

**The READ Educational Trust  
(Registration number 000774-NPO)  
Annual Financial Statements  
for the year ended 31 March 2016**

**These annual financial statements were prepared under the supervision of:  
Estelle Snell (Financial Manager)**

**These annual financial statements have been audited in compliance with the Trust Deed.**

# The READ Educational Trust

(Registration number 000774-NPO)

Annual Financial Statements for the year ended 31 March 2016

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The reports and statements set out below comprise the annual financial statements presented to the trustees:

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# The READ Educational Trust

(Registration number 000774-NPO)

Annual Financial Statements for the year ended 31 March 2016

## Trustees' Responsibility Statement

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The trustees are responsible for the preparation and fair presentation of the annual financial statements of the trust, comprising the statement of financial position at 31 March 2016 and the statements of comprehensive income, changes in funds and cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Trust Deed.

The trustees are also responsible for such internal control as the trustees determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The trustees have made an assessment of the trust's ability to continue as a going concern and have no reason to believe the trust will not be a going concern in the year ahead.

The external auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The annual financial statements set out on pages 5 to 24, which have been prepared on the going concern basis, were approved by the trustees on 29 July 2016 and were signed on its behalf by:



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National Treasurer



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Trustee

## **Independent Auditor's Report**

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### **To the trustees of The READ Educational Trust**

I have audited the annual financial statements of The READ Educational Trust, as set out on pages 5 to 24, which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Trustees' Responsibility for the Annual Financial Statements**

The trust's trustees are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and for such internal control as the trustees determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these annual financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the annual financial statements present fairly, in all material respects, the financial position of The READ Educational Trust as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Moore Stephens MWM Inc.**  
**Registered Auditor**

**Per: CA Whitefield**  
**Partner**

**29 July 2016**

# The READ Educational Trust

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Annual Financial Statements for the year ended 31 March 2016

## Statement of Financial Position as at 31 March 2016

	Notes	2016 R '000	2015 R '000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	13 847	15 798
<b>Current Assets</b>			
Trade and other receivables	4	2 215	2 003
Trading account with related entity	5	268	2 038
Other investments	6	10 676	16 296
Cash and cash equivalents	7	10 659	4 215
		<b>23 818</b>	<b>24 552</b>
<b>Total Assets</b>		<b>37 665</b>	<b>40 350</b>
<b>Funds and Liabilities</b>			
<b>Funds</b>			
Stabilisation fund		17 263	16 989
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Finance lease obligations	8	1 145	2 000
<b>Current Liabilities</b>			
Trade and other payables	9	3 747	3 104
Finance lease obligations	8	1 109	2 555
Unutilised project funds	10	14 401	15 702
		<b>19 257</b>	<b>21 361</b>
<b>Total Liabilities</b>		<b>20 402</b>	<b>23 361</b>
<b>Total Funds and Liabilities</b>		<b>37 665</b>	<b>40 350</b>

## The READ Educational Trust

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### Statement of Comprehensive Income

	Notes	2016 R '000	2015 R '000
Project funds utilised	11	30 150	34 494
Other income	12	4 187	1 922
Operating expenses		(34 591)	(42 373)
<b>Operating loss</b>	13	<b>(254)</b>	<b>(5 957)</b>
Finance income	14	536	2 716
Finance costs	15	(8)	(44)
<b>Profit (loss) for the year</b>		<b>274</b>	<b>(3 285)</b>
Other comprehensive income		-	-
<b>Total comprehensive income (loss) for the year</b>		<b>274</b>	<b>(3 285)</b>

## The READ Educational Trust

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### Statement of Changes in Funds

	Stabilisation fund R '000	Total funds R '000
<b>Balance at 01 April 2014</b>	<b>20 274</b>	<b>20 274</b>
Loss for the year	(3 285)	(3 285)
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(3 285)</b>	<b>(3 285)</b>
<b>Balance at 01 April 2015</b>	<b>16 989</b>	<b>16 989</b>
Profit for the year	274	274
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>274</b>	<b>274</b>
<b>Balance at 31 March 2016</b>	<b>17 263</b>	<b>17 263</b>



# The READ Educational Trust

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Annual Financial Statements for the year ended 31 March 2016

## Statement of Cash Flows

	Notes	2016 R '000	2015 R '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	18	1 774	2 056
Finance income		792	760
Finance costs		(8)	(44)
<b>Net cash from operating activities</b>		<b>2 558</b>	<b>2 772</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(19)	(1 783)
Sale of property, plant and equipment	3	842	1 605
Movement in other investments		5 364	1 506
<b>Net cash from investing activities</b>		<b>6 187</b>	<b>1 328</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(2 301)	(3 106)
<b>Total cash movement for the year</b>		<b>6 444</b>	<b>994</b>
Cash at the beginning of the year		4 215	3 221
<b>Total cash at end of the year</b>	7	<b>10 659</b>	<b>4 215</b>

# The READ Educational Trust

(Registration number 000774-NPO)

Annual Financial Statements for the year ended 31 March 2016

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements have been prepared on the historical cost basis, except for the measurement certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

No key assumptions concerning the future, or other key sources of estimation uncertainty, have been made at the reporting date, that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgements made by management in applying the accounting policies that could have a significant effect on amounts recognised in the financial statements include:

##### Trade receivables and loans and receivables

The trust assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the trust makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

##### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the trust for similar financial instruments.

##### Property, plant and equipment

Management has made a judgement that all items of property, plant and equipment will be held until the end of their economic useful lives, or that they will sell them at the end of their estimated useful lives. Residual value assessments consider issues such as future market conditions, the remaining useful life and the projected disposal values.

#### 1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the trust; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

<b>Item</b>	<b>Average useful life</b>
Buildings	10 to 40 years
Furniture and fixtures	5 to 10 years
Motor vehicles	4 to 5 years
Office equipment	5 years
IT equipment	3 years

# The READ Educational Trust

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Annual Financial Statements for the year ended 31 March 2016

## Accounting Policies

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### 1.2 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.3 Financial instruments

#### Initial recognition and measurement

Financial instruments are recognised initially when the trust becomes a party to the contractual provisions of the instruments.

The trust classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the trust has transferred substantially all risks and rewards of ownership.

#### Fair value determination

In assessing the fair value of financial instruments, the trust uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

For financial assets and liabilities with a maturity of less than one year, the face value less any estimated credit adjustments are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate available to the trust for similar financial instruments.

# The READ Educational Trust

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Annual Financial Statements for the year ended 31 March 2016

## Accounting Policies

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### 1.3 Financial instruments (continued)

#### Impairment of financial assets

At each reporting date the trust assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the trust, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

#### Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the trust has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Investments

Other investments are held for trading and are classified as current assets. They are stated at fair value with any resultant gain or loss recognised in profit or loss as part of finance income or expenses. The fair value of financial instruments classified as held for trading is their quoted trade price at the reporting date.

#### Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

#### Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

# The READ Educational Trust

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## Accounting Policies

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### 1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### 1.5 Stabilisation fund

The stabilisation fund represents the excess of income received over expenditure incurred. Whereas in traditional terms these funds would be regarded as shareholders' equity left in the business, in a trust of this nature they represent a financial reserve aimed at ensuring, on an ongoing basis, that, in certain key areas, the trust has adequate resources to facilitate the achievement of its objectives over a future period in the event that funding that is not forthcoming in the normal course of events or the timing of receipt is delayed. These key areas are:

- those projects already in progress scheduled to operate for future periods up to two years;
- the remuneration of personnel responsible for management, operations and administration during the forthcoming financial year; and
- the replacement of capital expenditure items as budgeted for during the forthcoming financial year.

The calculation of the reserve takes into account all funds already advanced to the trust, specifically for these key areas.

### 1.6 Impairment of assets

The trust assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the trust estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

# The READ Educational Trust

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## Accounting Policies

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### 1.6 Impairment of assets (continued)

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.7 Donations

All donations are received either for specific projects or to cover the operating expenses of the trust. Donations for operating expenses, as well as any donations that are not allocated to a specific project, are reflected in other income in the year received. Donations for specific projects are taken to the specific donations accounts against which expenditure is recorded on the project and, when applicable, training and administrative expenses are recouped and allocated to profit or loss.

Donations are deferred in the statement of financial position when they are received and are recognised as income on a systematic basis over the applicable period to match with the related costs as they are incurred. The portion utilised during the year is shown as "project funds utilised" in the statement of comprehensive income.

### 1.8 Contributions to specific projects

Contributions to specific projects represent costs incurred during the year on authorised projects and the anticipated costs to complete these projects.

### 1.9 Net finance expenses/income

#### Finance expenses

Finance expenses comprises interest expense on overdrafts, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and finance lease expenses. All borrowing costs are recognised in profit or loss using the effective interest method.

#### Finance income

Finance income comprises interest income on funds invested, dividend income and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the trust's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

### 1.10 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

# The READ Educational Trust

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## Notes to the Annual Financial Statements

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### 2. New Standards and Interpretations

#### 2.1 Standards and interpretations not yet effective

At the date of authorisation of these annual financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the trust.

The directors anticipate that all of the pronouncements will be adopted in the trust's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the trust's annual financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the trust's annual financial statements.

<b>Standard</b>	<b>Details of Amendment</b>	<b>Effective date - Annual period beginning on or after</b>
IFRS 9	Financial Instruments - Classification and measurement, impairment, and hedge accounting	1 January 2018
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 11 Amendments	Joint Arrangements	1 January 2016
IAS 16 Amendments	Property, Plant and Equipment	1 January 2016
IAS 38 Amendments	Intangible Assets	1 January 2016
IAS 27 Amendments	Consolidated and Separate Financial Statements	1 January 2016
IFRS 10 Amendments	Consolidated Financial Statements	1 January 2016
IAS 28 Amendments	Investments in Associates	1 January 2016
IFRS 12 Amendments	Disclosure of Interests in Other Entities	1 January 2016
Annual improvements 2010-2012 Cycle	IFRS 5 Non-current Assets Held for Sale and Discontinued Operations; IFRS 7 Financial Instruments: Disclosures; IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting	1 January 2016
IAS 1 Amendments	Presentation of Financial Statements	1 January 2016

The aggregate impact of the initial application of the statements and interpretations on the trust's annual financial statements have not yet been assessed by the directors.

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## Notes to the Annual Financial Statements

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	1 502	-	1 502	1 483	-	1 483
Buildings	13 313	(4 176)	9 137	13 313	(3 511)	9 802
Furniture and fixtures	593	(481)	112	1 044	(897)	147
Motor vehicles	9 390	(6 416)	2 974	12 126	(7 991)	4 135
Office equipment	456	(427)	29	1 113	(1 095)	18
IT equipment	852	(759)	93	2 653	(2 440)	213
<b>Total</b>	<b>26 106</b>	<b>(12 259)</b>	<b>13 847</b>	<b>31 732</b>	<b>(15 934)</b>	<b>15 798</b>

### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000
Land	1 483	19	-	-	1 502
Buildings	9 802	-	-	(665)	9 137
Furniture and fixtures	147	-	-	(35)	112
Motor vehicles	4 135	-	(166)	(995)	2 974
Office equipment	18	-	-	11	29
IT equipment	213	-	-	(120)	93
	<b>15 798</b>	<b>19</b>	<b>(166)</b>	<b>(1 804)</b>	<b>13 847</b>

### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000
Land	1 483	-	-	-	1 483
Buildings	9 802	-	-	-	9 802
Furniture and fixtures	202	-	-	(55)	147
Motor vehicles	6 124	1 604	(1 611)	(1 982)	4 135
Office equipment	91	-	-	(73)	18
IT equipment	203	179	-	(169)	213
	<b>17 905</b>	<b>1 783</b>	<b>(1 611)</b>	<b>(2 279)</b>	<b>15 798</b>

Capitalised motor vehicles with a net book value of R 3.0 million (2015: R 4.1 million) are encumbered as disclosed in note 8.

The land and buildings are situated on Erfs 1213 and 1216 situated in Ormonde, Johannesburg.



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## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>4. Trade and other receivables</b>		
Prepayments	-	7
Sundry debtors and deposits	1 558	1 587
VAT	618	345
Staff loans	39	64
	<b>2 215</b>	<b>2 003</b>

### Fair value of trade and other receivables

The carrying value of trade and other receivables approximates fair value.

### 5. Trading account with related entity

Reading Matters	268	2 038
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The trading account is unsecured, does not incur interest and has no fixed terms of repayment.

### Fair value of trading account

The carrying value of the trading account approximates fair value.

### 6. Other investments

#### At fair value through profit or loss - held for trading

Listed investments	10 676	16 296
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#### Current assets

Held for trading (fair value through income)	10 676	16 296
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### Fair value of other investments

The carrying value of other investments approximates fair value.

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Funds on deposit and call for specific projects	3 077	1 620
Bank and cash on hand	7 582	2 595
	<b>10 659</b>	<b>4 215</b>

Total funds and deposits on call and cash and cash equivalents	10 659	4 215
Less: Funds carried forward for specific projects	(14 401)	(15 702)
Add: Other investments	10 676	16 296
<b>Surplus funds available for operating expenditure</b>	<b>6 934</b>	<b>4 809</b>

### Fair value of cash and cash equivalents

The carrying value of cash and cash equivalents approximates fair value.

# The READ Educational Trust

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## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>8. Finance lease obligations</b>		
<b>Minimum lease payments due</b>		
- within one year	1 252	2 740
- in second to fifth year inclusive	1 197	2 183
	2 449	4 923
less: future finance charges	(195)	(368)
<b>Present value of minimum lease payments</b>	<b>2 254</b>	<b>4 555</b>
<b>Non-current liabilities</b>	<b>1 145</b>	<b>2 000</b>
<b>Current liabilities</b>	<b>1 109</b>	<b>2 555</b>
	<b>2 254</b>	<b>4 555</b>

The capitalised finance leases on motor vehicles bear interest at the prime interest rate less 1%.

The monthly instalments range between R 4 083 and R 8 963 (2015: R 2 200 and R 8 888) and are repayable over a maximum period of 48 months.

The trust's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

## 9. Trade and other payables

Trade payables	2 246	189
Other payables	398	550
Unallocated deposits	5	-
Accrued leave pay	284	795
Other accrued expenses	814	1 570
	<b>3 747</b>	<b>3 104</b>

## Fair value of trade and other payables

The carrying value of trade and other payables approximates fair value.

## 10. Unutilised project funds

Balance at the beginning of the year	15 702	11 641
Donations received	28 849	38 555
	<b>44 551</b>	<b>50 196</b>
Less: Expenditure on projects	(30 150)	(34 494)
<b>Unutilised project funds</b>	<b>14 401</b>	<b>15 702</b>
The amount carried forward is made up as follows:		
Amounts received in advance for specific projects	14 401	13 068
Amounts received in advance for specific schools	-	2 634
<b>Balance at the end of the year</b>	<b>14 401</b>	<b>15 702</b>

# The READ Educational Trust

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## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>11. Project funds utilised</b>		
<b>Income from donations</b>		
Project funds brought forward from previous year	15 702	11 641
Donations received	28 849	38 555
<b>Total project funds available</b>	<b>44 551</b>	<b>50 196</b>
Project funds carried forward for specific projects	(14 401)	(15 702)
	<b>30 150</b>	<b>34 494</b>
<b>12. Other income</b>		
Profit on sale of assets	676	-
Management fees	1 190	1 112
Rental income	759	759
Sundry income	1 366	26
Membership subscriptions	30	25
Insurance payouts	166	-
	<b>4 187</b>	<b>1 922</b>
<b>13. Operating loss</b>		
Operating loss for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Buildings		
• Contractual amounts	6	6
Equipment		
• Contractual amounts	2 010	985
	<b>2 016</b>	<b>991</b>
(Profit) loss on disposal of property, plant and equipment	(676)	6
Depreciation on property, plant and equipment	1 804	2 279
Employee costs	23 786	27 702
Number of employees	65	78
<b>14. Finance income</b>		
Bank, call account and investments interest	118	149
Money market interest and dividends	674	611
Fair value adjustment on held for trading investments	(256)	1 956
	<b>536</b>	<b>2 716</b>
<b>15. Finance costs</b>		
Finance leases	8	44
<b>16. Taxation</b>		

In terms of section 10(1)(cN) the trust has been approved by the Commissioner as a Public Benefit Organisation and is therefore exempt from taxation.

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## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>17. Auditors' remuneration</b>		
Fees	198	195
<b>18. Cash generated from operations</b>		
Profit (loss) before taxation	274	(3 285)
<b>Adjustments for:</b>		
Depreciation	1 804	2 279
(Profit) loss on sale of assets	(676)	6
Finance income	(792)	(760)
Finance costs	8	44
Movements in operating lease accruals	-	(82)
Fair value adjustment on held for trading investments	256	(1 956)
<b>Changes in working capital:</b>		
Trade and other receivables	(212)	2 010
Trading account with related entity	1 770	(2 066)
Unutilised project funds	(1 301)	4 061
Trade and other payables	643	1 805
	<b>1 774</b>	<b>2 056</b>

### 19. Employee benefits

#### Defined contribution plan

The trust provides retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pensions Fund Act, 1956, as amended.

The total value of the trust's contributions to the above scheme during the year amounted to

	2 332	1 502
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### 20. Contingencies

The trust had a contract with a supplier, there were however contract irregularities and the trust is disputing the invoicing from the supplier. The trust has entered into a legal dispute with the supplier and the matter has moved forward to litigation. The legal counsel of the trust is of the opinion that the trust will be successful with the case. If they are not successful, the trust will be liable for R 15 million.

## The READ Educational Trust

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#### 21. Related parties

##### Relationships

The READ Educational Trust has the following related parties:

- Reading Matters, a Section 21 company, is an affiliated entity that is involved in the printing and distribution of reading material for specific projects of the trust. African Reading Matters Proprietary Limited is a 100% held subsidiary of Reading Matters.

- READ Empowerment Trust.

The trustees of The READ Educational Trust during the year and at the date of this report were:

Prof IL Rensburg (Chairman)	Mr CS Beck (National Treasurer)
Ms ES Mabusela	Mr MS Masithela
Mr PL Mann	Ms CL Smith
Mrs B Senne (appointed August 2015)	Ms Y Numbiar (July 2015)
Mrs Z Mjali (appointed July 2015)	Mr AAC Matthee (National Director)
Ms M Mompeli (appointed June 2015)	

##### Material transactions with the group

Trading account with Reading Matters and African Reading Matters Proprietary Limited, refer to note 5.

Included in trade and other receivables is an amount of R 0.3 million (2015: R nil) relating to the Reading Matters group.

Included in trade and other payables is an amount of R 2.2 million (2015: R nil) relating to the Reading Matters group.

During the year purchases from the Reading Matters group amounted to R 9.0 million (2015: R 5.5 million).

During the year donations received from the Reading Matters group amounted to R 5.9 million (2015: R 7.5 million).

The READ Educational Trust provided management services to the Reading Matters group during the year amounting to R 1.2 million (2015: R 1.1 million).

The READ Educational Trust received rent from the Reading Matters group during the year amounting to R 0.8 million (2015: R 0.8 million).

The READ Educational Trust recovered development costs from the Reading Matters group during the year amounting to R 3.2 million (2015: R 1.2 million).

Transactions with the Reading Matters group are made in accordance with the normal pricing structures of both parties.

Directors' emoluments are disclosed in note 22.

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## Notes to the Annual Financial Statements

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### 22. Director's emoluments

#### Executive

##### 2016

	Basic salary	Other allowances	Company contribution to pension fund	Company contribution to medical aid	Total
	R'000	R'000	R'000	R'000	R'000
AAC Mathee	836	14	115	87	1 052

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##### 2015

	Basic salary	Bonus	Other allowances	Company contribution to pension fund	Company contribution to medical aid	Total
	R'000	R'000	R'000	R'000	R'000	R'000
AAC Mathee	789	157	108	118	81	1 253

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### 23. Risk management

#### Financial risk management

The trust has exposure to the following risks from its use of financial instruments:

- liquidity risk
- credit risk
- market risk

This note presents information about the trust's exposure to each of the above risks, the trust's objectives, policies and processes for measuring and managing risk. Further, quantitative disclosures are included throughout these financial statements.

The board of trustees has overall responsibility for the establishment and oversight of the trust's risk management framework. The audit committee oversees how management monitors compliance with the trust's risk management framework.

The board of trustees is also responsible for analysing the risks faced by the trust, to set appropriate risk limits and controls, and to monitor risks and adherence to these limits.

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	2016 R '000	2015 R '000
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### 23. Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the trust will not be able to meet its financial obligations as they fall due. The trust's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when they fall due under normal conditions.

The trust had no overdraft or financing facility at year end.

The following are the contractual maturities of financial liabilities:

At 31 March 2016	Carrying amount R'000	Contractual cash flows R'000	6 months or less R'000	6 to 12 months R'000	1 to 3 years R'000
Trade and other payables	3 747	3 747	3 747	-	-
Finance lease obligations	2 254	2 254	665	444	1 145

  

At 31 March 2015	Carrying amount R'000	Contractual cash flows R'000	6 months or less R'000	6 to 12 months R'000	1 to 3 years R'000
Trade and other payables	3 104	3 104	3 104	-	-
Finance lease obligations	4 555	4 555	1 189	696	2 670

#### Credit risk

Credit risk is the risk of financial loss to the trust if a donor or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trust's investments, cash and cash equivalents and receivables from donors. The risk with investments and cash and cash equivalents is managed by only investing with financially sound institutions.

#### Other receivables

The trust's exposure to credit risk is influenced mainly by the individual characteristics of each donor. Traditional means of receiving donor funding is that the cash is received prior to the project commencing or throughout the duration of the project. Certain donors, however, may require the trust to produce proof of expenditure incurred prior to the funding being received. This manner of funding results in the trust being exposed to credit risk.

Approximately 78% of the trust's donations in the current year are attributable to the top ten donors. More than 68% of the trust's donors have been transacting with the trust for over three years, and there have been no losses in the past.

The trust deals with reputable donors and exposure to credit risk is monitored on an ongoing basis.

The carrying amount of the following financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial instrument	2016 R '000	2015 R '000
Loans and receivables (excluding prepayments and VAT)	1 597	1 651
Trading account with related entity	268	2 038
Held for trading financial assets	10 676	16 296
Cash and cash equivalents	10 659	4 215

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates and traded quoted share prices may cause a decrease in fair values of future cash flows of financial instruments and consequently result in a financial loss for the trust.

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	2016 R '000	2015 R '000
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### 24. Fair value information

#### Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the trust can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

#### Levels of fair value measurements

##### Level 1

#### Recurring fair value measurements

Assets	Note		
<b>Financial assets at fair value through profit or loss - held for trading</b>	6		
Other investments		10 676	16 296
<b>Total</b>		<b>10 676</b>	<b>16 296</b>

### 25. Financial assets by category

The carrying value of financial assets below approximates its fair value:

#### 2016

	Loans and receivables R'000	Fair value through profit or loss - held for trading R'000	Total R'000
Other investments	-	10 676	10 676
Trading account with related entity	268	-	268
Trade and other receivables	1 597	-	1 597
Cash and cash equivalents	10 659	-	10 659
	<b>12 524</b>	<b>10 676</b>	<b>23 200</b>

#### 2015

	Loans and receivables R'000	Fair value through profit or loss - held for trading R'000	Total R'000
Other investments	-	16 296	16 296
Trading account with related entity	2 038	-	2 038
Trade and other receivables	1 651	-	1 651
Cash and cash equivalents	4 215	-	4 215
	<b>7 904</b>	<b>16 296</b>	<b>24 200</b>



## The READ Educational Trust

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### Notes to the Annual Financial Statements

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#### 26. Financial liabilities by category

The carrying value of financial liabilities below approximates its fair value:

2016

	Financial liabilities at amortised cost R'000	Total R'000
Finance lease obligations	2 254	2 254
Trade and other payables	3 747	3 747
	<b>6 001</b>	<b>6 001</b>

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2015

	Financial liabilities at amortised cost R'000	Total R'000
Finance lease obligations	4 555	4 555
Trade and other payables	3 104	3 104
	<b>7 659</b>	<b>7 659</b>

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#### 27. Events after the reporting period

There have been no significant events after the reporting period and up to the date of this report.

