DEVELOPMENTS IN LITERACY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017

Grant Thornton
An instinct for growth™

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES

Opinion

We have audited the accompanying **financial statements** of Developments in Literacy ("the Society") which comprise the balance sheet as at December 31, 2017, and the income and expenditure account, cash flows statement, statement of change in funds for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of a Financial Statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statement.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of the material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made in the financial statements by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton Anjum Rahman
GRANT THORNTON ANJUM RAHMAN
Chartered accountants
Engagement Partner: Waqas Waris
Islamabad
Date: September 13, 2018

DEVELOPMENTS IN LITERACY
BALANCE SHEET
AS AT DECEMBER 31, 2017

	Note	2017 (Rupees)	2016 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	4	**42,793,933**	40,946,801
Intangible asset	5	**271,668**	339,586
Long term prepayments	6	**369,360**	310,020
		43,434,961	41,596,407
CURRENT ASSETS			
Advances - unsecured, considered good	7	**4,350,483**	4,714,036
Short term deposits, prepayments and other receivables	8	**4,282,949**	2,670,546
Cash and bank balances	9	**38,081,364**	34,095,338
		46,714,796	41,479,920
TOTAL ASSETS		**90,149,757**	83,076,327
NON CURRENT LIABILITIES			
Deferred grant	10	**43,065,601**	41,286,387
CURRENT LIABILITIES			
Accrued and other liabilities	11	**10,609,343**	10,292,664
TOTAL LIABILITIES		**53,674,944**	51,579,051
FUNDS			
Restricted grant	12	**36,474,813**	31,497,276
TOTAL LIABILITIES AND FUND		**90,149,757**	**83,076,327**

CONTIGENCIES AND COMMITMENTS 13

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

Trustee
ZUBBER

Trustee

DEVELOPMENTS IN LITERACY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 (Rupees)	2016 (Rupees)
INCOME			
Restricted grant recognised as income			
- Education and other program activities	12.1	**279,917,673**	347,358,390
Deferred grant recognised as income	10	**3,941,584**	4,771,835
		283,859,257	352,130,225
EXPENDITURE			
Grants to partner organisations	14	**78,685,988**	104,019,409
General and administration expenses	15	**29,079,813**	33,301,405
Program expenses	16	**88,459,587**	112,076,745
Project expenses	17	**87,633,869**	102,732,666
		(283,859,257)	**(352,130,225)**
Excess of income over expenditure		**-**	-

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

Trustee
ZIBBER

A. R. Haque

Trustee

DEVELOPMENTS IN LITERACY
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 (Rupees)	2016 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Excess of income over expenditure		-	-
Adjustments for:			
- Restricted grant recognised as income	12.1	**(279,917,673)**	(347,358,390)
- Deferred capital grant recognised as income	10	**(3,941,584)**	(4,771,835)
- Depreciation	4	**3,873,666**	4,686,939
- Amortization	5	**67,918**	84,896
- Cost of assets adjusted		**6,200**	-
- Provision for doubtful advances		-	458,030
		(279,911,473)	(346,900,360)
Changes in:			
- Advances		**363,553**	(713,875)
- Short term deposits and prepayments		**(1,612,403)**	(313,946)
- Long term deposits and prepayments		**(59,340)**	71,874
- Accrued and other liabilities		**316,679**	1,008,422
Cash generated / (used in) operating activities		**(991,511)**	52,475
Grant received during the year		**288,954,601**	331,303,668
Interest received during the year		**1,661,407**	1,822,539
Net cash generated from / (used in) operating activities		**9,713,024**	(13,721,678)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure - property and equipment		**(5,726,998)**	(4,243,684)
Net cash used in investing activities		**(5,726,998)**	(4,243,684)
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net increase /(decrease) in cash and cash equivalents		**3,986,026**	(17,965,362)
Cash and cash equivalents at beginning of the year		**34,095,338**	52,060,700
Cash and cash equivalents at end of the year	9	**38,081,364**	34,095,338

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

Trustee
ZIBBER

A. K. Howe

Trustee

DEVELOPMENTS IN LITERACY
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	RESTRICTED FUND
Balance as at January 01, 2016		**49,973,144**
Restricted funds received during the year	12.1	**333,126,207**
Transferred to income and expense statement	12.1	**(347,358,391)**
Transferred to deferred capital grant		**(4,243,684)**
Balance as at December 31, 2016		**31,497,276**
Restricted funds received during the year	12.1	**290,616,008**
Transferred to income and expense statement	12.1	**(279,917,673)**
Transferred to deferred capital grant		**(5,720,798)**
Balance as at December 31, 2017		**36,474,813**

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

A. K. Hoche

Trustee
ZIBBER

Trustee

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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.

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 repealed 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.

The areas where various assumptions and estimates are significant to the Society's financial statements or where judgment was exercised in application of accounting policies are as follows:

a) Determination of useful lives and depreciation / amortisation of operating fixed assets (note 4)

b) Provision against doubtful advances (note 7)

c) Contingencies and commitments (note 13)

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 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.

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. The approval granted under section referred above has been withdrawn under rule 218 of Income Tax Rules 2002 amended February 10, 2017 however, the Society has applied for renewal of the approval under rule 219 vide application dated July 10, 2018.

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 and income earned are treated as restricted fund and are 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.

Short term deposits, prepayments 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 Standards, interpretations & amendments to approved accounting standards which became effective during the year

The Society has adopted the following accounting standards, amendments and interpretation of IFRS which became effective for the current year

IFRS 10	Consolidated Financial Statements-Investment entities; applying the consolidated exception (Amendments).
IFRS 12	Disclosure of interests in other Entities
IFRS 11	Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	Presentation of Financial Statements - Disclosure Initiative (Amendments)
IAS 16 & IAS 38	Property, Plant and Equipment and Intangible Assets - Clarification of acceptable method of depreciation and amortization (Amendments)
IAS 16 & IAS 41	Property, Plant and Equipment IAS 41 Agriculture: Bearer Plants (Amendment).
IAS 27	Separate Financial Statements - Equity method in separate financial statements (Amendments)

Annual Improvements

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Changes in method of disposal.
IFRS 7	Financial Instruments: Disclosure - Serving contracts
IFRS 7	Financial Instruments: Disclosure - Applicability of the offsetting disclosures to condensed interim financial statements.
IAS 19	Employees Benefits - Discount rate: regional market issue.
IAS 34	Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'.

The adoption of above accounting standards and improvement in accounting standards did not have any effect on the financial statements.

Standards, interpretations and amendments not yet effective

The following revised standards and amendments and interpretations to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below against the respective standard.

		Effective date (annual periods beginning on or after)
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	January 1, 2018
IFRS 2	Share based payments - Classification and measurement of share based payments transaction (Amendment)	January 1, 2018
IFRS 9	Financial Instruments and amendment - prepayment features with negative compensation	July 1, 2018
IAS 28	Investment in Associate and Joint Venture (Amendments)	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The Society is yet to assess the full impact of the amendments.

Standards, interpretations and amendments not yet adopted

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 16	Leases
IFRS 17	Insurance Contracts

The following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4	Determining Whether an Arrangement Contains Lease
IFRIC 12	Service Concession Arrangements

4 PROPERTY AND EQUIPMENT

	Freehold land	Leasehold land	Buildings	Vehicles	Furniture and fixtures	Office equipment	Computers	Capital work in progress	Total
				(Rupees)				*(Note 4.2)*	(Rupees)
Cost									
As at 1 January 2016	11,783,852	7,037,700	30,901,577	1,699,355	1,677,792	4,673,342	4,091,131	-	61,864,749
Additions during the year	4,107,500	-	-	-	-	105,484	30,700	-	4,243,684
As at 31 December 2016	15,891,352	7,037,700	30,901,577	1,699,355	1,677,792	4,778,826	4,121,831	-	66,108,433
Additions during the year	**-**	**-**	**4,037,446**	**-**	**-**	**155,200**	**(6,200)**	**1,534,352**	**5,720,798**
As at 31 December 2017	**15,891,352**	**7,037,700**	**34,939,023**	**1,699,355**	**1,677,792**	**4,934,026**	**4,115,631**	**1,534,352**	**71,829,231**
Accumulated depreciation									
As at 1 January 2016	-	358,371	12,801,049	1,610,066	516,678	2,441,473	2,747,056	-	20,474,693
Charge for the year	-	70,377	3,620,106	17,858	116,111	456,027	406,460	-	4,686,939
As at 31 December 2016	-	428,748	16,421,155	1,627,924	632,789	2,897,500	3,153,516	-	25,161,632
Charge for the year	**-**	**70,377**	**2,986,708**	**14,286**	**104,500**	**407,305**	**290,490**	**-**	**3,873,666**
As at 31 December 2017	**-**	**499,125**	**19,407,863**	**1,642,210**	**737,289**	**3,304,805**	**3,444,006**	**-**	**29,035,298**
Carrying value as at:									
- 31 December 2017	**15,891,352**	**6,538,575**	**15,531,160**	**57,145**	**940,503**	**1,629,221**	**671,625**	**1,534,352**	**42,793,933**
- 31 December 2016	15,891,352	6,608,952	14,480,422	71,431	1,045,003	1,881,326	968,315	-	40,946,801
Depreciation rates (%)		**1%**	**20%**	**20%**	**10%**	**20%**	**30%**		

	Note	2017	2016
		(Rupees)	(Rupees)
4.1 Depreciation charge for the year has been allocated as follows:			
Administration expenses	15	**581,050**	703,041
Program expenses	16	**3,292,616**	3,983,898
		3,873,666	4,686,939

4.2 This includes cost of work in progress for construction of DIL Secondary School Orangi, J-6, Karachi.

Prepaid rent and insurance

5 INTANGIBLE ASSET

	Note	2017 (Rupees)	2016 (Rupees)
Cost			
As at 1 January 2017		**901,700**	901,700
Additions during the year		-	-
As at 31 December 2017		**901,700**	901,700
Accumulated amortization			
As at 1 January 2017		**562,114**	477,218
Charge for the year	15	**67,918**	84,896
As at 31 December 2017		**630,032**	562,114
Written down value as at 31 December 2016		**271,668**	339,586
Amortisation rate (%)		**20%**	20%

6 LONG TERM PREPAYMENTS

	Note	2017 (Rupees)	2016 (Rupees)
Prepaid rent		**310,020**	389,880
Subscription fee		**278,400**	-
		588,420	389,880
Less: Current portion of long term prepayments classified as current assets	8	**(219,060)**	(79,860)
		369,360	310,020

7 ADVANCES - unsecured

	Note	2017 (Rupees)	2016 (Rupees)
Considered good			
Advance to projects:			
- Mukhtara Mai Women Organization		-	48,359
- Khwendo Kor		**685,293**	53,852
		685,293	102,211
Mobilization advance	7.1	**1,150,833**	-
Advance for expenses		**1,980,640**	2,963,717
Other advances		**533,717**	1,648,108
		4,350,483	4,714,036
Considered doubtful		**2,140,016**	2,140,016
Less: Provision for doubtful advances		**(2,140,016)**	(2,140,016)
		4,350,483	4,714,036

7.1 This represents advances paid for construction of community schools.

8 SHORT TERM DEPOSITS AND PREPAYMENTS

	Note	2017 (Rupees)	2016 (Rupees)
Security deposits		**1,010,000**	937,000
Prepaid rent and insurance		**1,982,312**	1,653,686
Current portion of long term prepayments	6	**219,060**	79,860
Other receivables	8.1	**1,071,577**	-
		4,282,949	2,670,546

8.1 This represents an amount recovered by FBR on account of claim against sales tax withholding. The proceedings were under trial of Commissioner Appeal which remanded back the case for revised assessment. Management is of the view that subject funds will be utilized for settling tax liability arising due to revised assessment order, if any.

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

		Note	2017 (Rupees)	2016 (Rupees)
9	**CASH AND BANK BALANCES**			
	Cash in hand		**38,109**	39,843
	Cash at bank: saving accounts	9.1	**38,043,255**	34,055,495
			38,081,364	34,095,338

9.1 These carry mark-up rate ranging from 5% to 5.7% per annum (2016: 7% per annum).

		Note	2017 (Rupees)	2016 (Rupees)
10	**DEFERRED GRANT**			
	Opening balance		**41,286,387**	41,814,538
	Add:			
	Cost of property and equipment purchased during the year		**-**	4,243,684
	Less:			
	Deferred grant recognised as income during the year		**(3,941,584)**	(4,771,835)
	Cost of assets adjusted during the year	4	**5,720,798**	-
			1,779,214	(4,771,835)
			43,065,601	41,286,387

		Note	2017 (Rupees)	2016 (Rupees)
11	**ACCRUED AND OTHER LIABILITIES**			
	Payable to projects:			
	- Indus Resource Centre		**3,033,128**	3,739,154
	- Cooperation for Advancement, Rehabilitation and Education		**1,259,775**	842,973
	- Rising Star Foundation		**12,447**	50,017
	- Naz Old Boys Welfare Association		**3,491,295**	2,819,833
	- Mukhtara Mai Women Organization		**299,768**	-
			8,096,413	**7,451,977**
	Accrued expenses		**1,989,882**	1,032,784
	Payable against construction expenses		**21,843**	1,145,086
	Retention money payable		**171,325**	-
	Audit fee payable		**150,000**	495,000
	Other payables		**179,880**	167,817
			10,609,343	**10,292,664**

		Note	2017 (Rupees)	2016 (Rupees)
12	**RESTRICTED FUND**			
	Restricted grant for:			
	- Flood relief activities - DIL USA		**628,643**	628,643
	- For education and other program activities	12.1	**35,846,170**	30,868,633
			36,474,813	31,497,276
12.1	**Restricted grant for education and other program activities**			
	Opening balance		**30,868,633**	49,344,501
	Funds received during the year	12.1.1	**287,413,140**	331,276,234
	School Fees		**396,375**	-
	Other income	12.1.2	**2,806,493**	1,849,973
			290,616,008	333,126,207
	Transferred to income and expenditure account		**(279,917,673)**	(347,358,391)
	Transfer to deferred capital grant on purchase of:			
	- property and equipment	10 & 4	**(5,720,798)**	(4,243,684)
			35,846,170	30,868,633

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		2017 (Rupees)	2016 (Rupees)
12.1.1	**Funds received during the year**		
	Related parties		
	Developments in Literacy USA	**183,252,330**	214,703,637
	Developments in Literacy Canada	**5,586,791**	7,025,615
	Developments in Literacy UK/DFID	-	1,279,422
	Developments in Literacy UK / Vitol Foundation	-	3,792,618
	Developments in Literacy HK	**7,383,128**	9,164,038
	Developments in Literacy UK	**23,180,607**	8,778,637
	Developments in Literacy UK-Waterloo	**3,978,000**	4,766,400
	Donation Received from Trustee	**1,500,000**	1,600,000
	Other		
	Funds raised in Pakistan - Various donors - Chapters	**14,294,751**	23,911,058
	USAID Small Grants And Ambassador's Fund Program	**6,627,650**	12,147,700
	Target International	**2,551,281**	2,590,945
	Amir Kothawal	-	565,532
	Punjab Education Fund	**17,054,094**	22,360,552
	Food Project Trust	**934,139**	734,372
	Other donors including zakat	**21,070,369**	17,855,707
		287,413,140	331,276,234
12.1.2	**Other income**		
	Income from financial assets		
	Interest income from bank accounts	**1,661,407**	1,822,537
	Income from non financial assets		
	Other income	**1,145,086**	27,436
		2,806,493	1,849,973

13 CONTINGENCIES AND COMMITMENTS

13.1 There are no contingencies as at December 31, 2017 (2016 : Nil), except mentioned below;

13.1.1 On November 11, 2017, DIL has received a notice from civil court regarding the disputed ownership of school located at 225, Block K, Street # 1, Lal Shahbaz Nagar, Sector 11-1/2, Orangi Town. DIL management had to evict the school on force of local administration. However, DIL had engage RIAA Barker Gillete and submitted the court through attorney that DIL management had complied all legal requirements of purchase of property back in 2011. The court after several hearings passed a stay order for further transfer or resell of the property. The attorney is confident that the case will be decided in favor of DIL. The cost of land under dispute is Rs. 1,880,235/-.

13.1.2 Services of one of the staff member, Mr Sohail Farooq (Site Engineer) has been discontinued due to budgetary constraints from 16-05-2017 vide letter No HR/102 dated 17-04-2017. In grievance, he filed a suit against DIL for payment of gratuity and leave encashment. Management of DIL has pleaded that no staff member is entitled for gratuity or leave encashment as per Society's policy. Management based on opinion of the legal advisor, is hopeful of court's decision in its favor. Consequently, no provision has been made in these financial statements for payment of the gratuity and leave encashment.

13.1.3 The Society has received notices under sub section 6, sub section 7, of sub section 3 and sub section 4 of section 7 of Sales Tax Act 1990 for tax year 2014 whereby tax department has notified that the Society is liable to deduct and deposit the sates tax amounting Rs. 5,870,622/- in respect of goods purchased and services acquired. The Society has filed an appeal against said order and the case is remanded back by applet tribunal.

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

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		2017 (Rupees)	2016 (Rupees)
14	**GRANTS TO PARTNER ORGANIZATIONS**		
	Cooperation for Advancement, Rehabilitation and Education	**10,316,802**	9,351,250
	Indus Resource Centre	**23,516,663**	26,871,941
	Khwendo Kor	**19,662,084**	22,668,902
	Naz Old Boys Welfare Association	**19,171,462**	39,120,098
	Mukhtara Mai Women Organization	**6,018,977**	6,007,218
		78,685,988	104,019,409

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

2017	Management	Program	Operating	Total
Cooperation for Advancement, Rehabilitation and Education	336,000	9,674,212	306,590	10,316,802
Indus Resource Centre	774,424	21,323,561	1,418,678	23,516,663
Khwendo Kor	1,291,445	16,074,218	2,296,421	19,662,084
Naz Old Boys Welfare Association	1,518,506	16,123,288	1,529,668	19,171,462
Mukhtara Mai Women Organization	561,720	4,969,057	488,200	6,018,977
	4,482,095	**68,164,336**	**6,039,557**	**78,685,988**
2016				
Cooperation for Advancement, Rehabilitation and Education	324,231	8,710,701	316,318	9,351,250
Indus Resource Centre	761,253	24,872,702	1,237,986	26,871,941
Khwendo Kor	1,311,438	19,041,284	2,316,180	22,668,902
Naz Old Boys Welfare Association	1,459,704	35,959,061	1,701,333	39,120,098
Mukhtara Mai Women Organization	403,480	5,386,304	217,434	6,007,218
	4,260,106	93,970,052	5,789,251	104,019,409

		Note	2017 (Rupees)	2016 (Rupees)
15	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries and other benefits		**19,732,367**	21,933,942
	Staff health insurance		**544,974**	943,577
	Office rent and utilities		**1,611,631**	1,494,417
	Printing and stationary		**79,240**	130,530
	Vehicle running expenses		**75,551**	59,848
	Communication and postage		**158,005**	137,502
	Office repairs		**268,286**	285,766
	Vehicle insurance		**54,213**	24,923
	Office supplies		**659**	2,790
	Bank charges		**115,334**	63,678
	Audit fee		**409,539**	226,616
	Fund raising expenses	15.1	**4,234,059**	5,593,088
	Depreciation	4.1	**581,050**	703,041
	Amortization	5	**67,918**	84,896
	Legal and professional charges		**538,357**	327,190
	Resourcing and recruitment expenses		-	208,800
	Software maintenance		**121,058**	-
	Travel and meeting expenses		**61,986**	24,677
	Miscellaneous		**425,585**	518,594
	Security deposit written off		-	79,500
	Provision for doubtful advances		-	458,030
			29,079,813	33,301,405

15.1 This represents expenses incurred on various fund raising events organized out during the year.

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16	PROGRAM EXPENSES	Note	2017 (Rupees)	2016 (Rupees)
	Salaries and other benefits		**53,573,852**	59,551,182
	Staff health insurance		**1,316,807**	2,279,942
	Monitoring and evaluation expenses		**705,998**	1,619,061
	Curriculum development		**818,011**	2,521,631
	Training / capacity building		**6,960,741**	18,073,491
	Library establishment		**3,066,074**	1,937,250
	Computer laboratory		**487,120**	2,584,619
	Gateway		**203,237**	716,671
	USAID E-Library project		**5,741,474**	7,266,375
	School Enterprises		**-**	1,171,306
	Technology enabled & Active Learning		**4,484,467**	-
	IT Skills activities		**133,499**	873,683
	Vocational training		**709,952**	1,833,723
	Technology enabled project		**-**	1,204,065
	Program development		**719,357**	778,694
	Printing and stationary		**143,880**	237,009
	Vehicle running expenses		**332,244**	263,184
	Travel and meetings expenses		**400,888**	159,599
	Communication and postage		**668,759**	581,977
	Office repairs		**370,227**	394,349
	Office rent and utilities		**3,729,960**	3,458,680
	Vehicle insurance		**21,503**	9,886
	Depreciation	4.1	**3,292,616**	3,983,898
	Office supplies		**19,191**	81,295
	Bank charges		**280,424**	154,829
	Miscellaneous		**279,306**	340,348
			88,459,587	112,076,745

17	PROJECT EXPENSES	Note	2017 (Rupees)	2016 (Rupees)
	Islamabad Capital Territory Schools	17.1	**9,598,119**	10,339,488
	Orangi Schools	17.2	**30,539,737**	34,807,644
	Kala Shah Kaku School	17.3	**3,247,832**	3,427,735
	Mansehra Community School Project	17.4	**4,217,864**	4,559,981
	Rawalpindi Rural School Program	17.5	**24,923,663**	28,809,427
	Rising Star Foundation	17.6	**-**	3,760,940
	Punjab Education Fund	17.7	**15,106,654**	17,027,451
			87,633,869	102,732,666

17.1	Islamabad Capital Territory Schools			
	Salaries and other benefits		**9,084,123**	8,567,116
	Direct project expenses		**412,794**	427,387
	Library establishment		**-**	244,845
	Computer laboratory		**15,061**	999,470
	Others		**86,141**	100,670
			9,598,119	10,339,488

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		Note	2017 (Rupees)	2016 (Rupees)
17.2	**Orangi Schools**			
	Salaries and other benefits		**25,778,880**	25,309,496
	Direct project expenses	17.8	**2,813,367**	5,999,970
	Library establishment		**817,660**	537,737
	Computer laboratory		**592,037**	1,669,412
	Others		**537,793**	1,291,029
			30,539,737	34,807,644
17.3	**Kala Shah Kaku School**			
	Salaries and other benefits		**2,856,785**	2,774,905
	Direct project expenses	17.8	**139,530**	217,269
	Library establishment		**-**	81,800
	Computer laboratory		**24,526**	171,059
	Others		**226,991**	182,702
			3,247,832	3,427,735
17.4	**Mansehra Community School Project**			
	Salaries and other benefits		**3,694,084**	3,431,950
	Direct project expenses	17.8	**469,761**	637,446
	Library establishment		**-**	107,300
	Computer laboratory		**23,649**	319,025
	Others		**30,370**	64,260
			4,217,864	4,559,981
17.5	**Rawalpindi Rural School Program**			
	Salaries and other benefits		**21,609,975**	22,346,319
	Direct project expenses	17.8	**2,985,907**	3,462,978
	Library establishment		**1,000**	623,280
	Computer laboratory		**140,850**	2,164,459
	Others		**185,931**	212,391
			24,923,663	28,809,427
17.6	**Rising Star Foundation**			
	Salaries and other benefits		**-**	2,175,215
	Direct project expenses	17.8	**-**	1,585,725
			-	3,760,940
17.7	**Punjab Education Foundation**			
	Salaries and other benefits		**11,394,447**	10,821,873
	Direct project expenses	17.8	**2,076,983**	1,714,612
	Library establishment		**45,815**	1,758,982
	Computer laboratory		**559,067**	1,308,451
	Others		**1,030,342**	1,423,533
			15,106,654	17,027,451

17.8 These represent various expenses incurred on schools directly run by the Society. These include expenses incurred on account of maintenance of school buildings, books, note books, furniture, scholarships, one laptop per child campaign and other school running expenses.

18 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 analyze 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.

18.1 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:

	2017	2016
	(Rupees)	(Rupees)
Deposits	**1,010,000**	937,000
Bank balances	**38,043,255**	34,055,495
	39,053,255	34,992,495

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. 48.576 million (2014: Rs. 59.91 million) was receivable. Based on past experience, the management believes that no impairment allowance is necessary in respect of its financial assets.

18.2 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.

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The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within one year	Over one year
	---------------- (Rupees) ----------------			
Accrued and other liabilities				
- 2017	**10,609,343**	**(10,609,343)**	**(10,609,343)**	**-**
- 2016	10,292,664	(10,292,664)	(10,292,664)	-

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

18.3 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	
	2017	2016
	(Rupees)	(Rupees)
Fixed rate instruments		
Saving bank accounts	**38,043,255**	34,055,495

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.

Fund management

The Board of Directors of the Society monitors the performance along with the fund required for the sustainable operations of the Society. There were no changes to the Society's approach to the fund management during the year. The Society is not subject to externally imposed fund requirements.

19 DETERMINATION OF FAIR VALUE

19.1 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.

19.2 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

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19.3 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Carrying amount				Fair value		
31 December 2017	**Held to maturity**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets not measured at fair value							
Security Deposits*	-	1,010,000	-	1,010,000			
Cash and cash equivalents*	-	38,081,364	-	38,081,364	-	-	-
Accrued and other liabilities*	-	10,609,343	-	10,609,343	-	-	-
31 December 2016							
Financial assets not measured at fair value							
Security Deposits	-	937,000	-	937,000			
Cash and cash equivalents*	-	34,095,338	-	34,095,338	-	-	-
Financial liabilities not measured at fair value							
Accrued and other liabilities*	-	10,292,664	-	10,292,664	-	-	-

*The Society has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

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:

	2017	2016
	(Rupees)	(Rupees)
Remuneration of key management personnel	**3,317,399**	7,348,930
Funds received during the year from affiliates	**219,402,856**	244,743,968
Donations received from trustee	**1,500,000**	1,600,000

21 DATE OF APPROVAL

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

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Trustee
ZIBBER

A. R. [signature]

Trustee