KPMG Taseer Hadi & Co.
Chartered Accountants

Developments in Literacy

Financial Statements
For the year ended 31 December 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
Jinnah Avenue, Blue Area
Islamabad, Pakistan

Telephone + 92 (51) 282 3558
+ 92 (51) 282 5956
Fax + 92 (51) 282 2671
Internet www.kpmg.com.pk

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the accompanying financial statements of Developments in Literacy ("the Society") which comprise the balance sheet as at 31 December 2014 and the income and expenditure account, the statement of comprehensive income, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Board of Trustees ("the Board") is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the approved auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects the financial position of the Society as at 31 December 2014, and of its financial performance, and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Islamabad
04 DECEMBER 2015

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

Developments in Literacy
Balance Sheet
As at 31 December 2014

	Note	2014 (Rupees)	2013 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	4	**30,691,469**	31,549,470
Intangible assets	5	**426,178**	472,346
Long term deposits and prepayments	6	**469,740**	1,275,433
		31,587,387	33,297,249
CURRENT ASSETS			
Advances	7	**6,766,408**	3,631,066
Short term deposits and prepayments	8	**2,303,690**	3,339,853
Short term investments	9	**-**	1,500,000
Accrued mark-up		**-**	15,928
Receivable from USAID Small Grants And Ambassador's Fund Program		**1,170,362**	711,876
Cash and bank balances	10	**60,170,897**	78,225,467
		70,411,357	87,424,190
TOTAL ASSETS		**101,998,744**	120,721,439
NON CURRENT LIABILITIES			
Deferred grant	11	**31,117,647**	32,021,816
Restricted grant	12	**63,126,127**	81,119,816
		94,243,774	113,141,632
CURRENT LIABILITIES			
Accrued and other liabilities	13	**7,754,970**	7,579,807
TOTAL LIABILITIES		**101,998,744**	120,721,439
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes from 1 to 21 form an integral part of these financial statements.

Trustee   **Trustee**

Developments in Literacy

Income and Expenditure Account

For the year ended 31 December 2014

	Note	**2014 (Rupees)**	2013 (Rupees)
INCOME			
Restricted grant - Education	*12.1*	**302,256,628**	227,490,376
Deferred grant recognised as income	*11*	**3,020,269**	3,208,489
		305,276,897	230,698,865
EXPENDITURE			
Grants to partner organisations	*15*	**92,567,775**	71,764,900
General and administration expenses	*16*	**24,235,134**	17,402,978
Program expenses	*17*	**113,858,092**	69,820,504
Project expenses	*18*	**74,615,896**	71,710,483
		305,276,897	230,698,865
Excess of income over expenditure		**-**	-

The annexed notes from 1 to 21 form an integral part of these financial statements.

A. K. [illegible]
Trustee

[illegible]
Trustee

Developments in Literacy
Statement of Comprehensive Income
For the year ended 31 December 2014

	2014 (Rupees)	2013 (Rupees)
Excess of income over expenditure for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-

The annexed notes from 1 to 21 form an integral part of these financial statements.

Trustee

Trustee

Developments in Literacy

Cash Flow Statement

For the year ended 31 December 2014

	Note	2014 (Rupees)	2013 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Excess of income over expenditure		-	-
Adjustments for:			
Restricted grant recognised as income:			
- Education and other program activities	*12.1*	**(302,256,628)**	(227,490,376)
- Deferred capital grant recognised as income	*11*	**(3,020,269)**	(3,208,489)
- Depreciation	*4*	**2,924,101**	3,090,402
- Amortization	*5*	**96,168**	118,087
		(302,256,628)	(227,490,376)
Changes in:			
- Advances		**(3,135,342)**	(2,181,590)
- Short term deposits and prepayments		**1,036,163**	(2,469,766)
- Long term deposits and prepayments		**805,693**	(273,433)
- Receivables from USAID		**(458,486)**	(711,876)
- Creditors and other payables		**175,163**	(1,023,337)
Cash used in operating activities		**(1,576,809)**	(6,660,002)
Grant received during the year		**280,694,360**	231,928,952
Interest received during the year		**5,700,607**	6,080,556
Net cash (used in) / generated from operating activities		**(17,438,470)**	3,859,130
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure - property and equipment		**(2,066,100)**	(5,184,866)
Capital expenditure - intangible assets		**(50,000)**	-
Short term investments		**1,500,000**	(1,500,000)
Net cash used in investing activities		**(616,100)**	(6,684,866)
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		**(18,054,570)**	(2,825,736)
Cash and cash equivalents at beginning of the year		**78,225,467**	81,051,203
Cash and cash equivalents at end of the year	*10*	**60,170,897**	78,225,467

The annexed notes from 1 to 21 form an integral part of these financial statements.

A. K. Ho[illegible] **Trustee**

Shahida [illegible] **Trustee**

1. THE SOCIETY AND ITS OPERATIONS

1.1 Developments in Literacy ("the Society") is a non-profit organization. The Society was established in February 1997 by expatriate Pakistanis in the United States of America and was registered in Pakistan in 2000 under the Societies Registration Act, 1860.

The basic aim of the Society is to promote literacy among children who have no access to education and to encourage and facilitate the improvement and use of educational resources in literacy development in Pakistan. The Society does this by running its own schools and supporting the existing setup of primary schools, mainly in the rural areas with the focus on enrolling girls.

The principal office of the Society is situated at First floor, Marina Heights, Main Jinnah Avenue, Blue Area, Islamabad.

1.2 Subsequent to year end, and persuant to "Federal Government's National Action Plan" on Counter Terrorism, the Society received notice from the "Office of Chief Commissioner, Registrar NGOs / VSWA / Societies, Directorate of Industries Minerals and Labour Welfare" for provision of required information to revalidate the registration of the Society and scrutinize its accounts and workings. The Society has provided the required information to the concerned office and no further notice / order has been received from the concerned office.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is also the Society's functional currency. All financial information presented in Pak Rupees has been rounded off to the nearest Rupee.

2.4 Significant accounting estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in the ensuing paragraphs.

2.4.1 Property and equipment and intangible assets

The Society reviews the useful lives and residual value of property and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property and equipment and intangible assets with a corresponding effect on the depreciation charge and impairment, if any.

2.4.2 Provision and contingencies

A provision is recognised if, as a result of a past event, the Society has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost, if any.

Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is disclosed as contingent liability.

2.4.3 Impairment

The carrying amount of the Society's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any, except for free hold land which is carried at cost less impairment loss, if any. Cost of an item of property and equipment comprises purchase price, import duties and other costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the

Depreciation is calculated on the reducing balance method, except leasehold land on which depreciation is calculated on straight line method, and charged to income and expenditure account to write off the depreciable amount of an asset over its estimated useful life at the percentages specified in note 4.

The cost of replacing a part of item of property and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Society and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the servicing of the property and equipment are recognized in income and expenditure account as incurred.

Gains and losses on disposal of property and equipment are recognised in the income and expenditure account.

3.2 Intangible assets

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably. Intangible assets with finite useful life are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation of intangible assets, having finite useful life, is charged by applying diminishing balance method, so as to write off the cost of assets at amortisation rate as mentioned in note 5 to the financial statements.

Subsequent expenditure is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognised in income and expenditure account as incurred.

3.3 Deferred grant

Grants related to property and equipment are accounted for by setting up the grant as deferred grant which is recognized as income on a systematic basis over the useful life of the related assets.

3.4 Taxation

The Society is registered as not for profit organization under section 2(36) of the Income Tax Ordinance,

2001. The Society 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. Hence, the provision for taxation has been not been made in these financials statements.

3.5 Income recognition

Grants

Grants are recognized as income over the periods necessary to match with the related costs on a systematic basis. All funds received are treated as restricted. Restricted fund is transferred to income to the extent of expenditures incurred out of these funds in a particular accounting year.

Interest income

Interest income is recognized on a time proportion basis using the applicable interest rate.

3.6 Provisions

A provision is recognized in the financial statements when the Society has a legal or constructive obligation as a result of past events and 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.

3.7 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak rupees at the rate of exchange ruling on the date of transactions. All monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange prevailing on the balance sheet date. Exchange gain / loss is charged to current year's income.

3.8 Operating lease

Rentals payable under operating leases are charged to income and expenditure account on a straight line basis over the lease term.

3.9 Financial instruments

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. on the trade date, which is the date that the Society becomes a party to the contractual provisions of the instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the Society transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Society is recognised as a separate asset or liability.

The Society's non-derivative financial assets are classified as loans and receivables which comprise deposits, short term investment, other receivables and cash and cash equivalents.

Deposits, short term investment and other receivables

These are stated initially at the fair value, subsequent to initial recognition these are stated at their amortised cost as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

The allowance for doubtful receivables is based on the Society's assessment of the collectability of counterparty accounts. The Society regularly reviews its receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the receivable balances, and current economic conditions that may affect counter party's ability to pay.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and term deposit receipts maturing within three months from the date of placement.

Non-derivative financial liabilities

The Society initially recognises non derivative financial liabilities on the date that they are originated or the date that the Society becomes a party to the contractual provisions of the instrument. The Society derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Non derivative financial liabilities comprise of accrued and other liabilities.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Society has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.10 Finance income and finance costs

Finance income comprises exchange gain, profit on saving accounts and profit on short term investment. Profit on saving accounts is accrued on a time proportion basis by reference to the principal outstanding and the effective rate of return. Income on term deposit receipts is recognized on time proportion basis taking into account the effective yield of such securities. Foreign currency gains and losses are reported on a net basis.

Finance cost comprises bank charges which are charged to income and expenditure account in the period in which they are incurred.

3.11 Impairment

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the 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 are recognized in income and expenditure account.

Non-financial assets

The carrying amount of the Society's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in the income and expenditure account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.12 Approved accounting standards which are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 01 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on the Society's financial statements.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 01 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Society's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 01 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 01 January 2016. The amendments are not likely to have an impact on the Society's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 01 January 2016. The adoption of this standard is not like to have an impact on the Society's financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 01 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The requirement is not likely to have an impact on the Society's financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 01 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not like to have an impact on the Society's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 01 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. These amendments are not likely to have an impact on the Society's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 01 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a Society can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Society's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 01 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not likely to have an impact on the Society's financial statements.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 01 July 2014). The new cycle of improvements contain amendments to the following standards.These are either not relevant to the society's operatins or are not expected to have significant impact on society's financial statements other than certain additional disclosures.

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 01 January 2016). The new cycle of improvements contain amendments to the following standards.These are either not relevant to the society's operatins or are not expected to have significant impact on society's financial statements other than certain additional disclosures.

  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4. PROPERTY AND EQUIPMENT

	Freehold land	Leasehold land	Buildings	Vehicles	Furniture and fixtures	Office equipment	Computers	Total
				(Rupees)				(Rupees)
Cost								
As at 01 January 2013	10,947,786	3,876,700	18,077,577	1,699,355	967,202	2,461,592	2,506,881	40,537,093
Additions during the year	836,066	2,801,000	-	-	278,400	824,200	445,200	5,184,866
As at 31 December 2013	11,783,852	6,677,700	18,077,577	1,699,355	1,245,602	3,285,792	2,952,081	45,721,959
Additions during the year	-	**360,000**	-	-	**14,500**	**1,387,550**	**304,050**	**2,066,100**
As at 31 December 2014	**11,783,852**	**7,037,700**	**18,077,577**	**1,699,355**	**1,260,102**	**4,673,342**	**3,256,131**	**47,788,059**
Accumulated depreciation								
As at 01 January 2013	-	104,035	6,519,514	1,524,962	257,704	1,053,263	1,622,609	11,082,087
Charge for the year	-	45,932	2,311,613	34,879	80,371	284,148	333,459	3,090,402
As at 31 December 2014	-	149,967	8,831,127	1,559,841	338,075	1,337,411	1,956,068	14,172,489
Charge for the year	-	**68,049**	**1,849,290**	**27,903**	**90,895**	**546,095**	**341,869**	**2,924,101**
As at 31 December 2014	-	**218,016**	**10,680,417**	**1,587,744**	**428,970**	**1,883,506**	**2,297,937**	**17,096,590**
Carrying value as at:								
- 31 December 2014	**11,783,852**	**6,819,684**	**7,397,160**	**111,611**	**831,132**	**2,789,836**	**958,194**	**30,691,469**
- 31 December 2013	11,783,852	6,527,733	9,246,450	139,514	907,527	1,948,381	996,013	31,549,470
Depreciation rates (%)		**1%**	**20%**	**20%**	**10%**	**20%**	**30%**	

4.1 Depreciation charge for the year has been allocated as follows:

	Note	**2014 (Rupees)**	2013 (Rupees)
Administration expenses	*16*	**438,615**	463,560
Program expenses	*17*	**2,485,486**	2,626,842
		2,924,101	3,090,402

5. INTANGIBLE ASSETS

	Note	2014	2013
Cost			
As at 01 January 2014		**767,000**	767,000
Additions during the year		**50,000**	-
As at 31 December 2014		**817,000**	767,000
Accumulated amortization			
As at 01 January 2014		**294,654**	176,567
Charge for the year	*16*	**96,168**	118,087
As at 31 December 2014		**390,822**	294,654
Written down value as at 31 December 2014		**426,178**	472,346
Amortisation rate (%)		**20%**	20%

	Note	2014 (Rupees)	2013 (Rupees)
10. CASH AND BANK BALANCES			
Cash in hand		**36,074**	1,131
Cash at bank in current accounts			
- Local currency		**2,218,600**	1,013,700
- Foreign currency		**-**	162,423
		2,218,600	1,176,123
Cash at bank in saving accounts	*10.1*	**57,916,223**	77,048,213
		60,170,897	78,225,467

10.1 These carry mark-up rate 7% per annum (2013: 5.10% per annum to 6% per annum).

	Note	2014 (Rupees)	2013 (Rupees)
11. DEFERRED GRANT			
Opening balance		**32,021,816**	30,045,439
Add:			
Cost of property and equipment purchased during the year	*4*	**2,066,100**	5,184,866
Cost of intangible asset purchased during the year	*5*	**50,000**	-
		2,116,100	5,184,866
Less:			
Deferred grant recognised as income during the year		**(3,020,269)**	(3,208,489)
		31,117,647	32,021,816
12. RESTRICTED GRANT			
Restricted grant for:			
- Flood relief activities - DIL USA		**628,643**	628,643
- For education	*12.1*	**62,497,484**	80,491,173
		63,126,127	81,119,816

	Note	2014 (Rupees)	2013 (Rupees)
12.1 Restricted grant for education and other program activities			
Opening balance		**80,491,173**	75,140,979
Grants received during the year	*12.1.1*	**280,699,283**	231,211,452
Other income	*12.1.2*	**5,679,756**	6,813,984
		286,379,039	238,025,436
Transferred to income and expenditure account		**(302,256,628)**	(227,490,376)
Transfer to differed capital grant on purchase of:			
- property and equipment	*11 & 4*	**(2,066,100)**	(5,184,866)
- intangible asset	*11 & 5*	**(50,000)**	-
		62,497,484	80,491,173

12.1.1 Grants received during the year

	2014 (Rupees)	2013 (Rupees)
Related parties		
Developments in Literacy USA	**210,114,117**	168,420,540
Developments in Literacy Canada	**6,914,740**	5,386,072
Developments in Literacy UK / DFID	**12,872,006**	6,467,508
Developments in Literacy UK / Vitol Foundation	**4,903,265**	
Developments in Literacy HK	**3,786,722**	-
Donations received from a trustee	**1,000,000**	-
Other		
Funds raised in Pakistan - Various donors - Chapters	**15,299,430**	15,334,300
Pakistan Poverty Alleviation Fund	-	4,135,081
USAID Small Grants And Ambassador's Fund Program	**11,473,011**	11,513,974
STARS Foundation	**4,646,704**	8,296,000
All Pakistan Women's Association	**1,826,073**	1,314,321
Ashmore Foundation	-	725,429
Target International	-	5,034,500
Barclays Bank PLC	**3,042,532**	-
Loylogic Inc.	**445,758**	-
Other donors including zakat	**4,374,925**	4,583,727
	280,699,283	231,211,452

12.1.2 Other income

	2014 (Rupees)	2013 (Rupees)
Income from financial assets		
Interest income from bank accounts	**5,607,940**	6,096,484
Exchange (loss) / gain	**(4,923)**	12,855
Profit on short term investment	**76,739**	41,790
Income from non-financial assets		
Other income	-	662,855
	5,679,756	6,813,984

13. ACCRUED AND OTHER LIABILITIES

	Note	2014 (Rupees)	2013 (Rupees)
Payable to projects:			
- Indus Resource Centre		**1,291,209**	3,146,918
- Khewndo Kor		**-**	219,364
- Mukhtara Mai Women Organization		**1,507**	-
		1,292,716	3,366,282
Accrued expenses		**361,760**	1,102,896
Payable against construction expenses		**1,145,086**	1,145,086
Retention money payable		**887,902**	568,043
Audit fee payable		**500,000**	500,000
Other payables	*13.1*	**3,567,506**	897,500
		7,754,970	7,579,807

13.1 This includes Rs. 2.589 million payable to Indus Resource Centre (IRC) on account of operational expenses incurred by IRC for activities not being covered by quarterly budget.

14. CONTINGENCIES AND COMMITMENTS

14.1 There are no contingencies as at 31 December 2014.

14.2 The Society is committed to contribute towards future expenditure of schools under Society's management and grants to Partner Organisations.

	2014 (Rupees)	2013 (Rupees)
School under the Society's management	**96,730,637**	99,706,025
Partner Organisations:		
Indus Resource Centre	**26,743,107**	36,062,129
Khwendo Kor	**26,037,725**	19,842,719
Naz Old Boys Welfare Association	**40,222,681**	38,148,112
Cooperation for Advancement, Rehabilitation and Education	**9,353,008**	8,271,067
Mukhtar Mai Women Organization	**5,431,981**	-
Rising Star Foundation	**8,863,629**	-
	116,652,131	102,324,027

15. GRANTS TO PARTNER ORGANIZATIONS

	2014	2013
Cooperation for Advancement, Rehabilitation and Education	**7,607,740**	7,246,912
Indus Resource Centre	**22,596,158**	22,425,330
Khwendo Kor	**18,947,929**	13,991,519
Naz Old Boys Welfare Association	**38,865,198**	28,101,139
Mukhtar Mai Women Organization	**4,550,750**	-
	92,567,775	71,764,900

	Note	2014 (Rupees)	2013 (Rupees)
6. LONG TERM DEPOSITS AND PREPAYMENTS			
Prepaid rent		**549,600**	622,200
Prepaid subscription fee		-	75,833
Less: Current portion of long term prepayments classified as current assets	*8*	**(79,860)**	(72,600)
		469,740	625,433

7. ADVANCES

	Note	2014 (Rupees)	2013 (Rupees)
Advance to projects:			
- Naz Old Boys Welfare Association		**311,676**	67,639
- Cooperation for Advancement, Rehabilitation and Education		**59,221**	217,802
- Khwendo Kor		**211,667**	-
		582,564	285,441
Advances for expenses		**1,501,632**	1,166,447
Mobilization advance	*7.1*	**3,393,771**	185,748
Advance against construction expenses		**339,435**	866,765
Other advances		**949,006**	1,126,665
		6,766,408	3,631,066

7.1 This represents advances paid for construction of community schools at Baga Sheikhan and Guff in Rawalpindi. Upon completion of construction, this advance will be recognised as program expense.

	Note	2014 (Rupees)	2013 (Rupees)
8. SHORT TERM DEPOSITS AND PREPAYMENTS			
Security deposits		**856,500**	752,000
Prepayments		**1,367,330**	3,165,253
Current portion of long term prepayments	*6*	**79,860**	72,600
		2,303,690	3,989,853

9. SHORT TERM INVESTMENTS

	2014 (Rupees)	2013 (Rupees)
Loans and receivables - term deposit receipt	-	1,500,000

9.1 This represented term deposit receipt with a bank and carried an interest rate of 7.6% per annum.

15.1 Project utilized this grant under the following heads of account:

2014	**Management**	**Program**	**Operating**	**Total**
Cooperation for Advancement, Rehabilitation and Education	**1,063,980**	**6,271,427**	**272,333**	**7,607,740**
Indus Resource Centre	**2,030,740**	**19,541,896**	**1,023,522**	**22,596,158**
Khwendo Kor	**2,651,783**	**14,172,160**	**2,123,986**	**18,947,929**
Naz Old Boys Welfare Association	**3,668,136**	**33,443,764**	**1,753,298**	**38,865,198**
Mukhtar Mai Women Organization	**780,000**	**3,471,130**	**299,620**	**4,550,750**
	10,194,639	**76,900,377**	**5,472,759**	**92,567,775**

2013				
Cooperation for Advancement, Rehabilitation and Education	885,400	6,034,351	327,161	7,246,912
Indus Resource Centre	1,830,588	19,603,442	991,300	22,425,330
Khwendo Kor	2,032,484	10,345,806	1,613,229	13,991,519
Naz Old Boys Welfare Association	3,158,830	23,379,538	1,562,771	28,101,139
	7,907,302	59,363,137	4,494,461	71,764,900

16. GENERAL AND ADMINISTRATION EXPENSES

	Note	**2014 (Rupees)**	2013 (Rupees)
Salaries and other benefits		**15,745,381**	10,281,385
Printing and stationary		**84,234**	73,367
Vehicle running expenses		**83,470**	152,103
Communication and postage		**150,073**	176,822
Office repairs		**471,990**	314,192
Vehicle insurance		**17,900**	19,787
Staff health insurance		**245,600**	212,450
Office rent and utilities		**1,358,650**	1,052,668
Office supplies		**7,730**	183,483
Bank charges		**165,790**	150,420
Audit fee		**783,036**	502,421
Fund raising expenses	*16.1*	**3,183,714**	2,375,158
Depreciation	*4.1*	**438,615**	463,560
Amortization	*5*	**96,168**	118,087
Legal and professional charges		**444,782**	206,667
Resourcing and recruitment expenses		**428,567**	795,575
Software maintenance		**86,250**	127,211
Travel and meeting expenses		**65,600**	44,472
Miscellaneous		**377,584**	153,150
		24,235,134	17,402,978

16.1 This represents expenses incurred on various fund raising events carried out during the year.

17. PROGRAM EXPENSES

	Note	2014 (Rupees)	2013 (Rupees)
Salaries and other benefits		**42,749,089**	26,584,331
Printing and stationary		**152,947**	220,101
Vehicle running expenses		**367,066**	456,310
Travel and meetings expenses		**424,261**	133,416
Communication and postage		**635,184**	530,467
Office repairs		**651,331**	942,577
Office rent and utilities		**3,144,461**	3,158,003
Vehicle insurance		**7,100**	59,362
Monitoring and evaluation expenses		**203,353**	2,765,337
Depreciation	*4.1*	**2,485,486**	2,626,842
Office supplies		**225,230**	557,947
Curriculum development		**1,400,445**	1,738,804
Training expenses		**13,362,397**	10,289,608
Bank charges		**403,104**	451,259
Capacity building expenses		**181,400**	135,660
Library establishment		**1,108,677**	738,812
Computer laboratory		**6,207,967**	970,100
Gateway		**700,398**	702,168
Mlearning project		**11,175,364**	10,176,934
TEE project		**-**	4,092,990
Virtual training hub		**133,286**	527,967
Staff health insurance		**593,437**	637,351
IT Co-curricular activities		**891,010**	1,316,897
School construction expenses	*17.1*	**13,992,799**	-
Vocational training		**1,556,767**	-
Technology enabled project		**10,857,729**	-
Miscellaneous		**247,804**	7,261
		113,858,092	69,820,504

17.1 This represents expenses incurred on construction of Schools in Khwendo Kor.

18. PROJECT EXPENSES

	Note	2014 (Rupees)	2013 (Rupees)
Islamabad Capital Territory Schools	*18.1*	**15,519,232**	11,866,708
Orangi Schools	*18.2*	**27,896,905**	25,685,905
Kala Shah Kaku School	*18.3*	**2,563,632**	4,217,235
Mansehra Community School Project	*18.4*	**3,231,789**	3,718,345
Rawalpindi Rural School Program	*18.5*	**25,404,338**	26,222,290
		74,615,896	71,710,483

	Note	2014 (Rupees)	2013 (Rupees)
18.1 Islamabad Capital Territory Schools			
Salaries and other benefits		**6,830,199**	7,149,094
Direct project expenses	*18.6*	**7,113,475**	4,344,539
Library establishment		**732,091**	89,067
Computer laboratory		**603,163**	67,500
Others		**240,304**	216,508
		15,519,232	11,866,708
18.2 Orangi Schools			
Salaries and other benefits		**18,645,859**	17,307,352
Direct project expenses	*18.6*	**6,502,205**	7,784,301
Library establishment		**1,464,090**	204,800
Computer laboratory		**1,007,283**	102,750
Others		**277,468**	286,702
		27,896,905	25,685,905
18.3 Kala Shah Kaku School			
Salaries and other benefits		**2,034,350**	1,487,258
Direct project expenses	*18.6*	**145,314**	2,120,143
Library establishment		**160,544**	18,469
Computer laboratory		**42,880**	482,507
Others		**180,544**	108,858
		2,563,632	4,217,235
18.4 Mansehra Community School Project			
Salaries and other benefits		**2,564,319**	2,734,857
Direct project expenses	*18.6*	**433,611**	620,743
Library establishment		**191,351**	39,781
Computer laboratory		**-**	238,792
Others		**42,508**	84,172
		3,231,789	3,718,345
18.5 Rawalpindi Rural School Program			
Salaries and other benefits		**18,774,995**	17,421,839
Direct project expenses	*18.6*	**4,118,662**	7,473,313
Library establishment		**1,632,630**	245,066
Computer laboratory		**644,567**	929,623
Others		**233,484**	152,449
		25,404,338	26,222,290

18.6 These represent various expenses incurred on schools directly run by the Society. These include expenses incurred on account of civil works on school buildings, books, note books, furniture, scholarships, and other school running expenses.

19. FINANCIAL INSTRUMENTS

The Society has exposures to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk.

The Board of Trustees has overall responsibility for the establishment and oversight of the Society's risk management framework. The Board is also responsible for developing and monitoring the Society's risk management policies.

The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Society's activities. The Society, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Trustees oversees how management monitors compliance with the Society's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Society.

19.1 Credit risk

Credit risk is the risk of financial loss to the Society if a counterparty to a financial instrument fails to meet its contractual obligations. The Society's credit risk is primarily attributable to deposits, short term investments and balances at banks. The Society believes that it is not exposed to major concentration of credit risk as the exposure is spread over a number of counter parties which are mainly banks with reasonable high credit ratings. The carrying amount of financial assets represents the maximum credit exposure at the reporting date as follows:

	2014	2013
	(Rupees)	(Rupees)
Deposits	**856,500**	752,000
Bank balances	**60,134,823**	78,224,336
Short term investment	-	1,500,000
Accrued mark-up	-	15,928
	60,991,323	80,492,264

Geographically there is no concentration of credit risk. As at the year end the Society's most significant financial asset represents amount placed with a Bank from whom Rs. 59.91 million (2013: Rs. 78.06 million) was receivable. Based on past experience, the management believes that no impairment allowance is necessary in respect of its financial assets.

19.2 Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Society's reputation. The Society uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Society ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within one year	Over one year
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Accrued and other liabilities				
- 2014	**7,754,970**	**(7,754,970)**	**(7,754,970)**	**-**
- 2013	7,579,807	(7,579,807)	(7,579,807)	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

19.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. All such activities are carried out with the approval of the Board. The Society is not significantly exposed to market risk.

a) Currency risk

The Society is not significantly exposed to currency risk.

b) Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure arises from investment and saving accounts with banks. The Society has no interest bearing financial liabilities. At the balance sheet date the interest rate risk profile of the Society's interest bearing financial instruments is:

	Carrying amount	
	2014	2013
	(Rupees)	(Rupees)
Fixed rate instruments		
Short term investments	-	1,500,000
Saving bank accounts	**57,916,223**	77,048,213

Fair value sensitivity analysis for fixed rate instruments

The Society does not hold any fixed rate financial asset at fair value through profit and loss. Therefore a change in interest rate at reporting date would not affect income and expenditure account of the Society.

19.4 Fair value hierarchy

The carrying value of financial assets and liabilities reflected in financial statements approximate their fair values. Accordingly fair value hierarchy disclosure is not relevant to the Society.

19.5 Determination of fair values

A number of the Society's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Non - derivative financial assets
The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. However since these assets and liabilities are due to be settled within one year, the fair value is approximate to their carrying values.

Developments in Literacy
Notes to the Financial Statements
For the year ended 31 December 2014

20. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Developments in Literacy USA, UK, Canada, all affiliates of the Developments in Literacy, trustees, key management personnel and entities over which the trustees are able to exercise significant influence. Transactions and balances with related parties other than already disclosed in these financial statements are as follows:

	2014	2013
	(Rupees)	(Rupees)
Remuneration of key management personnel	**4,345,962**	1,760,448
Funds received during the year from affiliates	**238,590,850**	180,274,120
Donations received from a trustee	**1,000,000**	-

21. DATE OF APPROVAL

These financial statements were approved by the Board of Trustees of the Society in their meeting held on ____________.

Trustee

Trustee