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CEF - CHARACTER EDUCATION FOUNDATION

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2021**

INDEPENDENT AUDITOR'S REPORT**To the members of CEF- Character Education Foundation****Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of CEF- Character Education Foundation (the Company), which comprise the statement of financial position as at June 30, 2021, and the income and expenditure statement, 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 and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the deficit and other comprehensive surplus, the changes in funds and its cash flows for the year then ended.

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 Company 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
74-East, 2nd Floor, Blue Area, Jinnah Avenue, P.O.Box 3021, Islamabad-44000, Pakistan
Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924, 2206473; < www.pwc.com/pk >

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company'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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

A handwritten signature in blue ink, appearing to be 'H. F.' followed by a flourish.

- 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 Company'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 Company 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.

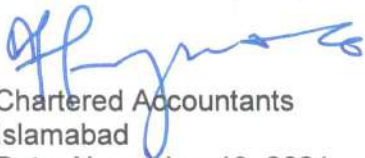
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the income and expenditure statement, the statement of changes in funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Asim Masood Iqbal.



Chartered Accountants
Islamabad

Date: November 19, 2021

CEF - CHARACTER EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

		2021 (Rupees '000)	2020
Note			
NON-CURRENT ASSETS			
Property, plant and equipment	4	14,941	11,309
Long term deposits		867	630
		15,808	11,939
CURRENT ASSETS			
Inventories	5	55,140	32,727
Trade and other receivables	6	21,423	23,621
Receivable from donor	7	-	518
Deposits and prepayments	8	664	938
Loans to employees - unsecured	9	606	489
Cash at bank	10	7,135	1,155
		84,968	59,448
		<u>100,776</u>	<u>71,387</u>
FUND AND LIABILITIES			
FUND BALANCES			
General fund		1,400	1,000
Accumulated surplus		8,105	24,298
		9,505	25,298
NON CURRENT LIABILITIES			
Long term portion of deferred capital grant	11	9,400	7,951
CURRENT LIABILITIES			
Current portion of deferred capital grant	11	2,678	2,625
Trade and other payables	12	43,321	34,017
Loan from associated company - under Islamic mode of financing - unsecured	13	34,880	-
Income tax payable		992	1,496
		81,871	38,138
		<u>100,776</u>	<u>71,387</u>
CONTINGENCIES AND COMMITMENTS			
	14		

The annexed notes 1 to 28 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**CEF - CHARACTER EDUCATION FOUNDATION
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2021**

		For the year ended June 30, 2021	For the period July 13, 2019 to June 30, 2020
	Note	(Rupees '000)	
INCOME			
Restricted grant recognized as income	7	-	92,719
Sale of books	15	80,942	71,775
General grant received during the year/period	16	36,208	2,907
Raw material donation		-	7,008
Amortisation of deferred capital grant income	11	3,200	1,818
Other income	17	3,870	2,853
		<u>124,220</u>	<u>179,080</u>
EXPENDITURE			
Program expenses	18	65,512	88,414
Cost of sale of books	19	50,066	42,139
Selling and distribution expenses	20	5,586	4,232
General and administrative expenses	21	12,032	11,256
Finance cost	22	6,003	7,125
		<u>139,199</u>	<u>153,166</u>
(DEFICIT)/SURPLUS BEFORE TAXATION		<u>(14,979)</u>	<u>25,914</u>
Provision for taxation	23	(1,214)	(1,616)
(DEFICIT)/SURPLUS FOR THE YEAR/PERIOD		<u>(16,193)</u>	<u>24,298</u>
Other comprehensive surplus		-	-
TOTAL COMPREHENSIVE (DEFICIT)/SURPLUS FOR THE YEAR/PERIOD		<u>(16,193)</u>	<u>24,298</u>

The annexed notes 1 to 28 form an integral part of these financial statements.




CHIEF EXECUTIVE OFFICER



DIRECTOR

CEF - CHARACTER EDUCATION FOUNDATION
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General fund	Accumulated surplus	Total
	Rupees ('000)		
Promoters' contribution			
Surplus for the period July 13, 2019 to June 30, 2020	1,000	-	1,000
Other comprehensive surplus for the period July 13, 2019 to June 30, 2020	-	24,298	24,298
Total comprehensive surplus for the period July 13, 2019 to June 30, 2020	1,000	24,298	25,298
Balance at June 30, 2020	1,000	24,298	25,298
Balance at July 1, 2020	1,000	24,298	25,298
Promoters' contribution (Deficit) for the year	400	-	400
Other comprehensive surplus for the year	-	(16,193)	(16,193)
Total comprehensive (deficit) for the year	400	(16,193)	(15,793)
Balance at June 30, 2021	1,400	8,105	9,505

The annexed notes 1 to 28 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

DIRECTOR

CEF - CHARACTER EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

For the
year
ended
June 30,
2021

For the period
July 13, 2019
to June 30,
2020

(Rupees '000)

CASH FLOWS FROM OPERATING ACTIVITIES

(Deficit) / surplus before tax

(14,979) 25,914

Adjustment:

Depreciation
 Restricted grant recognized as income
 Deferred capital grant recognized as income
 Provision against trade receivables
 Provision for slow moving inventory items
 Finance cost
 Profit on disposal of property, plant and equipment

3,779	1,896
-	(92,719)
(3,200)	(1,818)
(653)	1,433
2,584	411
6,003	7,125
(2,145)	-
6,368	(83,672)

Changes in working capital

(Increase) in inventories
 Decrease/(increase) in trade and other receivables
 Decrease/(increase) in deposits and prepayments
 (Increase) in loans to employees
 Increase in trade and other payables

(24,997)	(33,138)
2,851	(25,054)
274	(938)
(117)	(489)
9,304	34,017
(12,685)	(25,602)
(21,296)	(83,360)

Cash (used in) operating activities

Increase in long term deposits
 Restricted grant received during the year/period
 Income taxes paid

(237)	(630)
518	92,201
(1,718)	(120)
(1,437)	91,451
(22,733)	8,091

Net cash (used in)/generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to property, plant and equipment
 Proceeds from disposal of property, plant and equipment

(2,709)	(811)
2,145	-
(564)	(811)

Net cash (used in) investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Promoters' contribution
 Loan received during the year/period
 Loan repaid during the year/period
 Finance cost paid during the year/period
Net cash generated from/(used in) financing activities

400	1,000
49,880	50,000
(15,000)	(50,000)
(6,003)	(7,125)
29,277	(6,125)

Net increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year/period
Cash and cash equivalents at end of the year/period

5,980	1,155
1,155	-
7,135	1,155

The annexed notes 1 to 28 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

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DIRECTOR

CEF - CHARACTER EDUCATION FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. LEGAL STATUS AND OPERATIONS

CEF- Character Education Foundation is a Company limited by guarantee not having share capital which was incorporated in Pakistan under Section 42 of the Companies Act, 2017 on July 13, 2019. The Company was granted license under section 42 of the Companies Act, 2017 by Securities and Exchange Commission of Pakistan (SECP) on July 11, 2019 for a period of three years. The registered office address of the Company is House no 400, Street no 18, Block D, PWD Society, Islamabad and is currently operating in the cities of Islamabad, Lahore, Peshawar and Karachi.

The operating objective of the Company is to provide opportunities to students, teaching faculty and general public to understand Quran in an easy way and to develop, publish and implement research based purposeful curriculum, learning material and online support to Quranic Education for value driven character education of students and adults. To establish, manage, maintain, own, administer, promote and subsidize educational institutions for study and research and other educational fora with the permission of competent authority but not to act as degree awarding institution. To work for the development of integrated community program to enlighten communities on socially responsible, self reliant and self help principles for improving education quality, creating opportunities of economic growth and eliminating root causes of public health issue, and to do all other such lawful acts and things as are incidental or conducive to the attainment of the above objects or any one of them.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not For Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS for SMEs or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.



2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Estimate of fair value of property plant and equipment received as donation in kind - note 3.5 and 4.1.
- ii) Provision for inventories - note 3.8 and 5.2
- iii) Provision against trade receivables - note 3.7 and 6
- iv) Estimated useful life of property, plant and equipment - note 3.5 and 4
- v) Taxation - note 3.10 and 23

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of measurement

These financial statements have been prepared on the basis of 'historical cost convention'.

3.2 Management's assessment of going concern

The directors expect that the Company will have adequate resources to continue its operations including Quran education project for the foreseeable future through its sale of books operation and Association for Academic Quality (AFAQ), a related party, has committed to provide donations to the Company per its letter of intent. Accordingly, these financial statements have been prepared on going concern basis.

3.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of transactions. All assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange ruling on the date of the statement of financial position. Exchange differences are dealt with through the income and expenditure statement.

3.4 Income recognition

3.4.1 Grants

Restricted grant

Grants received for specific purposes are classified as restricted grant. Such grants are transferred to income to the extent of actual expenditure incurred there against. Expenditure incurred against committed grant but not received is accrued and recognized in income and is reflected as grant receivable from donor only if conditions of agreement are met. Unspent portion of such grants are reflected as restricted grants in statement of financial position.



Deferred capital grant

Grants utilized for capital expenditure are transferred to deferred capital grant and amortized as income over the useful life of the respective asset.

General grant

Grant received from donor without any conditions are recognised as income in the year/period of receipt.

Donations in kind

Donations received in the form of non monetary assets are recognized at fair value at the date of contribution.

Income from sale of books

The Company recognises revenue from the sale of books when all the following conditions are satisfied:

- a) the Company has transferred to the buyer the significant risks and rewards of ownership of the books;
- b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the books sold;
- c) the amount of revenue can be measured reliably;
- d) it is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sale of goods is measured at fair value of the consideration received or receivable net of returns, trade discounts, prompt settlement discounts and volume rebates allowed by the Company.

3.4.2 Profit on saving accounts

Profit on saving accounts is recorded on time proportion basis using effective rate of profit.

3.5 Property, plant and equipment

Assets received as donation in kind are recognized at fair value at the date of contribution less accumulated depreciation and impairment loss if any.

Purchased assets are stated at cost, which includes purchase price and directly attributable cost less accumulated depreciation and impairment loss, if any.

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

Depreciation is provided on reducing balance method, using the rates specified in note 4. Depreciation methods, useful lives and residual values are reassessed at the reporting date. Depreciation on addition to property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is derecognized.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amounts of property, plant and equipment and are recognized within "other income" in the income and expenditure statement.



3.6 Deposits and prepayments

These are initially stated at their fair value. subsequent to initial recognition, these are stated at amortized cost less provision for impairment if any. Known impaired receivables are written off, while, receivables considered doubtful for recovery are fully provided for.

3.7 Trade and other receivables

These are initially stated at their fair value. Subsequent to initial recognition, these are stated at amortized cost less provision for impairment if any. Known impaired receivables are written off, while receivables considered doubtful for recovery are fully provided for.

3.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method and comprises of direct materials, labor and printing cost. Inventory received as donation in kind is recognized at fair value at the date of contribution. Net realizable value signifies estimated selling price less estimated cost of completion and estimated cost to sell.

The Company reviews the carrying amount of Inventories on a regular basis and as appropriate, these are written down to their net realizable value or provision is made for slow moving inventory items if there is any change in usage pattern and/or physical form of related inventory.

3.9 Trade and other payables

These are recognised and carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.10 Taxation

Current

The Company has applied for registration as not for profit organization under section 2(36) of the Income Tax Ordinance, 2001 and shall be eligible for tax credit under Section 100C of the Income Tax Ordinance, 2001 from donations, voluntary contributions, subscriptions and so much of the income chargeable under the head "income from business" as is expended in Pakistan for the purposes of carrying out welfare activities, and the remaining amount shall be chargeable to tax at applicable tax rates under the Income Tax Ordinance, 2001. Adjustment, if any, in respect of current year tax expense shall be made in ensuing period upon registration of the Company under section 2(36) of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognized using the statement of financial position liability method, on all major temporary differences at the statement of financial position date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3.11 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and when the obligation specified in the contract is discharged, cancelled and expired. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These are subsequently measured at fair value, amortised cost, as the case may be. Financial assets comprise trade and other receivables, receivable from donor, deposits, loans to employees and cash at bank. Financial liabilities comprise trade and other payables and loan.



3.12 Impairment

(i) Financial assets

A financial asset is considered to be impaired at reporting date if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses and reversals, if any, are recognized in income and expenditure statement.

(ii) Non financial assets

The carrying amounts of Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in income and expenditure statement. Reversals of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation, if no impairment loss has been recognised. An impairment loss or reversal of impairment loss is recognised in income and expenditure statement.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value and the risks specific to the asset.

3.13 Offsetting of financial assets and financial liabilities

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

3.14 Provisions

Provisions are recognised when the Company has present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.15 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash in hand, bank balances and highly liquid short term investments with original maturity of three months or less, that are readily convertible to known amount of cash and which are subject to insignificant risk of change in value.

4. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures & fittings	Computer, software and electric equipment	Office equipment	Motor vehicle	Total
	-----Rupees ('000)-----				
Period ended June 30, 2020					
Opening net book value	-	-	-	-	-
Additions	3,616	8,717	272	600	13,205
Depreciation charge	(314)	(1,500)	(12)	(70)	(1,896)
Closing net book value	<u>3,302</u>	<u>7,217</u>	<u>260</u>	<u>530</u>	<u>11,309</u>
As at June 30, 2020					
Cost	3,616	8,717	272	600	13,205
Accumulated depreciation	(314)	(1,500)	(12)	(70)	(1,896)
Net book value	<u>3,302</u>	<u>7,217</u>	<u>260</u>	<u>530</u>	<u>11,309</u>
Year ended June 30, 2021					
Opening net book value	3,302	7,217	260	530	11,309
Additions	126	1,247	414	7,924	9,711
Deletions/disposals					
Cost	(77)	(998)	(42)	(1,695)	(2,812)
Accumulated depreciation	16	373	9	114	512
	(61)	(625)	(33)	(1,581)	(2,300)
Depreciation charge	(499)	(2,356)	(83)	(841)	(3,779)
Closing net book value	<u>2,868</u>	<u>5,483</u>	<u>558</u>	<u>6,032</u>	<u>14,941</u>
As at June 30, 2021					
Cost	3,665	8,966	644	6,829	20,104
Accumulated depreciation	(797)	(3,483)	(86)	(797)	(5,163)
Net book value	<u>2,868</u>	<u>5,483</u>	<u>558</u>	<u>6,032</u>	<u>14,941</u>
Annual rate of depreciation (%)	15	30	15	20	

4.1 Details of assets received as donation in kind from a related party, Association for Academic Quality (AFAQ) included in property, plant and equipment are as follows:

	Furniture, fixtures & fittings	Computer, software and electric equipment	Office equipment	Motor vehicle	Total
	-----Rupees ('000)-----				
Period ended June 30, 2020					
Cost	3,514	8,182	98	600	12,394
Accumulated depreciation	(307)	(1,432)	(9)	(70)	(1,818)
Net book value	<u>3,207</u>	<u>6,750</u>	<u>89</u>	<u>530</u>	<u>10,576</u>
Year ended June 30, 2021					
Opening net book value	3,207	6,750	89	530	10,576
Additions	-	-	388	6,614	7,002
Deletions/disposals					
Cost	(77)	(998)	(42)	(1,695)	(2,812)
Accumulated depreciation	16	373	9	114	512
	(61)	(625)	(33)	(1,581)	(2,300)
Depreciation charge	(478)	(1,976)	(58)	(688)	(3,200)
Closing net book value	<u>2,668</u>	<u>4,149</u>	<u>386</u>	<u>4,875</u>	<u>12,078</u>
As at June 30, 2021					
Cost	3,437	7,184	444	5,519	16,584
Accumulated depreciation	(769)	(3,035)	(58)	(644)	(4,506)
Net book value	<u>2,668</u>	<u>4,149</u>	<u>386</u>	<u>4,875</u>	<u>12,078</u>

	Note	For the year ended June 30, 2021 (Rupees '000)	For the period July 13, 2019 to June 30, 2020 (Rupees '000)
4.2 Depreciation for the year/period has been allocated as follows:			
Program expenses	18	2,884	1,121
General and administrative expenses	21	895	775
		<u>3,779</u>	<u>1,896</u>

		2021 (Rupees '000)	2020 (Rupees '000)
5. INVENTORIES			
Raw material		10,560	7,461
Work in progress	5.1	19,317	-
Finished goods - Books		<u>28,258</u>	<u>25,677</u>
		58,135	33,138
Less: provision for slow moving inventory items	5.2	<u>(2,995)</u>	<u>(411)</u>
		<u>55,140</u>	<u>32,727</u>

5.1 This represents paper and other raw material issued to the printer for printing of books at year end.

	Note	For the year ended June 30, 2021 (Rupees '000)	For the period July 13, 2019 to June 30, 2020 (Rupees '000)
5.2 Provision for slow moving inventory items			
Opening balance		411	-
Charge for the year/period		<u>2,584</u>	<u>411</u>
Closing balance		<u>2,995</u>	<u>411</u>

		2021 (Rupees '000)	2020 (Rupees '000)
6. TRADE AND OTHRE RECEIVABLES			
Trade receivables		21,451	16,949
Other receivables	6.1	<u>752</u>	<u>8,105</u>
		22,203	25,054
Less: provision against trade receivables	6.2	<u>(780)</u>	<u>(1,433)</u>
		<u>21,423</u>	<u>23,621</u>

6.1 This includes Rs Nil (2020: Rs 8,105 thousand) receivables from, a related party, Association for Academic Quality (AFAQ) against the payment made in respect of purchase of books. The maximum aggregate amount outstanding at the end of any month during the year/period from related party was Rs Nil (2020: Rs 8,105 thousand).

		For the year ended June 30, 2021 (Rupees '000)	For the period July 13, 2019 to June 30, 2020 (Rupees '000)
6.2 Provision against trade receivables			
Opening balance		1,433	-
Charge for the year/period		684	1,433
Reversal for the year/period		<u>(1,337)</u>	<u>-</u>
Closing balance		<u>780</u>	<u>1,433</u>

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7. RECEIVABLE FROM DONOR

		2021 (Rupees '000)	2020
Opening balance		518	-
Grant received during the year/period	7.1	-	92,201
less: grant received during the year against opening balance		(518)	-
less: expenditure recognized during the year/period	7.2	-	92,719
		<u>-</u>	<u>518</u>

7.1 This represented grant received during the last period from, a related party, READ Foundation under agreement for the purpose of its Character Education and Quran Education project. The maximum aggregate amount outstanding at the end of any month during the last period was Rs 11,924 thousand.

7.2 Breakup of expenditure recognised against grant received during the year/period is as follows:

	Note	For the year ended June 30, 2021 (Rupees '000)	For the period July 13, 2019 to June 30, 2020
Program expenses	18.1	-	85,331
General and administrative expenses	21.2	-	7,388
		<u>-</u>	<u>92,719</u>

8. DEPOSITS AND PREPAYMENTS

	2021 (Rupees '000)	2020
Deposits	103	507
Prepayments	561	431
	<u>664</u>	<u>938</u>

9. LOANS TO EMPLOYEES - UNSECURED

These are interest free personal loans given to the employees of the Company to support their financial needs, in accordance with the terms of their employment and Company's policy. The loans are recoverable, as per applicable policy, over a period of twelve months.

10. CASH AT BANK

This represents balance in savings account which earned mark up ranging from 2.75% to 2.90% (2020: 2.75% to 7.06%) per annum.

11. LONG TERM PORTION OF DEFERRED CAPITAL GRANT

	Note	2021 (Rupees '000)	2020
Balance at beginning of the year/period		10,576	-
Donation received during the year/period		7,002	12,394
Deletions/disposals of property, plant and equipment during the year/period	4.1	(2,300)	-
Deferred capital grant recognized as income during the year/period	4.1	(3,200)	(1,818)
Balance at end of the year/period		<u>12,078</u>	<u>10,576</u>
Less: current portion		<u>(2,678)</u>	<u>(2,625)</u>
		<u>9,400</u>	<u>7,951</u>

	Note	2021	2020
		(Rupees '000)	
12. TRADE AND OTHER PAYABLES			
Accrued liabilities		2,920	17,383
Payable to suppliers		36,579	13,691
Other payables	12.1	3,822	2,943
		<u>43,321</u>	<u>34,017</u>

12.1 This includes an amount of Rs 2,307 thousand (2020: Rs 2,106 thousand) payable to Marketing and Training Officers (MTOs) in respect of sale incentive.

13. LOAN FROM ASSOCIATED COMPANY - UNDER ISLAMIC MODE OF FINANAICNG - UNSECURED

This represents amount payable to Institute of Policy Studies, Islamabad (IPS) on account of financing obtained during the year for operations of the Company of Rs 34.88 million and Rs 15.01 million on July 19, 2020 and March 1, 2021 respectively. The respective loans were repayable on June 22, 2021 and June 30, 2021. Total finance cost charged during the year is Rs 6.006 million. Subsequent to year end, the Company repaid an amount of Rs 14.88 million and entered into further financing arrangement with IPS under Islamic mode of financing for the remaining amount of Rs 20 million payable by December 31, 2021. Additional finance cost from June 22, 2021 to June 30, 2021 on outstanding loan of Rs 34.88 million has not been charged in the financial statements due to immaterial impact.

14. CONTINGENCIES AND COMMITMENTS

There were no known contingencies and commitments as at June 30, 2021 (2020: Rs Nil).

	Note	For the year ended June 30, 2021	For the period July 13, 2019 to June 30, 2020
		(Rupees '000)	
15. SALE OF BOOKS			
Sales	15.1	104,285	96,269
Less: Trade discount		<u>(23,343)</u>	<u>(24,494)</u>
		<u>80,942</u>	<u>71,775</u>

15.1 This includes sales of books to, a related party, READ Foundation amounting to Rs 616 thousand (2020: Rs Nil) during the year.

16. This includes an amount of Rs 30 million received from, a related party, Association for Academic Quality (AFAQ) per its letter of intent.

		For the year ended June 30, 2021	For the period July 13, 2019 to June 30, 2020
		(Rupees '000)	
17. OTHER INCOME			
Income from financial assets			
Profit on saving accounts		252	712
Income from non-financial assets			
Other income		1,473	2,141
Profit on disposal of property, plant and equipment		<u>2,145</u>	<u>-</u>
		<u>3,870</u>	<u>2,853</u>

18. PROGRAM EXPENSES

Note	Character education	Quran education	Total	Character education	Quran education	Total
	For the year ended June 30, 2021			For the period July 13, 2019 to June 30, 2020		
	----- (Rupees '000) -----					
Salaries & benefits	-	45,737	45,737	-	64,347	64,347
Workshop, training & seminar	-	396	396	470	7,484	7,954
Travelling & conveyance	-	1,925	1,925	5	4,343	4,348
Rent, rate & taxes	-	3,844	3,844	-	3,981	3,981
Communication charges	-	1,606	1,606	-	1,783	1,783
Depreciation	-	2,884	2,884	-	1,121	1,121
Office supplies & stationery	-	3,699	3,699	4	1,071	1,075
Repair & maintenance	-	525	525	-	702	702
Food & entertainment	-	676	676	23	652	675
Utilities	-	629	629	-	500	500
Advertisement & publicity	-	132	132	-	329	329
Legal & professional charges	-	2,380	2,380	50	112	162
Wages & labor charges	-	930	930	88	66	154
Other expenses	-	149	149	-	1,283	1,283
Total	18.1 & 18.2	-	65,512	640	87,774	88,414

- 18.1 This includes an amount of Rs Nil (2020: Rs 85,331 thousand) charged to, a related party, READ Foundation under the agreement.
- 18.2 This includes an amount of Rs 11,360 thousand (2020: Rs 4,332 thousand) incurred in respect of research and development activities in relation to publishing titles of books.

19. COST OF SALE OF BOOKS

Note	For the year ended June 30, 2021	For the period July 13, 2019 to June 30, 2020
	(Rupees '000)	
Books purchased	19.1	-
Raw material consumed	19.2	26,821
Printing cost		18,276
Plates		2,760
Packing material		600
Royalty	19.3	1,606
Provision for slow moving inventory items		2,584
Cost of books manufactured		52,647
Opening finished goods		25,677
Closing finished goods		(28,258)
Cost of sale of books		50,066

- 19.1 These books were purchased by the Company from, a related party, Association for Academic Quality (AFAQ).

	Note	For the year ended June 30, 2021	For the period July 13, 2019 to June 30, 2020
		(Rupees '000)	
19.2 Opening stock		7,461	-
Add: Purchases during the year/period		48,405	21,936
Donation received during the year/period	19.2.1	-	7,008
		<u>55,866</u>	<u>28,944</u>
Carriage inward		832	171
Less: Closing stock		<u>(29,877)</u>	<u>(7,461)</u>
Raw material consumed		<u>26,821</u>	<u>21,654</u>

19.2.1 The donation of raw material was received during the last period from, a related party, Association for Academic Quality (AFAQ).

19.3 Royalty expense for the year is on account of sale of text books in the region of Azad Jammu and Kashmir (AJK) charged by AJK Textbook Board under the agreement with the Company. AJK Textbook Board registered address is near Directorate Extension Nalochi, Muzaffarabad. Royalty expense for the last period is on account of use of logo of Army Public School And College System (APSACS) on books sold to Army Public Schools during the last period. APSACS registered address is Secretariat Block, Army Central Library, Tameez-ud-Din Road, Rawalpindi, Pakistan.

20. SELLING AND DISTRIBUTION EXPENSES

	For the year ended June 30, 2021	For the period July 13, 2019 to June 30, 2020
	(Rupees '000)	
Sales incentive	2,307	2,016
Salaries & benefits	2,284	686
Workshop, training & seminar	576	544
Advertisement & publicity	23	478
Travelling & conveyance	108	314
Wages & labor charges	288	194
	<u>5,586</u>	<u>4,232</u>

	Note	For the year ended June 30, 2021	For the period July 13, 2019 to June 30, 2020
		(Rupees '000)	
21. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries & benefits		4,561	4,717
Rent, rate & taxes		1,053	924
Depreciation		895	775
Communication charges		983	719
Travelling & conveyance		413	614
Auditors' remuneration	21.1	548	580
Office supplies & stationery		726	546
Utilities		818	499
Repair & maintenance		306	128
Food & entertainment		471	110
Bank charges		49	62
Legal & professional charges		905	22
Domain registration		-	20
Wages & labor charges		23	7
Workshop, training & seminar		10	-
Provision against trade receivables			
- charge for the year/period		684	1,433
- reversal for the year/period		(1,337)	-
		(653)	1,433
Asset entitlement employer share		383	-
Insurance - Takaful		420	-
Other expenses		121	100
	21.2	<u>12,032</u>	<u>11,256</u>
21.1 Auditors' remuneration			
Statutory audit		473	430
Out of pocket expenses		75	150
		<u>548</u>	<u>580</u>
21.2	This Includes Rs Nil (2020: Rs 7,388 thousand) charged to, a related party, READ Foundation under the agreement.		
22.	This represents amount paid to, a related party, Institute of Policy Studies, Islamabad (IPS) on financing of Rs 49.89 million (2020: Rs 50 million) obtained during the year/period under Islamic mode of financing as detailed in note 13.		
	Note	For the year ended June 30, 2021	For the period July 13, 2019 to June 30, 2020
		(Rupees '000)	
23. PROVISION FOR TAXATION			
Current year	23.1	1,214	1,616
Deferred	23.2	-	-
		<u>1,214</u>	<u>1,616</u>

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23.1 As detailed in note 3.10 the Company has applied for registration as not for profit organization under section 2(36) of the Income Tax Ordinance (ITO), 2001 and adjustment, if any, in respect of current year tax expense on account of tax credit under section 100C of the ITO, 2001 shall be made in ensuing period upon registration of the Company under section 2(36) of the ITO, 2001.

23.2 Deferred tax asset has not been recognised on the following as utilisation of these is not certain:

	2021	2020
	(Rupees '000)	
Provision against trade receivables	684	1,433
Provision for slow moving inventory items	2,584	411
Unused tax loss & tax credit	3,500	-
	<u>6,768</u>	<u>1,844</u>

Unused tax loss & tax credit will expire as follows:

Tax year		
Tax loss		
2027	1,469	-
Indefinite period (unabsorbed depreciation)	817	-
Tax credit		
2026	1,214	-

24. TRANSACTIONS WITH RELATED PARTIES

The names of related parties with whom the Company had entered into transactions or had agreements / arrangements in place during the year/period are as follows:

Associated company	Basis of relationship
Association for Academic Quality (AFAQ)	Common directorship
READ Foundation	Common directorship
Institute of Policy Studies (IPS)	Common key management personnel

Balances with related parties are disclosed in notes 13, and transactions with related parties are disclosed in notes 4.1, 7, 15.1, 16 and 22.

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	For the year ended June 30, 2021		For the period July 13, 2019 to June 30, 2020	
	Chief Executive	Executive	Chief Executive	Executive
	-----Rupees ('000)-----			
Managerial remuneration	-	2,952	-	8,683
Number of person(s)	1	2	1	4

No remuneration was paid to Chief Executive during the year/period.

No meeting fee or any remuneration was paid to directors for attending Board of Directors meetings during the year/period.

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	For the year ended June 30, 2021	For the period July 13, 2019 to June 30, 2020
26. NUMBER OF EMPLOYEES		
Total number of employees as at June 30	114	115
Average number of employees during the year/ period	125	153

27. GENERAL

27.1 Figures have been rounded off to nearest thousand of rupees unless otherwise stated.

27.2 Impact of COVID - 19 on the financial statements

The spread of COVID - 19 as a pandemic and consequently imposition of lock down by Federal and Provincial Governments of Pakistan (Authorities) caused an overall economic slowdown and disruption to various businesses at the start of 2020. The management continued its operations and carried out its program activities which mainly comprised conducting workshops, trainings & seminar through virtual and online medium and there was no material impact on sale operations of the Company during the year. Based on management's assessment there is no material impact on the carrying values of assets and liabilities as of June 30, 2021. Accordingly, as of the date of these financial statements, we have not observed any particular material adverse impact to our operations, financial conditions and program activities. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

28. DATE OF AUTHORISATION

These financial statements were authorized for issue by the Board of Directors of the Company on 23 OCT 2021



CHIEF EXECUTIVE OFFICER

DIRECTOR

