

CEF - CHARACTER EDUCATION FOUNDATION

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2022**

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, 2022, 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, 2022 and of the surplus 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.



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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.

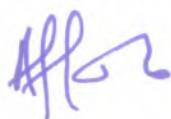
Board of directors are responsible for overseeing the Company's financial reporting process.

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.



- 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 18, 2022

UDIN: AR2022100530IpA6Qbz9

CEF - CHARACTER EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022 (Rupees '000)	2021
NON-CURRENT ASSETS			
Property, plant and equipment	4	42,492	14,941
Long term deposits		1,078	867
		43,570	15,808
CURRENT ASSETS			
Inventories	5	98,596	55,140
Trade and other receivables	6	23,650	21,423
Advances, deposits and prepayments	7	2,705	664
Loans to employees - unsecured	8	1,418	606
Income tax refundable		1,554	-
Cash at bank	9	11,124	7,135
		139,047	84,968
		<u>182,617</u>	<u>100,776</u>
FUND AND LIABILITIES			
FUND BALANCES			
General fund		1,400	1,400
Accumulated surplus		77,871	8,105
		79,271	9,505
NON CURRENT LIABILITIES			
Long term portion of deferred capital grant	10	8,293	9,400
CURRENT LIABILITIES			
Current portion of deferred capital grant	10	2,554	2,678
Trade and other payables	11	91,978	43,321
Loan from associated company - under Islamic mode of financing - unsecured	12	-	34,880
Restricted grant	13	521	-
Income tax payable		-	992
		95,053	81,871
		<u>182,617</u>	<u>100,776</u>

CONTINGENCIES AND COMMITMENTS

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

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CHIEF EXECUTIVE OFFICER

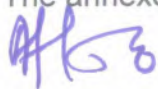
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DIRECTOR

**CEF - CHARACTER EDUCATION FOUNDATION
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 (Rupees '000)	2021
INCOME			
Restricted grant recognized as income	13	4,419	-
Sale of books	15	315,518	80,942
General grant received during the year	16	63,974	36,208
Amortisation of deferred capital grant income	10	3,078	3,200
Other income	17	2,953	3,870
		<u>389,942</u>	<u>124,220</u>
EXPENDITURE			
Program expenses	18	100,228	65,512
Cost of sale of books	19	170,561	50,066
Selling and distribution expenses	20	17,250	5,586
General and administrative expenses	21	31,891	12,032
Finance cost	22	2,000	6,003
		<u>321,930</u>	<u>139,199</u>
SURPLUS/(DEFICIT) BEFORE TAXATION		<u>68,012</u>	<u>(14,979)</u>
Income tax credit / (expense)	23	1,754	(1,214)
SURPLUS/(DEFICIT) FOR THE YEAR		<u>69,766</u>	<u>(16,193)</u>
Other comprehensive surplus		-	-
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR		<u><u>69,766</u></u>	<u><u>(16,193)</u></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, 2022

	General fund	Accumulated surplus	Total
	-----Rupees ('000)-----		
Balance at July 1, 2020	1,000	24,298	25,298
Promoters' contribution	400	-	400
(Deficit) for the year	-	(16,193)	(16,193)
Other comprehensive surplus for the year	-	-	-
Total comprehensive (deficit) for the year	400	(16,193)	(15,793)
Balance at June 30, 2021	<u>1,400</u>	<u>8,105</u>	<u>9,505</u>
Balance at July 1, 2021	1,400	8,105	9,505
Surplus for the year	-	69,766	69,766
Other comprehensive surplus for the year	-	-	-
Total comprehensive surplus for the year	-	69,766	69,766
Balance at June 30, 2022	<u>1,400</u>	<u>77,871</u>	<u>79,271</u>

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CHIEF EXECUTIVE OFFICER

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DIRECTOR

CEF - CHARACTER EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021
	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(Deficit) before tax	68,012	(14,979)
Adjustment:		
Depreciation	5,510	3,779
Restricted grant recognized as income	(4,419)	-
Deferred capital grant recognized as income	(3,078)	(3,200)
Donation of land and building received in kind	(9,486)	-
Provision against trade receivables	(255)	(653)
Provision for slow moving inventory items	3,540	2,584
Finance cost	2,000	6,003
Profit on disposal of property, plant and equipment	(940)	(2,145)
Disposals/deletions of property, plant and equipment recognized under deferred capital grant	(1,204)	-
	(8,332)	6,368
Changes in working capital		
(Increase) in inventories	(46,996)	(24,997)
(Increase)/decrease in trade and other receivables	(1,972)	2,851
(Increase)/decrease in advances, deposits and prepayments	(2,041)	274
(Increase) in loans to employees	(812)	(117)
Increase in trade and other payables	48,657	9,304
	(3,164)	(12,685)
Cash generated from / (used in) operating activities	56,516	(21,296)
(Increase) in long term deposits	(211)	(237)
Restricted grant received during the year	7,991	518
Income taxes paid	(792)	(1,718)
	6,988	(1,437)
Net cash generated from / (used in) from operating activities	63,504	(22,733)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(24,847)	(2,709)
Proceeds from disposal of property, plant and equipment	2,212	2,145
Net cash (used in) investing activities	(22,635)	(564)
CASH FLOWS FROM FINANCING ACTIVITIES		
Promoters' contribution	-	400
Loan received during the year	-	49,880
Loan repaid during the year	(34,880)	(15,000)
Finance cost paid during the year	(2,000)	(6,003)
Net cash (used in)/generated from financing activities	(36,880)	29,277
Net increase in cash and cash equivalents	3,989	5,980
Cash and cash equivalents at beginning of the year	7,135	1,155
Cash and cash equivalents at end of the year	11,124	7,135

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
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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. SECP through its SRO 1574(1)/2021 dated November 29, 2021 issued certain amendments in Associations with charitable and Not for Profit Objects Regulations, 2018 ('the Regulations') which also includes omission of Regulation 8 "Renewal of license" of the Regulations. Accordingly, renewal of license is not required to be obtained by the Company and the previous license issued by SECP to the Company on July 11, 2019 for a period of three years remains valid. 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.

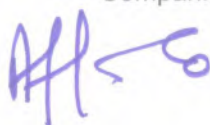
2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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 3.4 and 4
- ii) Provision for inventories - note 3.7 and 5.2
- iii) Provision against trade receivables - note 3.6 and 6.2
- iv) Estimated useful life of property, plant and equipment - note 3.4 and 4
- v) Taxation - note 3.9 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 Functional and presentation currency

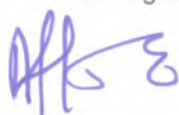
These financial statements are presented in Pakistan Rupees which is the functional currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of transactions. All assets and liabilities in foreign currencies are translated into Rupees at the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

3.3 Income recognition

3.3.1 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 of receipt.

Donations in kind

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

3.3.2 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 which is effected upon shipment to the customers;.
- 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.

Income 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.

3.3.3 Profit on saving accounts

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

3.4 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.



3.5 Advances, 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.

3.6 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.

3.7 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.

3.8 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.

3.9 Taxation

Current

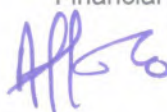
During the year, the Company has obtained approval as not for profit organization under section 2(36) of the Income Tax Ordinance, 2001, effective from July 1, 2020 to June 30, 2023. The Company is eligible for tax credit under Section 100C of the Income Tax Ordinance, 2001 from donations, voluntary 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.

Deferred

Deferred tax is recognised 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.

3.10 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, deposits, loans to employees and cash at bank. Financial liabilities comprise trade and other payables.



3.11 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.

3.12 Offsetting of financial assets and financial liabilities

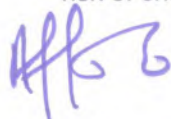
Financial assets and financial liabilities are only off set and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on net basis or to realize the assets and to settle the liabilities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

3.13 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.

3.14 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

	Note	Furniture, fixtures & fittings	Computer, software and electric equipment	Office equipment	Motor vehicle	Building	Freehold Land	Capital work in progress (4.2)	Total
Rupees ('000)									
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/disposal									
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		2,868	5,483	558	6,032	-	-	-	14,941
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		2,868	5,483	558	6,032	-	-	-	14,941
Year ended June 30, 2022									
Opening net book value		2,868	5,483	558	6,032	-	-	-	14,941
Additions	4.1	701	11,130	193	2,823	3,486	6,000	10,000	34,333
Disposals									
Cost		(177)	(481)	-	(1,139)	-	-	-	(1,797)
Accumulated depreciation		45	196	-	284	-	-	-	525
		(132)	(285)	-	(855)	-	-	-	(1,272)
Depreciation charge		(469)	(3,496)	(98)	(1,302)	(145)	-	-	(5,510)
Closing net book value		2,968	12,832	653	6,698	3,341	6,000	10,000	42,492
As at June 30, 2022									
Cost		4,189	19,615	837	8,513	3,486	6,000	10,000	52,640
Accumulated depreciation		(1,221)	(6,783)	(184)	(1,815)	(145)	-	-	(10,148)
Net book value		2,968	12,832	653	6,698	3,341	6,000	10,000	42,492
Annual rate of depreciation (%)		15	30	15	20	5			

4.1 Additions in Building and Freehold Land represents fair value of a residential property located in Rawalpindi donated by an individual ('the donor') to the Company without any restriction on the use of the property. The Board of directors of the Company has resolved that the property shall be used for the objectives of the Company.

4.2 This represents advance paid to Mr. Muhammad Aslam Sajid (the transferrer), against total amount of Rs 46.25 million, for the purpose of purchase of building structure, under "Agreement to sell a Structure (Biana)" dated April 21, 2022, located on Structure No. 78, Street Boulevard, Sector Southern Commercial Hub / Safari Valley, Phase 8 Bahria Town, Rawalpindi. Subsequent to year end, on July 28, 2022, the Company made an additional payment of Rs 16.25 million and on August 2, 2022, the title of building structure has been transferred in the Company's name by Bahria Town (Pvt) Limited.

4.3 Details of assets received as donation in kind from a related party, Association for Academic Quality (AFAQ) and assets purchased during the year from restricted grant received during the year from related parties, READ Foundation and Oula Market Research, Pakistan, as referred in note 13 to the financial statements are as follows:

	Furniture, fixtures & fittings	Computer, software and electric equipment	Office equipment	Motor vehicle	Building	Freehold Land	Capital work in progress (4.2)	Total
Rupees ('000)								
Year ended 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	2,668	4,149	386	4,875	-	-	-	12,078
Year ended June 30, 2022								
Opening net book value	2,668	4,149	386	4,875	-	-	-	12,078
Additions	60	2,907	84	-	-	-	-	3,051
Disposals								
Cost	(177)	(411)	-	(1,139)	-	-	-	(1,727)
Accumulated depreciation	45	194	-	284	-	-	-	523
	(132)	(217)	-	(855)	-	-	-	(1,204)
Depreciation charge	(388)	(1,698)	(67)	(925)	-	-	-	(3,078)
Closing net book value	2,208	5,141	403	3,095	-	-	-	10,847
As at June 30, 2022								
Cost	3,320	9,680	528	4,380	-	-	-	17,908
Accumulated depreciation	(1,112)	(4,539)	(125)	(1,285)	-	-	-	(7,061)
Net book value	2,208	5,141	403	3,095	-	-	-	10,847

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	Note	2022 (Rupees '000)	2021
4.4 Depreciation for the year has been allocated as follows:			
Program expenses	18	3,542	2,884
Selling and distribution expenses	20	613	-
General and administrative expenses	21	1,355	895
		<u>5,510</u>	<u>3,779</u>

5. INVENTORIES

Raw material		43,657	10,560
Work in progress	5.1	5,400	19,317
Finished goods - Books		<u>56,074</u>	<u>28,258</u>
		105,131	58,135
Less: provision for slow moving inventory items	5.2	<u>(6,535)</u>	<u>(2,995)</u>
		<u>98,596</u>	<u>55,140</u>

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

5.2 Provision for slow moving inventory items	Note	2022 (Rupees '000)	2021
Opening balance		2,995	411
Charge for the year		<u>3,540</u>	<u>2,584</u>
Closing balance		<u>6,535</u>	<u>2,995</u>

6. TRADE AND OTHER RECEIVABLES

Trade receivables	6.1	23,321	21,451
Other receivables		<u>854</u>	<u>752</u>
		24,175	22,203
Less: provision against trade receivables	6.2	<u>(525)</u>	<u>(780)</u>
		<u>23,650</u>	<u>21,423</u>

6.1 This includes an amount of Rs 33 thousands (2021: Rs nil) receivable from, a related party, READ Foundation and is past due but not impaired. The balances are aged up to 3 months. The maximum aggregate amount outstanding at the end of any month during the year was 815 thousand.

6.2 Provision against trade receivables	2022 (Rupees '000)	2021
Opening balance	780	1,433
Charge for the year	-	684
Reversal for the year	<u>(255)</u>	<u>(1,337)</u>
Closing balance	<u>525</u>	<u>780</u>

7. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances	2,253	-
Deposits	-	103
Prepayments	<u>452</u>	<u>561</u>
	<u>2,705</u>	<u>664</u>

8. 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.

9. CASH AT BANK	Note	2022	2021
		(Rupees '000)	
Current accounts		616	-
Saving account	9.1	10,508	7,135
		<u>11,124</u>	<u>7,135</u>

9.1 Balance in saving account earned mark up ranging from 2.75% to 6.50% (2021: 2.75% to 2.90%) per annum.

10. LONG TERM PORTION OF DEFERRED CAPITAL GRANT

	Note	2022	2021
		(Rupees '000)	
Balance at beginning of the year		12,078	10,576
Donation received during the year		-	7,002
Cost of assets purchased during the year	13	3,051	-
Disposals/deletions of property, plant and equipment during the year	4.3	(1,204)	(2,300)
Deferred capital grant recognized as income during the year	4.3	(3,078)	(3,200)
Balance at end of the year		<u>10,847</u>	<u>12,078</u>
Less: current portion		<u>(2,554)</u>	<u>(2,678)</u>
		<u>8,293</u>	<u>9,400</u>

11. TRADE AND OTHER PAYABLES

Accrued liabilities	11.1	5,970	2,920
Payable to suppliers		72,436	36,579
Royalty payable	19.2	12,452	3,399
Other payables		1,120	423
		<u>91,978</u>	<u>43,321</u>

11.1 This includes an amount of Rs 5,284 thousand (2021: Rs 2,307 thousand) payable to Marketing and Training Officers (MTOs) in respect of sale incentive.

12. LOAN FROM ASSOCIATED COMPANY - UNDER ISLAMIC MODE OF FINANCING - UNSECURED

This represented amount payable to Institute of Policy Studies, Islamabad (IPS) on account of financing obtained last 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. During the year, 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. Total finance cost charged during the year is Rs 2 million (2021: Rs 6.006 million). The outstanding amount was repaid during the year.

	Note	2022 (Rupees '000)	2021
13. RESTRICTED GRANT			
Grant received during the year	13.1	7,991	-
Transferred to deferred capital grant during the year	10	(3,051)	-
Less: expenditure recognised during the year under program expenses	18	(4,419)	-
		<u>521</u>	<u>-</u>

13.1 This represents grant received from, related parties, READ Foundation and Oula Market Research, Pakistan, amounting to Rs 6,791 thousands and Rs 1,200 thousands for the purpose of "Establishment Of Quran Houses In Dhirkot And Training of 100 Females across AJK" and "Developing A Model Union Council with High Moral And Social Values" respectively. The respective maximum aggregate amount outstanding at the end of any month during the year was Rs 4,812 thousand and Rs 1,080 thousand.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

There were no known material contingencies as at year end (2021: Rs Nil).

	Note	2022 (Rupees '000)	2021
14.2 Commitments			
Commitment in respect of capital expenditure as detailed in note 4.2		<u>36,250</u>	<u>-</u>

15. SALE OF BOOKS

Sales	15.1	422,921	104,285
Less: Trade discount		(107,403)	(23,343)
		<u>315,518</u>	<u>80,942</u>

15.1 This includes sales of books to, a related party, READ Foundation amounting to Rs 1,333 thousand (2021: Rs 616 thousand) during the year.

16. GENERAL GRANT RECEIVED DURING THE YEAR

This includes an amount of Rs 12.29 million (2021: Rs 30 million) received from, a related party, Association for Academic Quality (AFAQ) and Rs 9.486 million (2021: Rs nil) grant in kind in respect of Building and Freehold Land received from an individual donor as detailed in note 4.1 to the financial statements.

	2022 (Rupees '000)	2021
17. OTHER INCOME		
Income from financial assets		
Profit on saving accounts	809	252
Income from non-financial assets		
Other income	1,204	1,473
Profit on disposal of property, plant and equipment	940	2,145
	<u>2,953</u>	<u>3,870</u>

18. PROGRAM EXPENSES

	Note	Character education	Quran education	Total	Character education	Quran education	Total
		2022			2021		
		(Rupees '000)					
Salaries & benefits		807	72,306	73,113	-	45,737	45,737
Workshop, training & seminar		49	5,150	5,199	-	396	396
Travelling & conveyance		-	1,646	1,646	-	1,925	1,925
Rent, rate & taxes		-	2,890	2,890	-	3,844	3,844
Communication charges		-	1,855	1,855	-	1,606	1,606
Depreciation		-	3,542	3,542	-	2,884	2,884
Office supplies & stationary		-	3,555	3,555	-	3,699	3,699
Repair & maintenance		-	896	896	-	525	525
Food & entertainment		-	702	702	-	676	676
Utilities		-	559	559	-	629	629
Advertisement & publicity		-	244	244	-	132	132
Legal & professional charges		-	2,033	2,033	-	2,380	2,380
Wages & labour charges		-	2,411	2,411	-	930	930
Other expenses		-	483	483	-	149	149
Expensed hardware		-	1,100	1,100	-	-	-
Total	18.1 & 18.2	856	99,372	100,228	-	65,512	65,512

18.1 Program expenses include an amount of Rs 3,563 thousand (2021: Rs Nil) and Rs 856 thousand (2021: Rs Nil) charged to restricted grant from related parties, READ Foundation and Oula Market Research, Pakistan, respectively under the respective agreements.

18.2 Program expenses also include an amount of Rs 12,504 thousand (2021: Rs 11,360 thousand) incurred in respect of research and development activities in relation to publishing titles of books.

19. COST OF SALE OF BOOKS


	Note	2022 (Rupees '000)	2021
Books purchased		976	-
Raw material consumed	19.1	107,446	26,821
Printing cost		63,432	18,276
Plates		5,207	2,760
Packing material		1,183	600
Royalty	19.2	16,593	1,606
Provision for slow moving inventory items		3,540	2,584
Cost of books manufactured		198,377	52,647
Opening finished goods		28,258	25,677
Closing finished goods		(56,074)	(28,258)
Cost of sale of books		170,561	50,066



	2022 (Rupees '000)	2021 (Rupees '000)
19.1 Opening stock	29,877	7,461
Add: Purchases during the year	125,879	48,405
	<u>155,756</u>	<u>55,866</u>
Carriage inward	1,024	832
Less: Closing stock	<u>(49,334)</u>	<u>(29,877)</u>
Raw material consumed	<u>107,446</u>	<u>26,821</u>

19.2 Royalty 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.

	2022 (Rupees '000)	2021 (Rupees '000)
20. SELLING AND DISTRIBUTION EXPENSES		
Sales incentive	5,284	2,307
Salaries & benefits	4,484	2,284
Workshop, training & seminar	49	576
Advertisement & publicity	-	23
Travelling & conveyance	200	108
Wages & labour charges	187	288
Communication charges	202	-
Depreciation	613	-
Food & entertainment	96	-
Insurance - Takaful	184	-
Teachers manuals, catalogues and other promotional books	3,497	-
Office supplies & stationery	504	-
Rent, rate & taxes	1,341	-
Repair & maintenance	89	-
Transportation & carriage	128	-
Utilities	392	-
	<u>17,250</u>	<u>5,586</u>



	Note	2022 (Rupees '000)	2021
21. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries & benefits		16,635	4,561
Rent, rate & taxes		1,256	1,053
Depreciation		1,355	895
Communication charges		1,056	983
Travelling & conveyance		2,102	413
Auditors' remuneration	21.1	603	548
Office Supplies & Stationery		2,147	726
Utilities		944	818
Repair & maintenance		645	306
Food & entertainment		1,480	471
Bank charges		88	49
Legal & professional charges		1,556	905
Wages & labour charges		79	23
Workshop, training & seminar		1,137	10
Provision against trade receivables			
- charge for the year		-	684
- reversal for the year		(255)	(1,337)
		(255)	(653)
Asset entitlement employer share		-	383
Insurance - Takaful		341	420
Other expenses		722	121
		<u>31,891</u>	<u>12,032</u>

21.1 Auditors' remuneration

Statutory audit	520	473
Out of pocket expenses	83	75
	<u>603</u>	<u>548</u>

- 22.** This represents amount paid to, a related party, Institute of Policy Studies, Islamabad (IPS) on financing of Rs 34.88 million (2021: Rs 49.89 million) as detailed in note 12.

	Note	2022 (Rupees '000)	2021
23. PROVISION FOR TAXATION			
Current income tax - for the year		-	1,214
- for prior year	23.1	(1,754)	
		<u>(1,754)</u>	<u>1,214</u>

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23.1 As detailed in note 3.9 the Company has obtained approval as not for profit organization under section 2(36) of the Income Tax Ordinance, 2001 effective from July 1, 2020 to June 30, 2023 and, accordingly, tax credit has been taken for the current and prior years.

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

	2022 (Rupees '000)	2021 (Rupees '000)
Provision against trade receivables	525	684
Provision for slow moving inventory items	6,535	2,584
Depreciation	8,650	-
Unused tax loss & tax credit	-	3,500
	<u>15,710</u>	<u>6,768</u>

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 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
Oula Marketing Research, Pakistan	Common directorship

Balances with related parties are disclosed in notes 6.1 and 12, and transactions with related parties are disclosed in notes 4.3, 13.1, 15.1, 16 and 22.

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2022		2021	
	Chief Executive	Executive	Chief Executive	Executive
	-----Rupees ('000)-----			
Managerial remuneration	-	13,470	-	2,952
Conveyance allowance	176	792	-	-
Other benefits	-	566	-	-
	<u>176</u>	<u>14,828</u>	<u>-</u>	<u>2,952</u>
Number of person(s)	<u>1</u>	<u>9</u>	<u>1</u>	<u>2</u>

No remuneration was paid to Chief Executive during the year (2021: Rs Nil).

No meeting fee or any remuneration was paid to directors for attending Board of Directors meetings during the year (2021: Rs Nil).

26. NUMBER OF EMPLOYEES	2022	2021
Total number of employees as at June 30	192	114
Average number of employees during the year	163	125

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, 2022. 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 05-11-2022.




CHIEF EXECUTIVE OFFICER


DIRECTOR