

**FOUNDATION UNIVERSITY ISLAMABAD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Grant Thornton Anjum
Rahman**

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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, 2022 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, 2022 and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standard as applicable in Pakistan.

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.

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 approved accounting and reporting standard for Small and Medium - Sized Entities (IFRS for SMEs) issued by the International Accounting Standard Board (IASB) as notified by the Securities and Exchange Commission of Pakistan (SECP) 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 Bahman
Chartered Accountants

September 06, 2023

Islamabad

UDIN: AR202210209dWKOZxwr6

Engagement Partner: Waqas Waris

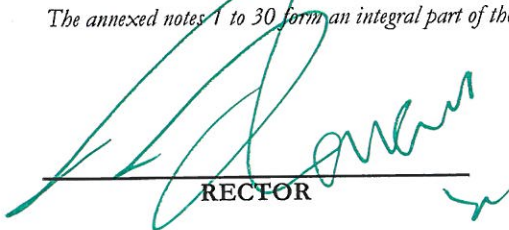
FOUNDATION UNIVERSITY ISLAMABAD
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022

	Note	2022	2021
----- Amount in Rupees -----			
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	538,895,959	492,113,946
Capital work in progress	5	9,783,948	11,863,151
Intangible assets	6	4,697,588	340,000
Long term security deposits		2,996,669	2,438,669
		556,374,164	506,755,766
CURRENT ASSETS			
Stores, spares and loose tools	7	12,967,956	8,625,979
Due from students		152,710,882	70,876,764
Advances, deposits and prepayments	8	34,767,660	27,445,362
Other receivables	9	250,409,580	12,323,579
Tax deducted at source	10	528,504,082	528,103,039
Short term investments	11	3,622,825,752	3,177,736,818
Cash and bank balances	12	1,545,743,645	1,341,078,596
		6,147,929,557	5,166,190,137
TOTAL ASSETS		6,704,303,721	5,672,945,903
LIABILITIES			
NON CURRENT LIABILITIES			
Deferred credit and restricted funds	14	18,803,676	17,661,635
Long term security deposits	15	60,279,302	56,330,594
Employee benefit obligations	16	273,507,319	238,336,205
		352,590,297	312,328,434
CURRENT LIABILITIES			
Trade and other payables	17	453,890,669	195,363,998
Due to related party	18	185,663,492	178,990,940
Unearned revenue	19	440,438,863	422,137,107
		1,079,993,024	796,492,045
TOTAL LIABILITIES		1,432,583,321	1,108,820,479
NET ASSETS		5,271,720,400	4,564,125,424
REPRESENTED BY:			
Endowment fund		574,451,165	558,034,342
General fund		4,697,269,235	4,006,091,082
		5,271,720,400	4,564,125,424

CONTINGENCIES & COMMITMENTS

The annexed notes 1 to 30 form an integral part of these financial statements.

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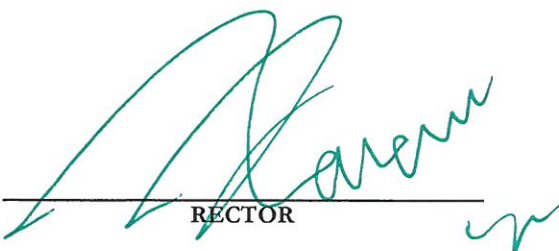


GM (FINANCE)

FOUNDATION UNIVERSITY ISLAMABAD
INCOME STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Note	2022	2021
----- Amount in Rupees -----			
INCOME			
Fee income	21	2,099,415,559	1,986,986,448
Investment income - net	22	298,190,003	185,603,435
Other income	23	759,683,259	175,078,387
		3,157,288,821	2,347,668,270
EXPENDITURES			
Salaries, allowances and other benefits	24	1,370,739,011	1,094,162,876
Trainees stipend	25	159,235,357	125,994,452
FAP/merit scholarship		50,002,405	35,631,828
Teaching hospital charges		30,362,531	32,791,067
Human resource development		14,770,339	10,120,830
Research and development		12,129,278	4,305,947
Rents, rates and taxes		405,014,848	436,613,097
Depreciation and amortization		135,483,458	132,531,632
Utilities		67,056,666	49,772,375
Repairs & maintenance		22,674,276	18,022,764
Security & janitorial expenses		27,396,355	26,864,014
Vehicle running expense		13,607,148	7,933,283
Printing & stationary		13,763,992	9,883,523
Discount on fee		15,275,330	11,614,567
Stores consumed		17,489,317	13,246,881
Labs expenses		11,507,684	20,197,992
University events		4,351,642	21,498
Examination		7,823,109	6,842,383
Legal & professional charges		5,389,654	2,383,090
Insurance		3,902,196	2,826,577
Communication expenses		2,400,630	1,947,463
Travelling and conveyance		1,372,922	301,731
Students medical facility		7,105,393	3,170,305
Advertisement		1,873,176	1,499,670
Auditors remuneration		520,000	520,000
Bank charges		737,615	2,933,980
Registration/affiliation		1,744,739	1,178,541
Debit balance written off		3,225,550	19,092,896
Loss on closure of campus		-	18,100,750
Withholding taxes for prior years		8,000,000	-
Miscellaneous expenses		34,739,224	14,340,345
		2,449,693,845	2,104,846,357
SURPLUS OF INCOME OVER EXPENDITURES		707,594,976	242,821,913

The annexed notes 1 to 30 form an integral part of these financial statements.



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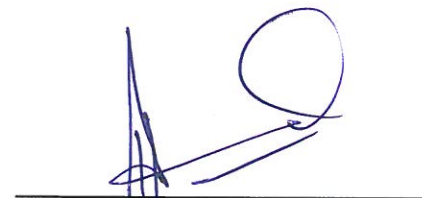
FOUNDATION UNIVERSITY ISLAMABAD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2022	2021
	----- Amount in Rupees -----	
Surplus of income over expenditure	707,594,976	242,821,913
Other comprehensive income	-	-
Total comprehensive income	<u>707,594,976</u>	<u>242,821,913</u>

The annexed notes 1 to 30 form an integral part of these financial statements.



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FOUNDATION UNIVERSITY ISLAMABAD
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Endowment fund (note 13)	General fund	Total
	----- Amount in Rupees -----		
Balance as at October 01, 2020	544,689,898	3,776,613,613	4,321,303,511
Total comprehensive income	-	242,821,913	242,821,913
Apportionment of income of endowment	13,344,444	(13,344,444)	-
Utilization during the year	-	-	-
Balance as at September 30, 2021	558,034,342	4,006,091,082	4,564,125,424
Balance as at October 01, 2021	558,034,342	4,006,091,082	4,564,125,424
Total comprehensive income	-	707,594,976	707,594,976
Apportionment of income of endowment	16,416,823	(16,416,823)	-
Utilization during the year	-	-	-
Balance as at September 30, 2022	574,451,165	4,697,269,235	5,271,720,400

The annexed notes 1 to 30 form an integral part of these financial statements.



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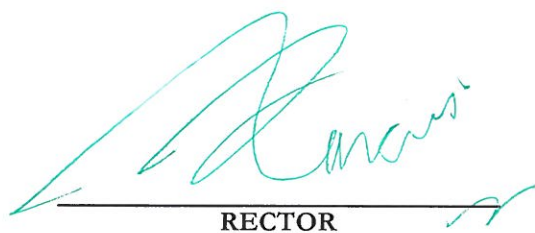


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FOUNDATION UNIVERSITY ISLAMABAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Note	2022	2021
----- Amount in Rupees -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus of income over expenditure		707,594,976	242,821,913
Adjustments for non-cash items:			
Depreciation on property and equipment	4	135,010,324	132,201,632
Amortization of intangible assets	6	330,000	330,000
Amortization of deferred credit and restricted funds		(5,273,307)	(4,301,169)
(Gain)/ loss on disposal of property and equipment		500,655	(32,230,092)
Exchange gain		(623,068,344)	(46,481,776)
Provision for employees' benefits - net		35,171,114	33,995,951
		(457,329,558)	83,514,545
Operating surplus before working capital changes		250,265,418	326,336,459
Changes in working capital	26	(48,484,458)	(160,928,953)
Cash generated from operations		201,780,960	165,407,506
Security deposits - net		3,390,708	(1,755,979)
Net cash flow from operating activities		205,171,668	163,651,527
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures on property and equipment		(175,214,887)	(100,351,312)
Capital expenditures on capital work in progress		(9,783,950)	(72,536,120)
Capital expenditures on intangibles		(4,687,588)	-
Short term investments - net		(445,088,934)	(2,912,370,772)
Exchange gain		623,068,344	46,481,776
Proceeds from sale of property and equipment		4,785,049	291,773,536
Net cash used in investing activities		(6,921,966)	(2,747,002,891)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deferred credit and restricted funds		6,415,347	5,185,907
Net cash generated from financing activities		6,415,347	5,185,907
Net increase in cash and cash equivalents		204,665,049	(2,578,165,458)
Cash and cash equivalents at beginning of the year		1,341,078,596	3,919,244,054
Cash and cash equivalents at end of the year		1,545,743,645	1,341,078,596

The annexed notes 1 to 30 form an integral part of these financial statements.


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FOUNDATION UNIVERSITY ISLAMABAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 -
- Foundation University Islamabad Campus;
- Foundation University Rawalpindi 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

3.1 Property, plant 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.

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.

FOUNDATION UNIVERSITY ISLAMABAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 process

Capital work in process 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

3.5 Stores, spares and loose tools

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. In-transit stores and spares are valued at cost comprising invoice value plus other charges paid thereon.

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

3.6 Due from students and other receivables

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.

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 of instruction and the amount received against which tuition is not provided till the year end is recognized as received in advance in balance sheet. 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.

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FOUNDATION UNIVERSITY ISLAMABAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 balance sheet 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%, upto June 2023, C225 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.

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 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 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.



FOUNDATION UNIVERSITY ISLAMABAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Endowment fund is created 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.

3.14.3 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 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.

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FOUNDATION UNIVERSITY ISLAMABAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 instrument is derecognized when the contractual rights/obligations in 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 instrument are transferred. Any interest in such transferred financial instruments that is created or retained by the University is recognized as 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 instrument 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/receipt 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 month 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.

FOUNDATION UNIVERSITY ISLAMABAD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

2022	Particulars	Rupees							Total Assets	
		Leasehold improvements	Motor vehicles	Furniture and fixtures	Office & other equipments	Laboratory equipments	Computer equipments	Books		FM Radio
Cost										
	Balance as at October 01, 2021	110,698,675	120,167,220	195,703,643	251,243,277	348,162,155	122,264,970	73,133,991	13,311,727	1,235,685,658
	Additions	35,360,462	12,502,104	16,233,808	41,403,230	47,904,531	13,532,451	8,278,302	-	175,214,887
	Transfer from CWIP	9,483,150	-	2,304,000	-	-	76,003	-	-	11,863,153
	Disposal / adjustment	(441,424)	(6,811,635)	(18,056,894)	(13,546,000)	(1,829,030)	(37,970,895)	(519,783)	-	(79,175,660)
	Balance as at September 30, 2022	155,100,863	125,857,690	196,184,557	279,100,507	394,237,655	98,902,529	80,892,510	13,311,727	1,343,588,038
	Accumulated depreciation									
	Balance as at October 01, 2021	13,628,667	91,626,508	98,931,890	125,036,143	270,136,673	109,361,701	24,419,025	10,431,105	743,571,712
	Depreciation for the year	7,378,967	18,834,897	23,459,050	38,365,571	22,371,612	19,710,539	2,301,444	2,588,244	135,010,324
	Disposal / adjustment (note 18)	(254,682)	(6,971,090)	(14,019,620)	(12,978,786)	(1,828,952)	(37,772,717)	(64,109)	-	(73,889,956)
	Balance as at September 30, 2022	20,752,953	103,490,315	108,371,319	150,422,927	290,679,333	91,299,524	26,656,359	13,019,349	804,692,079
	Written down value as at September 30, 2022	134,347,910	22,367,375	87,813,237	128,677,580	103,558,322	7,603,005	54,236,151	292,378	538,895,959
	Rate %	5%	25%	10% - 15%	15% - 33%	15%	33%	5%	33%	

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FOUNDATION UNIVERSITY ISLAMABAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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
2021									
Cost									
Balance as at October 01, 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
Additions	33,712,484	-	11,703,922	13,422,368	20,485,134	16,473,464	4,553,940	-	100,351,312
Transfer from CWIP	4,725,000	85,587	-	7,902,142	-	-	-	-	12,712,729
Disposal	(200,243,803)	849,639	331,699	(3,215,383)	(686,932)	(1,552,513)	(4,588)	-	(204,521,882)
Balance as at September 30, 2021	110,698,675	120,167,220	195,703,643	251,243,277	348,162,155	123,264,970	73,133,991	13,311,727	1,235,685,658
Accumulated depreciation									
Balance as at October 01, 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
Depreciation for the year	14,679,163	18,945,942	12,523,971	29,644,805	18,528,061	30,010,555	3,476,165	4,392,870	132,201,632
Disposal	(32,358,197)	847,040	265,449	(5,568,799)	(160,858)	(1,482,389)	-	-	(38,457,755)
Balance as at September 30, 2021	13,628,667	91,626,508	98,931,890	125,036,143	270,136,673	109,361,701	24,419,025	10,431,105	743,571,712
Written down value as at September 30, 2021	97,070,008	28,540,712	96,771,753	126,207,135	78,025,482	13,903,269	48,714,966	2,880,622	492,113,946
Rate %	5%	25%	10% - 15%	15% - 33%	15%	33%	5%	33%	

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FOUNDATION UNIVERSITY ISLAMABAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

		2022	2021
		----- Amount in Rupees -----	
5	CAPITAL WORK IN PROGRESS		
	Opening balance	11,863,151	45,519,077
	Additions during the year	9,783,950	72,536,120
	Transferred to PPE	(11,863,153)	(106,192,046)
		<u>9,783,948</u>	<u>11,863,151</u>
6	INTANGIBLE ASSETS		
	Cost		
	Opening balance	1,000,000	1,000,000
	Addition for the year	4,687,588	-
	Closing balance	<u>5,687,588</u>	<u>1,000,000</u>
	Accumulated amortization		
	Opening balance	660,000	330,000
	Amortization charged for the year	330,000	330,000
	Closing balance	<u>990,000</u>	<u>660,000</u>
	Written down value	<u>4,697,588</u>	<u>340,000</u>
	Useful life	3 years	
6.1	This represents E-Office management system purchased from Fauji Foundation Pakistan.		
6.2	This represents amount related to implementation of SAP, which is in process at year end.		
7	STORES, SPARES AND LOOSE TOOLS		
	Stores and spares	3,376,482	2,733,611
	Lab consumables	2,925,105	2,043,954
	Loose tools	34,375	34,375
	Dental material	2,929,555	2,095,836
	Dental instrument	3,552,679	1,568,443
	Sports gear/ items	149,760	149,760
		<u>12,967,956</u>	<u>8,625,979</u>
8	ADVANCES, DEPOSITS AND PREPAYMENTS		
	Advances to employees	22,372,487	18,216,258
	Advances to suppliers/contractors	5,372,856	5,562,863
	Security deposits	2,516,154	699,580
	Prepayments	4,506,163	2,966,661
		<u>34,767,660</u>	<u>27,445,362</u>
8.1	Advances to employees		
	- Advance against salary	13,144,736	13,219,385
	- Advance for operations	9,227,751	4,996,873
		<u>22,372,487</u>	<u>18,216,258</u>
9	OTHER RECEIVABLES		
	Other receivables	16,116,463	10,476,574
	Panel partners	235,835	1,847,005
	Receivable from FFHIO	234,057,282	-
		<u>250,409,580</u>	<u>12,323,579</u>
9.1	This represents recievable against capital expenditure paid on behalf of head office.		

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FOUNDATION UNIVERSITY ISLAMABAD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

10 TAX DEDUCTED AT SOURCE	Note	2022	2021
		----- Amount in Rupees -----	
Balance as at 1 October	10.1	528,103,039	507,244,701
Tax withheld during the year		401,043	20,858,338
Provision during the year		-	-
		<u>528,504,082</u>	<u>528,103,039</u>

10.1 This represents tax withheld at source or advance tax under section 151, 231-A and 236 and further includes a 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 20.1.

11 SHORT TERM INVESTMENTS	Note	2022	2021
		----- Amount in Rupees -----	
Term deposits			
- Local currency	11.1	2,346,295,588	1,980,680,161
- Foreign currency	11.2	1,276,530,164	931,690,611
Special saving certificates	11.3	-	265,366,046
	11.4	<u>3,622,825,752</u>	<u>3,177,736,818</u>

11.1 This represents investment in 1 year TDR's with Askari Bank Limited, United Bank Limited and National Bank of Pakistan Limited carrying interest rate ranging 11.23% to 15.75% pa. (2021: 6.80% to 7.75% p.a.)

11.2 This represents investment in 1 year TDR's in USD with Habib Metropolitan Bank carrying interest rate of 2.55% (2021: 1.5%) with a maturity period up to November 2022.

11.3 This represented investment in special savings certificates with National Savings Centre which carried interest rate of 11.20% matured in December 2017 and has been encashed during the year.

11.4 Above amount of short term investments includes accrued interest amounting to Rs. 109,170,629 (2021: 103,320,798).

12 CASH AND BANK BALANCES	Note	2022	2021
		----- Amount in Rupees -----	
Cash in hand		936,127	787,586
Cash at bank	12.1	1,544,807,518	1,340,291,010
		<u>1,545,743,645</u>	<u>1,341,078,596</u>
12.1 Cash at banks in:			
Saving accounts			
Local currency	12.2	366,457,279	555,710,508
Foreign currency	12.2	1,178,350,239	784,580,502
		<u>1,544,807,518</u>	<u>1,340,291,010</u>

12.2 Effective markup rate in respect of saving accounts ranges from 12.25% to 13.5% (2021: 5.5% to 6%) on local currency 0.25% (2021: 0.25%) on foreign currency per annum.

13 ENDOWMENT FUND		2022	2021
General endowment fund		445,185,724	432,895,876
Financial assistance programme		72,462,649	70,755,085
Research endowment fund		56,802,791	54,383,380
		<u>574,451,164</u>	<u>558,034,341</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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

14 DEFERRED CREDIT AND RESTRICTED FUNDS	Note	2022	2021
		----- Amount in Rupees -----	
Deferred credit - for capital expenses	14.1	5,649,187	7,535,512
Restricted funds - for revenue expenses	14.2	13,154,489	10,126,123
		<u>18,803,676</u>	<u>17,661,635</u>
14.1 Deferred credit - for capital expenses			
Opening balance		7,535,512	9,283,576
Received during the year		-	282,399
Assets purchased during the year		-	(282,399)
Amortized during the year		(1,886,325)	(1,748,064)
		<u>5,649,187</u>	<u>7,535,512</u>
14.2 Restricted funds - for revenue expenses			
Opening balance		10,126,123	7,493,321
Received during the year			
-Financial assistant programme		1,707,564	22,750
-Research fund		2,419,412	1,597,250
-Alternate dispute resolution		-	159,779
-Ultrasound guided verses blind corticosteroid		-	647,165
-School wide assessment and intervention		1,666,501	2,023,564
-HEC lab support		621,871	453,000
		<u>6,415,348</u>	<u>4,903,508</u>
Adjustment			
-Returned to HEC (Effectiveness of treadmill training)		-	(662,999)
-Transferred to FUI		-	(463,755)
-Amortized during the year		(3,386,982)	(1,143,952)
		<u>(3,386,982)</u>	<u>(2,270,706)</u>
		<u>13,154,489</u>	<u>10,126,123</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	2022	2021
		----- Amount in Rupees -----	
Gratuity	16.1	12,154,909	6,285,461
Leave encashment	16.2	261,352,410	232,050,744
		<u>273,507,319</u>	<u>238,336,205</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	2022	2021
	----- Amount in Rupees -----	
Opening balance	232,050,744	199,263,775
Charge for the year	62,573,992	58,915,005
Payments made during the year	(31,708,324)	(26,128,036)
Closing balance	<u>262,916,412</u>	<u>232,050,744</u>
Less: Current Portion	1,564,002	-
Non Current Portion	<u>261,352,410</u>	<u>232,050,744</u>

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FOUNDATION UNIVERSITY ISLAMABAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

		2022	2021
Assumptions used in actuarial valuation:			
Discount rate		13.50%	10.75%
Salary increases		13.50%	10.75%
Withdrawals before normal retirement age		moderate	
Death in service		SLIC (2001 - 2005)	
17	TRADE AND OTHER PAYABLES	----- Amount in Rupees -----	
	Trade creditors	76,341,682	44,319,002
	Accrued liabilities	176,955,528	32,118,229
	Current portion of long term security deposits	40,973,874	36,282,029
	Other liabilities	159,619,585	82,644,738
		<u>453,890,669</u>	<u>195,363,998</u>

17.1 This includes amount of Rs 1.5 million which represents the current portion of leave encashment payable to employees who have left the University during the current period.

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 its 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. The University has received income tax demands (in total) of Rs. 203.4 million along with default surcharge of Rs. 107.8 million for tax years 2014, 2015, 2017 and 2019. Being aggrieved with the impugned orders, the University agitated same before Commissioner Income Tax Appeal (CIRA). The CIRA has remanded back the cases and remand back proceeding have not been initiated yet and the University expects favorable outcome.

20.2 Commitment

There are no commitment as at year end. (2021: nil)

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FOUNDATION UNIVERSITY ISLAMABAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

		2022	2021
		----- Amount in Rupees -----	
21 FEE INCOME	Note		
Tuition fee		2,023,194,278	1,926,284,151
Admission fee		2,940,000	5,063,600
Examination fee		15,090,781	6,147,200
Hostel fee		58,190,500	49,491,497
		<u>2,099,415,559</u>	<u>1,986,986,448</u>
22 INCOME ON INVESTMENTS -NET			
Income from:			
- Term deposit receipts		227,066,016	102,113,615
Profit on bank accounts		71,123,987	83,489,820
		<u>298,190,003</u>	<u>185,603,435</u>
23 OTHER INCOME			
Exchange gain		623,068,344	46,481,776
Sale of prospectus		5,489,500	4,873,000
Clinical income		48,543,120	34,676,815
Fines and penalties		126,570	418,616
Pick and drop facility		8,330,970	2,558,291
Histo path lab income		7,818,700	5,221,700
Grant income	23.1	10,000,000	10,000,000
Amortization of deferred credit and restricted funds		5,273,307	3,174,415
(Loss)/Gain on sale of property and equipment- net		(500,655)	34,000,693
Other income		51,533,403	33,673,081
		<u>759,683,259</u>	<u>175,078,387</u>
23.1	This represents amount of Rs 10 million received from Fauji Foundation head office.		
24 SALARIES, ALLOWANCES AND OTHER BENEFITS		2022	2021
		----- Amount in Rupees -----	
Faculty staff		653,666,460	584,258,503
Academic support staff		209,467,418	177,728,689
Management and admin staff		260,741,975	206,345,802
Other benefits	24.1	246,863,158	125,829,882
		<u>1,370,739,011</u>	<u>1,094,162,876</u>
24.1	This includes University's contribution of Rs. 24,048,549 (2021: Rs.23,254,186) to provident fund.		
25 TRAINEES STIPEND		2022	2021
		----- Amount in Rupees -----	
House officers		130,661,376	101,547,290
Post graduate trainees		28,573,981	24,447,162
		<u>159,235,357</u>	<u>125,994,452</u>
26 CHANGES IN WORKING CAPITAL			
(Increase)/ decrease in current assets:			
Stores, spares and loose tools		(4,341,977)	1,049,834
Tax deducted at source		(401,043)	(20,858,338)
Due from students		(81,834,118)	5,956,190
Advances, deposits and prepayments		(7,322,298)	11,471,917
Other receivables		(238,086,001)	(12,890,583)
		<u>(331,985,437)</u>	<u>(15,270,980)</u>

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FOUNDATION UNIVERSITY ISLAMABAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2022	2021
	----- Amount in Rupees -----	
Increase/ (decrease) in current liabilities:		
Trade and other payables	258,526,671	3,466,798
Unearned income	18,301,756	(127,487,522)
Due to related party	6,672,552	(21,637,249)
	<u>283,500,979</u>	<u>(145,657,973)</u>
	<u>(48,484,458)</u>	<u>(160,928,953)</u>

27 FINANCIAL INSTRUMENTS

Financial assets - at amortized cost

Security deposits	5,512,823	3,138,249
Due from students	152,710,882	70,876,764
Advances to employees	22,372,487	18,216,258
Other receivables	250,409,580	12,323,579
Short term investments	3,622,825,752	3,177,736,818
Cash and bank balances	1,545,743,645	1,341,078,596
	<u>5,599,575,169</u>	<u>4,623,370,264</u>

Financial liabilities - at amortized cost

Security deposits	60,279,302	56,330,594
Trade and other payables	453,890,669	195,363,998
Due to related party	185,663,492	178,990,940
	<u>699,833,463</u>	<u>430,685,532</u>

28 RELATED PARTY TRANSACTIONS

Name of related party	Relationship	Nature of transaction/ account balances		
		Rent of premises	408,409,328	425,664,000
Fauji Foundation Pakistan	Associated undertaking	Grant - FUCN Payable	10,000,000	10,000,000
				33,354,498
Fauji Foundation Hospital	Associated undertaking	Teaching hospital charges	30,362,531	32,791,067
		Medical - staff		25,893,633
		Medical - students	7,105,393	3,170,305
		Dental consultancy income		7,805,150
		Histo pathology laboratory		5,221,700
		(Payable)/receivable		3,302,386
Askari Guards (Private) Limited	Associated undertaking	Security services	9,593,775	9,907,294
Other Fauji Foundation Group Companies	Associated undertakings	Dental consultancy income Receivables	-	91,350


29 AUTHORISATION

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

30 GENERAL

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


RECTOR


CM (FINANCE)