KPMG Taseer Hadi & Co.
Chartered Accountants

Developments in Literacy

Financial Statements
For the year ended 31 December 2013

KPMG

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRSUTEES OF DEVELOPMENTS IN LITERACY

We have audited the annexed balance sheet of Developments in Literacy as at 31 December 2013 and the related income and expenditure statement, statement of comprehensive income and cash flow statement together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended.

It is the responsibility of the trustees to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements present fairly in all material respects the financial position of Developments in Literacy as at 31 December 2013 and of its surplus and cash flow for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi

Date: 16 October 2014
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner
Syed Bakhtiyar Kazmi

Developments in Literacy

Balance Sheet

As at 31 December 2013

	Note	2013 (Rupees)	2012 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	4	**31,549,470**	29,455,006
Intangible asset	5	**472,346**	590,433
Long term deposits and prepayments	6	**1,275,433**	1,002,000
Total non-current assets		**33,297,249**	31,047,439
CURRENT ASSETS			
Advances - unsecured, considered good	7	**3,631,066**	1,449,476
Short term deposits and prepayments	8	**3,339,853**	870,087
Short term investment	9	**1,500,000**	-
Accrued mark-up		**15,928**	-
Receivable from USAID Small Grants And Ambassador's Fund Program		**711,876**	-
Cash and bank balances	10	**78,225,467**	81,051,203
Total current assets		**87,424,190**	83,370,766
CURRENT LIABILITIES			
Total current liabilities - Accrued and other liabilities	11	**(7,579,807)**	(8,603,144)
Net current assets		**79,844,383**	74,767,622
NET ASSETS		**113,141,632**	105,815,061
REPRESENTED BY:			
Deferred grant	12	**32,021,816**	30,045,439
Restricted Grant	13	**81,119,816**	75,769,622
		113,141,632	105,815,061
Commitment	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 2013

	Note	2013 (Rupees)	2012 (Rupees)
INCOME			
Restricted grant recognised as income			
- Flood relief activities	*13.1*	-	4,335,000
- Education and other program activities	*13.2*	**227,490,376**	212,048,343
Deferred grant recognised as income	*12*	**3,208,489**	3,672,633
		230,698,865	220,055,976
EXPENDITURE			
Grants to partner organisations	*15*	**71,764,900**	63,364,070
General and administration expenses	*16*	**17,402,978**	13,371,391
Program expenses	*17*	**69,820,504**	57,074,217
Project expenses	*18*	**71,710,483**	86,246,298
		(230,698,865)	(220,055,976)
Excess of income over expenditure		-	-

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

Parveen Malik
Trustee

Shahida Afzal
Trustee

Developments in Literacy
Statement of Comprehensive Income
For the year ended 31 December 2013

	2013	2012
	(Rupees)	(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 2013

	Note	2013 (Rupees)	2012 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Excess of income over expenditure		-	-
Adjustments:			
Restricted grant recognised as income:			
- Flood relief activities	*13.1*	-	(4,335,000)
- Education and other program activities including interest income	*13.2*	**(227,490,376)**	(212,048,343)
- Deferred capital grant recognised as income	*12*	**(3,208,489)**	(3,672,633)
- Depreciation	*4*	**3,090,402**	3,573,074
- Amortization	*5*	**118,087**	99,559
- Gain on disposal	*13.2.2*	-	(55,890)
Operating deficit before working capital changes		**(227,490,376)**	(216,439,233)
Changes in working capital:			
(Increase) / decrease in assets			
- Advances		**(2,181,590)**	2,147,444
- Short term deposits and prepayments		**(2,469,766)**	(405,517)
- Long term deposits and prepayments		**(273,433)**	31,200
- Receivables from USAID		**(711,876)**	
- Accrued markup		**(15,928)**	
Decrease / (increase) in liabilities			
- Creditors and other payables		**(1,023,337)**	1,107,298
Net (increase) / decrease in working capital		**(6,675,930)**	2,880,425
Grant received during the year		**231,928,952**	224,564,951
Interest received during the year		**6,096,484**	4,965,059
Net cash generated from operations		**3,859,130**	15,971,202
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure - donated assets		**(5,184,866)**	(6,578,585)
Sale proceeds from disposal of assets		-	55,890
Short term investments made during the year		**(1,500,000)**	-
Net cash used in investing activities		**(6,684,866)**	(6,522,695)
Net (decrease) / increase in cash and cash equivalents		**(2,825,736)**	9,448,507
Cash and cash equivalents at beginning of the year		**81,051,203**	71,602,696
Cash and cash equivalents at end of the year	*10*	**78,225,467**	81,051,203

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

Perveen Malik
Trustee

Shahida Afzal
Trustee

Developments in Literacy
Notes to the Financial Statements
For the year ended 31 December 2013

1. THE SOCIETY AND ITS OPERATIONS

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, since they have fewer opportunities for education in comparison to boys.

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

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 & 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 & equipment intangible assets with a corresponding effect on the depreciation charge and impairment, if any.

2.4.2 Provisions

The Society reviews the carrying amount of liabilities on a regular basis and appropriate amount of provision is made as and when necessary.

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 less, if any. Cost of an item of fixed assets 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 management.

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 except for leasehold land on which depreciation is charged on straight line basis.

The cost of replacing a part of item of fixed asset 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 fixed assets are recognized in income and expenditure as incurred.

Gains and losses on disposal are included in income currently.

3.2 Computer software - intangibles

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 as incurred.

3.3 Deferred grant

Grants related to plant and equipment are accounted for by setting up the grant as deferred grant. This 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) the Income Tax Ordinance, 2001, hence is exempt from tax.

3.5 Income recognition

Grants
Grants are recognized as income over the periods necessary to match with the related costs on a systematic basis.

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 term of the relevant lease.

3.9 Restricted funds

Funds received as grants for specific purposes are classified as restricted funds with separate accounting records being maintained for each and every account. Restricted fund is transferred to income to the extent of expenditures incurred out of these funds in a particular accounting year.

3.10 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 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-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.

3.13 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 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This amendment is not expected to have material impact on financial statements of the Society.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment is not expected to have material impact on financial statements of the Society.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment is not expected to have material impact on financial statements of the Society.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. This amendment is not expected to have material impact on financial statements of the Society.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 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. This amendment is not expected to have material impact on financial statements of the Society.

- Amendments to IAS 27 "Consolidated and Separate Financial Statements" – consolidation relief for investments funds (effective for annual periods beginning on or after 1 January 2014). A qualifying investment entity is required to account for investments in controlled entities - as well as investments in associates and joint ventures - at fair value through profit or loss (FVTPL); the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory - not optional. This amendment is not expected to have material impact on financial statements of the Society.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards. These amendments are not expected to have material impact on financial statements of the Society.

- 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'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- 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.

4. PROPERTY AND EQUIPMENT

	Freehold land	Leasehold land	Buildings	Vehicles	Furniture and fixtures	Office equipment	Computers	Total
				(Rupees)				(Rupees)
Cost								
As at 1 January 2012	6,376,790	3,876,700	18,077,577	1,699,355	544,018	1,373,577	2,399,991	34,348,008
Additions during the year	4,570,996	-	-	-	423,184	1,088,015	156,390	6,238,585
Disposal	-	-	-	-	-	-	(49,500)	(49,500)
As at 31 December 2012	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**
Accumulated depreciation								
As at 1 January 2012	-	65,268	3,629,998	1,481,364	214,301	856,495	1,281,905	7,529,331
Charge for the year	-	38,767	2,889,516	43,598	43,403	196,768	361,022	3,573,074
Adjustment for disposal	-	-	-	-	-	-	(20,318)	(20,318)
As at 31 December 2012	-	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 2013	-	**149,967**	**8,831,127**	**1,559,841**	**338,075**	**1,337,411**	**1,956,068**	**14,172,489**
Written down value as at:								
- 31 December 2013	**11,783,852**	**6,527,733**	**9,246,450**	**139,514**	**907,527**	**1,948,381**	**996,013**	**31,549,470**
- 31 December 2012	10,947,786	3,772,665	11,558,063	174,393	709,498	1,408,329	884,272	29,455,006
Depreciation rates (%)		**1%**	**20%**	**20%**	**10%**	**20%**	**30%**	

		2013	2012
		(Rupees)	(Rupees)
4.1 Depreciation charge for the year has been allocated as follows:			
Administration expenses	*16*	**463,560**	535,961
Program expenses	*17*	**2,626,842**	3,037,113
		3,090,402	3,573,074

5. INTANGIBLE ASSET, computer software

Cost			
As at 1 January		**767,000**	427,000
Additions during the year		-	340,000
As at 31 December		**767,000**	767,000
Accumulated amortization			
As at 1 January		**176,567**	77,008
Charge for the year	*16*	**118,087**	99,559
As at 31 December		**294,654**	176,567
Written down value as at 31 December		**472,346**	590,433
Amortisation rate (%)		**20**	20

	Note	2013 (Rupees)	2012 (Rupees)
6. LONG TERM DEPOSITS AND PREPAYMENTS			
Prepaid rent		**622,200**	883,200
Security deposits		**650,000**	300,000
Prepaid subscription fee		**75,833**	50,000
Less: Current portion of long term prepayments classified as current assets	*8*	**(72,600)**	(231,200)
		1,275,433	1,002,000

7. ADVANCES - unsecured, considered good

	Note	2013 (Rupees)	2012 (Rupees)
Advance to projects:			
- Naz Old Boys Welfare Association		**67,639**	20,259
- Cooperation for Advancement, Rehabilitation and Education		**217,802**	-
		285,441	20,259
Advances for expenses		**1,166,447**	86,823
Mobilization advance	*7.1*	**185,748**	577,697
Advance against construction expenses		**866,765**	544,090
Other advances		**1,126,665**	220,607
		3,631,066	1,449,476

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	2013 (Rupees)	2012 (Rupees)
8. SHORT TERM DEPOSITS AND PREPAYMENTS			
Security deposits		**102,000**	102,000
Prepayments		**3,165,253**	536,887
Current portion of long term prepayments	*6*	**72,600**	231,200
		3,339,853	870,087
9. SHORT TERM INVESTMENTS			
Loans and receivables - Term deposit receipt		**1,500,000**	-

9.1 This represent term deposit receipt with a bank. This carries an interest of 7.6% per annum and will mature on 12 August 2014.

Developments in Literacy
Notes to the Financial Statements
For the year ended 31 December 2013

	Note	2013 (Rupees)	2012 (Rupees)
10. CASH AND BANK BALANCES			
Cash in hand		**1,131**	17,793
Cash at bank in current accounts			
- Local currency		**1,013,700**	1,384,214
- Foreign currency		**162,423**	149,569
		1,176,123	1,533,783
Cash at bank in saving accounts	*10.1*	**77,048,213**	79,499,627
		78,225,467	81,051,203

10.1 These carry mark-up rate between 5.10% per annum to 6% per annum (2012: 5.10% per annum to 6% per annum).

	Note	2013 (Rupees)	2012 (Rupees)
11. ACCRUED AND OTHER LIABILITIES			
Payable to projects:			
- Cooperation for Advancement, Rehabilitation and Education		-	197,862
- Indus Resource Centre		**3,146,918**	826,021
- Khewndo Kor		**219,364**	724,753
		3,366,282	1,748,636
Accrued expenses		**1,102,896**	265,520
Payable against construction expenses		**1,145,086**	3,599,431
Retention money payable		**568,043**	1,615,430
Withholding tax payable		-	47,129
Audit fee payable		**500,000**	500,000
Other payables		**897,500**	826,998
		7,579,807	8,603,144
12. DEFERRED GRANT			
Opening balance		**30,045,439**	27,168,669
Add:			
Cost of property and equipment purchased during the year	*4*	**5,184,866**	6,238,585
Cost of intangible asset purchased during the year	*5*	-	340,000
		5,184,866	6,578,585
Less:			
Carrying amount of asset written off		-	(29,182)
Deferred grant recognised as income during the year		**(3,208,489)**	(3,672,633)
		(3,208,489)	(3,701,815)
		32,021,816	30,045,439

		Note	2013 (Rupees)	2012 (Rupees)
13.	**RESTRICTED GRANT**			
	Restricted grant for:			
	- Flood relief activities - DIL USA	13.1	**628,643**	628,643
	- For education and other program activities	13.2	**80,491,173**	75,140,979
			81,119,816	75,769,622
13.1	**Restricted grant for flood relief activities - DIL USA**			
	Opening balance		**628,643**	4,963,643
	Expenditure during	17	-	(4,335,000)
			628,643	628,643
13.2	**Restricted grant for education and other program activities**			
	Opening balance		**75,140,979**	64,237,897
	Funds received during the year	13.2.1	**231,211,452**	223,704,257
	Other income	13.2.2	**6,813,984**	5,825,753
			238,025,436	229,530,010
	Transferred to income and expenditure account		**(227,490,376)**	(212,048,343)
	Transfer to differed capital grant on purchase of:			
	- property and equipment	12 & 4	**(5,184,866)**	(6,238,585)
	- intangible asset	12 & 5	-	(340,000)
			80,491,173	75,140,979
13.2.1	**Funds received during the year**			
	Related parties			
	Developments in Literacy USA		**168,420,540**	151,436,469
	Developments in Literacy Canada		**5,386,072**	6,164,502
	Developments in Literacy UK / DFID		**6,467,508**	30,472,538
	Other			
	Funds raised in Pakistan - Various donors		**15,334,300**	4,616,000
	Pakistan Poverty Alleviation Fund		**4,135,081**	13,921,141
	Farheen Farhad and Ruqsana Farhad		**2,410,500**	2,355,000
	USAID Small Grants And Ambassador's Fund Program		**11,513,974**	-
	STARS Foundation		**8,296,000**	-
	All Pakistan Women's Association		**1,314,321**	-
	Ashmore Foundation		**725,429**	-
	Target International		**5,034,500**	-
	Barclays Bank Plc		-	2,003,272
	Abraaj Capital		-	5,868,094
	Engro Foundation		-	1,970,870
	Loylogic Inc.		-	1,596,413
	The British and Foreign School Society		-	1,796,250
	Other donors including zakat		**2,173,227**	1,503,708
			231,211,452	223,704,257

	2013 (Rupees)	2012 (Rupees)
13.2.2 Other income		
Income from financial assets		
Interest income from bank accounts	**6,096,484**	4,965,059
Exchange gain	**12,855**	11,325
Profit on short term investment	**41,790**	-
Other income	**662,855**	793,479
Income from non financial assets		
Gain on the disposal of property and equipment	-	55,890
	6,813,984	5,825,753

14. COMMITMENT

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

	2013 (Rupees)	2012 (Rupees)
School under the Society's management	**99,706,025**	91,390,555
Partner Orgnizations:		
Indus Resource Centre	**36,062,129**	24,968,368
Khwendo Kor	**19,842,719**	20,558,000
Naz Old Boys Welfare Association	**38,148,112**	31,419,026
Cooperation for Advancement, Rehabilitation and Education	**8,271,067**	7,733,239
	102,324,027	84,678,633

15. GRANTS TO PARTNER ORGANIZATIONS

	2013	2012
Cooperation for Advancement, Rehabilitation and Education	**7,246,912**	6,747,423
Indus Resource Centre	**22,425,330**	20,871,326
Khwendo Kor	**13,991,519**	11,369,092
Naz Old Boys Welfare Association	**28,101,139**	24,376,229
	71,764,900	63,364,070

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

2013	**Management**	**Program**	**Operating**	**Total**
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**

2012				
Cooperation for Advancement, Rehabilitation and Education	986,203	5,484,724	276,496	6,747,423
Indus Resource Centre	1,725,051	18,143,455	1,002,820	20,871,326
Khwendo Kor	1,884,538	8,124,121	1,360,433	11,369,092
Naz Old Boys Welfare Association	2,798,000	20,093,738	1,484,491	24,376,229
	7,393,792	51,846,038	4,124,240	63,364,070

16. GENERAL AND ADMINISTRATION EXPENSES

	Note	**2013 (Rupees)**	2012 (Rupees)
Salaries and other benefits		**10,281,385**	7,922,114
Printing and stationary		**73,367**	54,224
Vehicle running expenses		**152,103**	144,889
Communication and postage		**176,822**	142,426
Office repairs		**314,192**	143,101
Vehicle insurance		**19,787**	12,652
Staff health insurance		**212,450**	-
Office rent and utilities		**1,052,668**	670,003
Office supplies		**183,483**	127,866
Bank charges		**150,420**	127,148
Audit fee		**502,421**	500,000
Fund raising expenses	*16.1*	**2,375,158**	2,596,381
Depreciation	*4.1*	**463,560**	535,961
Amortization	*5*	**118,087**	99,559
Legal and professional charges		**206,667**	113,191
Resourcing and recruitment expenses		**795,575**	60,306
Software maintenance		**127,211**	107,512
Travel and meeting expenses		**44,472**	-
Miscellaneous		**153,150**	14,058
		17,402,978	13,371,391

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

Developments in Literacy
Notes to the Financial Statements
For the year ended 31 December 2013

17. PROGRAM EXPENSES

	Note	2013 (Rupees)	2012 (Rupees)
Salaries and other benefits		**26,584,331**	21,830,494
Printing and stationary		**220,101**	162,676
Vehicle running expenses		**456,310**	434,672
Travel and meetings expenses		**133,416**	15,810
Communication and postage		**530,467**	427,277
Office repairs		**942,577**	429,303
Office rent and utilities		**3,158,003**	2,010,012
Vehicle insurance		**59,362**	37,955
Monitoring and evaluation expenses		**2,765,337**	2,632,476
Depreciation	*4.1*	**2,626,842**	3,037,113
Office supplies		**557,947**	383,600
Curriculum development		**1,738,804**	3,175,160
Training expenses		**10,289,608**	12,733,903
Bank charges		**451,259**	381,444
Capacity building expenses		**135,660**	423,058
Library establishment		**738,812**	526,844
Computer laboratory		**970,100**	1,716,158
Gateway		**702,168**	-
Mlearning Project		**10,176,934**	-
TEE Project		**4,092,990**	-
Virtual Training Hub		**527,967**	-
Staff Health Insurance		**637,351**	-
IT Co-curricular activities		**1,316,897**	-
Miscellaneous		**7,261**	42,174
Flood relief expenses	*13.1*	-	4,335,000
Virtual Training College Hub		-	1,672,294
Virtual Teachers Training Pilot Project		-	666,794
		69,820,504	57,074,217

18. PROJECT EXPENSES

	Note	2013 (Rupees)	2012 (Rupees)
Islamabad Capital Territory Schools	*18.1*	**11,866,708**	10,421,218
Orangi Schools	*18.2*	**25,685,905**	22,204,832
Kala Shah Kaku School	*18.3*	**4,217,235**	7,536,625
Mansehra Community School Project	*18.4*	**3,718,345**	6,035,580
Rawalpindi Rural School Program	*18.5*	**26,222,290**	40,048,043
		71,710,483	86,246,298

		Note	2013 (Rupees)	2012 (Rupees)
18.1	**Islamabad Capital Territory Schools**			
	Salaries and other benefits		**7,149,094**	5,881,349
	Direct project expenses	*18.6*	**4,344,539**	3,308,417
	Library establishment		**89,067**	205,800
	Computer laboratory		**67,500**	904,587
	Others		**216,508**	121,065
			11,866,708	10,421,218
18.2	**Orangi Schools**			
	Salaries and other benefits		**17,307,352**	12,974,192
	Direct project expenses	*18.6*	**7,784,301**	7,481,559
	Library establishment		**204,800**	106,450
	Computer laboratory		**102,750**	1,381,433
	Others		**286,702**	261,198
			25,685,905	22,204,832
18.3	**Kala Shah Kaku School**			
	Salaries and other benefits		**1,487,258**	1,179,391
	Direct project expenses	*18.6*	**2,120,143**	6,057,748
	Library establishment		**18,469**	117,200
	Computer laboratory		**482,507**	35,066
	Others		**108,858**	147,220
			4,217,235	7,536,625
18.4	**Mansehra Community School Project**			
	Salaries and other benefits		**2,734,857**	2,307,638
	Direct project expenses	*18.6*	**620,743**	3,619,393
	Library establishment		**39,781**	52,500
	Computer laboratory		**238,792**	-
	Others		**84,172**	56,049
			3,718,345	6,035,580
18.5	**Rawalpindi Rural School Program**			
	Salaries and other benefits		**17,421,839**	13,889,412
	Direct project expenses	*18.6*	**7,473,313**	24,375,037
	Library establishment		**245,066**	257,562
	Computer laboratory		**929,623**	1,345,017
	Others		**152,449**	181,015
			26,222,290	40,048,043

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, one laptop per child campaign 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:

	2013	2012
	(Rupees)	(Rupees)
Deposits	**752,000**	402,000
Bank balances	**78,224,336**	81,033,410
Short term investment	**1,500,000**	-
Accrued mark-up	**15,928**	-
	80,492,264	81,435,410

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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. 78.06 million (2012: Rs. 80.14 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 risking 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				
- 2013	7,579,807	(7,579,807)	(7,579,807)	-
- 2012	8,556,015	(8,556,015)	(8,556,015)	-

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. The Society incurs financial liabilities to manage its market risk. 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	
	2013	2012
	(Rupees)	(Rupees)
Fixed rate instruments		
Short term investments	**1,500,000**	-
Variable rate instruments		
Financial assets	**77,048,213**	79,499,627

Fair value sensitivity analysis for fixed rate instruments

The Society does not hold any fixed rate financial assets 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.

Cash flow sensitivity analysis for variable rate instruments

As the Society receives significant portion of interest income in the year in which it is earned so its financial statements are not sensitive to any change in the interest rate.

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

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.

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:

	2013	2012
	(Rupees)	(Rupees)
Remuneration of key management personnel	**1,760,448**	4,019,355
Funds received during the year	**180,274,120**	188,073,509

21. DATE OF APPROVAL

These financial statements were approved by the Board of Trustees of the Society in their meeting held on 16 OCT 2014

Trustee

Trustee