

**READ FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019**

INDEPENDENT AUDITOR'S REPORT

To the members of Read Foundation

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Read Foundation ("the Company") which comprise the statement of financial position as at June 30, 2019 and the statement of income and expenditure and other comprehensive income, the statement of changes in fund, 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, statement of income and expenditure and other comprehensive income, the statement of changes in fund 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, 2019 and of the deficit, the changes in fund 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.

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);



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- b) the statement of financial position, the statement of income and expenditure and other comprehensive income, the statement of changes in fund 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 Waqas Waris.

Grant Thornton Anjum Rahman
GRANT THORNTON ANJUM RAHMAN
Chartered Accountants
Islamabad

October 05, 2019

READ FOUNDATION

(A company incorporated under section 42 of the Companies Ordinance, 1984)

STATEMENT OF FINANCIAL POSITION

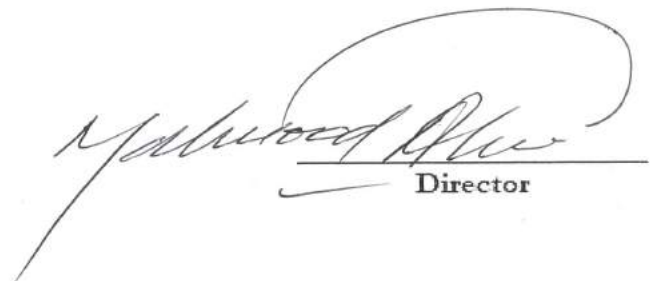
AS AT JUNE 30, 2019

	Note	2019 (Rupees)	2018 (Rupees)
Funds and reserves			
General fund		139,158,601	164,091,261
Endowment fund		1,188,000	1,188,000
		<u>140,346,601</u>	<u>165,279,261</u>
Non-current liabilities			
Deferred capital grant	4	561,500,117	535,590,028
Non-monetary capital grant	5	20,579,014	2,636,250
Restricted grant	6	217,420,832	235,447,942
		<u>799,499,963</u>	<u>773,674,220</u>
Current liabilities			
Trade and other payables	7	29,754,299	37,016,338
		<u>29,754,299</u>	<u>37,016,338</u>
		<u>969,600,863</u>	<u>975,969,819</u>
Assets			
Non-current assets			
Property and equipment	9	873,592,859	762,962,970
Long term investment	10	43,520	10,160
		<u>873,636,379</u>	<u>762,973,130</u>
Current assets			
Advances	11	3,317,072	18,487,279
Short term deposits, prepayments and other receivables	12	4,754,275	1,343,674
Receivable from school - considered good	13	-	20,160,196
Tax refund due from government	14	5,891,502	4,924,989
Cash and bank balances	15	82,001,635	168,080,551
		<u>95,964,484</u>	<u>212,996,689</u>
		<u>969,600,863</u>	<u>975,969,819</u>
Contingencies and commitments			
	8		

The annexed notes 1 to 27 form an integral part of these financial statements.



 Chief Executive Officer



 Director


READ FOUNDATION

(A company incorporated under section 42 of the Companies Ordinance, 1984)

STATEMENT OF INCOME AND EXPENDITURE AND**OTHER COMPREHENSIVE INCOME****FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Note</u>	<u>2019</u> <u>(Rupees)</u>	<u>2018</u> <u>(Rupees)</u>
Income	16	710,375,675	584,155,601
Expenditure			
Programme activities	17	605,552,227	496,492,024
General and administrative expense	18	86,258,356	62,742,684
Fund raising	19	38,194,363	23,728,335
Financial charges	20	315,607	209,785
		<u>730,320,553</u>	<u>583,172,828</u>
(Loss)/surplus for the year - before taxation		<u>(19,944,878)</u>	<u>982,773</u>
Taxation		-	-
(Loss)/surplus for the year - after taxation		<u>(19,944,878)</u>	<u>982,773</u>
Other comprehensive income		33,360	-
Total comprehensive (loss)/income for the year		<u><u>(19,911,518)</u></u>	<u><u>982,773</u></u>

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Chief Executive Officer



Director

READ FOUNDATION**(A company incorporated under section 42 of the Companies Ordinance, 1984)****STATEMENT OF CHANGES IN FUND****FOR THE YEAR ENDED JUNE 30, 2019**

	General fund	Endowment fund	Total
 (Rupees)		
Balance as at July 01, 2017	163,108,488	1,188,000	164,296,488
Total comprehensive income for the year	982,773	-	982,773
Balance as at June 30, 2018	164,091,261	1,188,000	165,279,261
Balance as at July 01, 2018	164,091,261	1,188,000	165,279,261
Effect of change in accounting policy due to adoption of IFRS - 9 (Note 22.1)	(5,021,142)	-	(5,021,142)
Adjusted balance at July 01, 2018	159,070,119	1,188,000	170,300,403
Total comprehensive loss for the year	(19,911,518)	-	(19,911,518)
Balance as at June 30, 2019	139,158,601	1,188,000	150,388,885

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Chief Executive Officer



Director

READ FOUNDATION

(A company incorporated under section 42 of the Companies Ordinance, 1984)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
	(Rupees)	(Rupees)
Cash flow from operating expenses		
Loss for the year	(19,944,878)	982,773
Adjustment for:		
Depreciation	36,357,526	36,139,463
(Gain)/loss on disposal of asset	-	14,936,806
Amortization of deferred capital grant	(36,208,267)	(39,770,304)
Amortization of non monetary capital grant	(486,386)	-
Transferred to income - non-depreciable assets	(8,000,000)	-
Bad debts written off	31,903,593	-
Transferred from restricted grant - non-depreciable assets	-	(4,625,619)
	<u>23,566,466</u>	<u>6,680,346</u>
Operating profit before working capital changes	3,621,588	7,663,119
(Increase)/decrease in:		
Advances	15,170,210	(13,554,230)
Receivable from school - considered good	(16,764,539)	(5,239,278)
Short term deposits, prepayments and other receivables	(3,410,601)	(2,307,239)
	<u>(5,004,930)</u>	<u>(21,100,747)</u>
(Decrease) in current liabilities	(7,262,040)	(4,098,689)
Cash flow from operating activities before taxation	(8,645,381)	(17,536,317)
Grant received during the year	521,211,499	508,865,163
Grants disbursed for expenses	(540,093,609)	(432,718,738)
Adjustment	(2,000,000)	-
Income tax paid/withheld	(966,513)	1,921,514
Net cash generated from (used in) operating activities	(30,494,004)	60,531,622
Cash flow from investing activities		
Purchase of property and equipment	(64,220,764)	(124,661,716)
Sale proceeds of property and equipment	-	3,245,181
Capital work-in-progress	(56,337,503)	(29,316,289)
Net cash used in investing activities	(120,558,267)	(150,732,824)
Cash flow from financing activities		
Fund for specific purposes	64,973,355	106,477,598
Net cash generated from financing activities	64,973,355	106,477,598
Net (decrease)/increase in cash and cash equivalents	(86,078,916)	16,276,396
Cash and cash equivalents at the beginning of the year	168,080,551	151,804,155
Cash and cash equivalents at the end of the year	82,001,635	168,080,551

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Chief Executive Officer



Director