505	46,098,397	64,323,220	62,457,812	180,927,696	55,733,459	14,686,972	-	431,439,061	
	Depreciation for the year	11,412,335	11,937,056	11,770,811	17,179,502	35,778,372	9,470,047	2,873,158	1,920,900	102,342,181	
	Disposal	-	294,750	(215,983)	(299,333)	(97,069)	-	-	-	(317,635)	
	Balance as at September 30, 2020	18,623,840	58,330,203	75,878,048	79,337,981	216,608,999	65,203,506	17,560,130	1,920,900	533,463,607	
	Written down value as at September 30, 2019	233,934,277	34,986,529	81,305,546	77,157,964	81,793,092	28,741,844	43,424,204	9,720,919	591,064,375	
	Rate %	5%	25%	10% - 15%	15% - 33%	15%	33%	5%	33%		

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		2020	2019
	Note	----- Amount in Rupees -----	
<b>5 CAPITAL WORK IN PROGRESS</b>			
Opening balance		33,112,985	163,955,369
Additions during the year		43,337,331	19,386,492
Transferred during the year		(30,931,239)	(150,228,876)
		<u>45,519,077</u>	<u>33,112,985</u>
<b>6 INTANGIBLE ASSETS</b>			
<b>Cost</b>			
Opening balance		-	-
Additions for the year	6.1	1,000,000	-
<b>Closing balance</b>		<u>1,000,000</u>	<u>-</u>
<b>Accumulated amortization</b>			
Opening accumulated amortization		-	-
Amortization charged for the period		330,000	-
<b>Closing accumulated amortization</b>		<u>330,000</u>	<u>-</u>
<b>Written down value</b>		<u>670,000</u>	<u>-</u>
<b>Useful life</b>		<u>3 years</u>	
6.1	This represents E-Office management system purchased from Fauji Foundation Pakistan.		
		2020	2019
<b>7 STORES, SPARES AND LOOSE TOOLS</b>		----- Amount in Rupees -----	
Stores and spares		1,972,652	1,202,767
Lab consumables		2,314,477	2,560,464
Loose tools		34,375	34,375
Dental material		3,695,981	3,388,173
Dental instrument		1,508,568	1,174,362
Sports gear/ items		149,760	149,760
		<u>9,675,813</u>	<u>8,509,901</u>
<b>8 PREPAYMENTS AND ADVANCES</b>			
Advance to employees	8.1	11,947,131	15,620,865
Advance to suppliers/contractors		16,810,940	5,998,102
Advance to Fauji Foundation (Head office)		-	603,699,112
Advance for the purchase of land		-	1,000,000
Security deposits		699,580	550,868
Prepayments		2,336,438	1,220,600
		<u>31,794,089</u>	<u>628,089,547</u>
<b>8.1 Advances to employees</b>			
- Advance against salary		5,167,751	7,412,370
- Advance for operations		6,779,380	8,208,495
		<u>11,947,131</u>	<u>15,620,865</u>
<b>9 OTHER RECEIVABLES</b>			
Other receivables		5,557,911	5,307,457
Panel partners		998,275	4,787,553
		<u>6,556,186</u>	<u>10,095,010</u>

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FOUNDATION UNIVERSITY ISLAMABAD  
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**10 TAX DEDUCTED AT SOURCE**

This represents tax withheld at source or advance tax under section 151, 231-A and 236 and further includes an tax recovery amounting to Rs. 386,369,387 made by tax department through assessment proceeding for the tax year 2014-2018. The University is in appeal against the department as disclosed in 19.

**11 SHORT TERM INVESTMENTS** 2020 2019  
 Note ----- Amount in Rupees -----

Term deposits			
- Local currency	11.1	1,029,298,654	-
- Foreign currency	11.2	893,684,501	-
Special saving certificates	11.3	265,366,046	265,366,046
	11.4	<u>2,188,349,201</u>	<u>265,366,046</u>

11.1 This represents investment in 1 month TDR's with JS Bank Limited carrying interest rate of 6.95% (2019: Nil) with a maturity period upto October 2020.

11.2 This represents investment in 1 year TDR's in USD with Habib Metropolitan Bank carrying interest rate of 3.15% (2019: Nil) with a maturity period upto November 2020.

11.3 This represents investment in special savings certificates with National Savings Centre carrying interest rate of 11.20% (2019: 11.20%) matured in December 2017 but has not been encashed as yet due to possible deduction of zakat. The University claims that it is not a sahib-e-nisab and hence receipts are not chargeable to zakat, a claim which is disputed by National Saving Centre.

11.4 Above amount of short term investments includes accrued interest amounting to Rs. 79,449,118 (2019: 53,447,330).

**12 CASH AND BANK** 2020 2019  
 Note ----- Amount in Rupees -----

Cash in hand		942,034	2,974,311
Cash at bank	12.1	1,995,318,865	2,897,908,396
		<u>1,996,260,899</u>	<u>2,900,882,707</u>

12.1 **Cash at banks in:  
 Saving accounts**

Local currency		1,378,960,915	1,658,885,126
Foreign currency		616,357,950	1,239,023,270
		<u>1,995,318,865</u>	<u>2,897,908,396</u>

**13 ENDOWMENT FUND**

General endowment fund		421,171,433	436,822,406
Financial assistance programme		70,732,335	70,676,459
Research endowment fund		52,786,130	51,081,414
		<u>544,689,898</u>	<u>558,580,279</u>

13.1 General endowment fund of Rs. 50 million is established in compliance with the requirements of the Higher Education Commission while endowment funds for financial assistance programme (FAP) were created on receipt of Rs. 50 million (Rs. 25 million each) from Fauji Fertilizer Bin Qasim Limited (FFBL) to finance the financial assistance programme to help the needy and talented student of the University. Research endowment fund was created on receipt of Rs. 20 million from Fauji Foundation, with a purpose to enhance the research activities. However, Rs. 30 million are internally allocated towards the endowment funds for research. All these funds were created for the sustainability of operation of the University.

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FOUNDATION UNIVERSITY ISLAMABAD  
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14 DEFERRED CREDIT AND RESTRICTED FUNDS	Note	2020	2019
		----- Amount in Rupees -----	
Deferred credit - for capital expenses	14.1	9,283,576	11,132,379
Restricted funds - for revenue expenses	14.2	7,493,321	5,599,112
		<u>16,776,897</u>	<u>16,731,491</u>
<b>14.1 Deferred credit - for capital expenses</b>			
Opening balance		11,132,379	12,013,817
Received during the year		-	60,000
Amortized during the year		(1,848,803)	(941,438)
		<u>9,283,576</u>	<u>11,132,379</u>
<b>14.2 Restricted funds - for revenue expenses</b>			
Opening balance		5,599,112	2,973,606
Received during the year			
-Scholarship for needy and talented students		-	1,000,000
-Financial assistant programme		55,875	20,137
-Research fund		1,704,716	1,085,010
-Outreach model project		241,783	-
-Alternate dispute resolution		-	979,200
-HEC lab support		428,000	240,000
		<u>2,430,374</u>	<u>3,324,347</u>
Adjustment			
-Returned to HEC (Estrogen and Progesterone project)		-	(72,750)
-Transferred to FUI		(203,105)	(71,890)
-HEC lab support		(58,454)	-
-Amortized during the year		(274,606)	(554,201)
		<u>(536,165)</u>	<u>(698,841)</u>
		<u>7,493,321</u>	<u>5,599,112</u>

**15 LONG TERM SECURITY DEPOSITS**

These include security deposits 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 amortized cost as the effect of discounting is not considered material.

16 EMPLOYEE BENEFIT OBLIGATIONS	Note	2020	2019
		----- Amount in Rupees -----	
Gratuity	16.1	5,076,479	-
Leave encashment	16.2	199,263,775	174,949,773
		<u>204,340,254</u>	<u>174,949,773</u>

16.1 The University has not carried out actuarial valuation in respect of gratuity since the management believes that the impact of such valuation is not material.

16.2	2020	2019
----- Amount in Rupees -----		
Opening balance	174,949,773	154,585,253
Charge for the year	44,582,122	38,349,510
Payment made during the year	(20,268,120)	(17,984,990)
Closing balance	<u>199,263,775</u>	<u>174,949,773</u>

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**FOUNDATION UNIVERSITY ISLAMABAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

		2020	2019
<b>Assumptions used in actuarial valuation:</b>			
	Discount rate	10.25%	13.00%
	Salary increases	10.25%	13.00%
	Withdrawals before normal retirement age	<b>moderate</b>	
	Death in service	<b>SLIC (2001 - 2005)</b>	
		2020	2019
<b>17</b>	<b>TRADE AND OTHER PAYABLES</b>	----- Amount in Rupees -----	
	Trade creditors	15,782,290	25,571,027
	Accrued liabilities	24,862,744	31,571,777
	Current portion of long term security deposits	49,986,887	33,378,384
	Other liabilities	92,636,295	118,628,920
		<u>183,268,216</u>	<u>209,150,108</u>

**18 DUE TO RELATED PARTY**

This represents amount payable to Fauji Foundation group entities in respect of normal course of business.

**19 UNEARNED REVENUE**

This represents fee received in advance, against which tuition is not provided at reporting date.

**20 CONTINGENCIES AND COMMITMENTS**

**20.1 Contingency**

Foundation University was allowed exemption from levy of income tax under clause 126 of Part I of Second Schedule of Income Tax Ordinance, 2001. The tax deductible under section 151, 231-A and 236 of Income Tax Ordinance, 2001 on bank profits, cash withdrawals and electricity bills was exempt from deduction of withholding tax. Therefore, no tax was withheld till June 30, 2015 when the exemption expired.

Foundation University applied for renewal of exemption from withholding taxes under section 159 along with tax exemption from levy of income tax under section 100c but were denied by Chief Commissioner Inland Revenue (CCIR) via order number 258c.c.

Later Honorable Islamabad High Court also confirmed the order passed by Chief Commissioner Inland Revenue (CCIR) and rejected University's petition number 1199/ 2016 in this regard.

The University has filed a review petition (No. 1651/2017) in honorable Supreme Court of Pakistan against this decision, where the Federal Board of Revenue (Member Legal) proposed that the University's status of Non-profit organization (NPO) will be considered by the concerned Commissioner Inland Revenue (CIR) on the basis of aforementioned stance of the Member Legal. The University did not press it's petition before the honorable Supreme Court and filed application with Commissioner Inland Revenue (CIR) for approval under section 2(36) of the Income Tax Ordinance 2001. The application was rejected by Commissioner Inland Revenue (CIR) and Federal Board of Revenue recovered Rs. 386,369,387 through assessment proceedings for the tax years 2014 to 2018. Later the Assessment Orders for the tax years 2014 to 2018 were remanded back by the Commissioner (Appeals-II) . Commissioner Inland Revenue (CIR) has filed appeal before the Appellate Tribunal Inland Revenue, Islamabad and the case is under hearing process. The University also filed an appeal against the order of Commissioner Inland Revenue (CIR) before the Chief Commissioner Inland Revenue (CCIR) under rule 218 of the Income Tax Rules, 2002 (Rules). The Chief Commissioner Inland Revenue (CCIR) has remanded the case back to Commissioner Inland Revenue (CIR) (order dated 29/11/2019). This case is still under hearing process, however, management and tax consultant are confident of favorable decision.

**20.2 Commitment**

There are no commitment as at year end. (2019: nil)

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NOTES TO THE FINANCIAL STATEMENTS  
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		2020	2019
	Note	----- Amount in Rupees -----	
<b>21 FEE INCOME</b>			
Tuition fee		1,796,980,807	1,656,540,021
Admission fee		3,330,000	3,618,500
Examination fee		5,603,200	10,473,216
Hostel fee		53,246,020	57,858,423
		<u>1,859,160,027</u>	<u>1,728,490,160</u>
<b>22 INCOME ON INVESTMENTS -NET</b>			
Income from:			
- Term deposit receipts		83,971,076	5,997,874
- National savings certificates		-	-
Profit on bank accounts		110,347,360	75,262,330
		<u>194,318,436</u>	<u>81,260,204</u>
<b>23 OTHER INCOME</b>			
Exchange gain		83,940,575	248,572,638
Sale of prospectus		6,441,500	5,824,800
Clinical income		23,920,577	32,420,085
Fines and penalties		566,939	71,819
Pick and drop facility		4,116,239	6,100,855
Histo path lab income		5,482,800	7,949,100
Grant income		10,000,000	24,389,400
Amortization of deferred credit and restricted funds		2,384,968	1,495,639
Gain on sale of property, plant and equipment		4,405,957	-
Other income		22,679,677	33,734,691
		<u>163,939,232</u>	<u>360,559,027</u>
<b>24 SALARIES, ALLOWANCES AND OTHER BENEFITS</b>			
Faculty staff		549,024,222	473,981,173
Academic support staff		159,385,383	92,017,524
Management and admin staff		194,114,670	214,894,070
Other benefits	24.1	96,175,993	73,430,223
		<u>998,700,268</u>	<u>854,322,990</u>
24.1	This includes University's contribution of Rs. 19,523,893 (2019: Rs. 16,340,982) to provident fund.		
<b>25 TRAINEES STIPEND</b>		2020	2019
		----- Amount in Rupees -----	
House officers		28,663,371	47,054,710
Post graduate trainees		73,758,088	27,428,504
		<u>102,421,459</u>	<u>74,483,214</u>
<b>26 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		1,996,260,899	2,900,882,707
Short term investments		1,029,298,654	-
		<u>3,025,559,553</u>	<u>2,900,882,707</u>

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FOUNDATION UNIVERSITY ISLAMABAD  
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		2020	2019	
27 CHANGES IN WORKING CAPITAL	Note	----- Amount in Rupees -----		
<b>(Increase)/ decrease in current assets:</b>				
Stores, spares and loose tools		(1,165,912)	(2,087,862)	
Tax deducted at source		(24,728,451)	(407,247,552)	
Due from students		30,293,301	(5,842,989)	
Prepayments and advances		596,295,458	(610,217,746)	
Other receivables		3,538,824	(1,773,781)	
		<b>604,233,220</b>	<b>(1,027,169,930)</b>	
<b>Increase/ (decrease) in current liabilities:</b>				
Trade and other payables		(25,881,892)	66,700,569	
Unearned income		(17,519,141)	44,988,615	
Due to related party		26,922,602	53,153,303	
		<b>(16,478,431)</b>	<b>164,842,487</b>	
		<b>587,754,789</b>	<b>(862,327,443)</b>	
<b>28 FINANCIAL INSTRUMENTS</b>				
<b>Financial assets - at amortized cost</b>				
Security deposits		2,836,249	2,707,537	
Due from students		45,314,886	75,608,187	
Advances to employees		11,947,131	15,620,865	
Other receivables		6,556,186	10,095,010	
Short term investments		2,188,349,201	265,366,046	
Cash and bank balances		1,996,260,899	2,900,882,707	
		<b>4,251,264,552</b>	<b>3,270,280,352</b>	
<b>Financial liabilities - at amortized cost</b>				
Security deposits		66,413,557	77,666,102	
Trade and other payables		183,268,216	209,150,108	
Due to related party		200,628,189	173,705,587	
		<b>450,309,962</b>	<b>460,521,797</b>	
<b>29 RELATED PARTY TRANSACTIONS</b>				
Name of related party	Relationship	Nature of transaction/ account balances		
Fauji Foundation Pakistan	Associated undertaking	Rent of premises	202,493,556	183,870,620
		Grant - FUCN	10,000,000	20,000,000
		Payable	193,037,812	173,705,587
Fauji Foundation Hospital	Associated undertaking	Teaching hospital charges	27,457,576	32,194,260
		Medical - staff	12,265,454	12,351,603
		Medical - students	3,011,738	952,266
		Dental consultancy income	6,066,600	8,926,650
		Histo pathology laboratory	6,951,500	1,264,359
		Payable	7,590,377	-
Askari Guards (Private) Limited	Associated undertaking	Security services	12,594,068	14,444,495
Other Fauji Foundation Group Companies	Associated undertakings	Dental consultancy income	85,250	163,050

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**30 RECLASSIFICATION**

Previous classification In statement of financial position:	2019	Current classification	2019
	Rupees		Rupees
Other payable	2,296,461	Advances - To employees	2,296,461
Long term security deposits	14,948,384	Creditors and other liabilities - Current portion of long term security deposits	14,948,384
	17,244,845		17,244,845

**31 AUTHORISATION**

These financial statements have been approved by the Board of Governors on \_\_\_\_\_.

**32 GENERAL**

Figures have been rounded off to the nearest rupee and reclassified wherever necessary for the purpose of comparison. jt

  
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 DIRECTOR FINANCE