KPMG Taseer Hadi & Co.
Chartered Accountants

Developments in Literacy

Financial Statements
For the year ended 31 December 2015

KPMG Taseer Hadi & Co.
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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the accompanying financial statements of Developments in Literacy ("the Society") which comprise the balance sheet as at 31 December 2015 and the income and expenditure account, the statement of comprehensive income, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly in all material respects the financial position of the Society as at 31 December 2015, and of its financial performance, and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co.

Islamabad
01 MARCH 2017

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

Developments in Literacy

Balance Sheet

As at 31 December 2015

	Note	2015 (Rupees)	2014 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	4	**41,390,056**	30,691,469
Intangible asset	5	**424,482**	426,178
Long term prepayments	6	**381,894**	469,740
		42,196,432	31,587,387
CURRENT ASSETS			
Advances - unsecured, considered good	7	**4,458,191**	6,766,408
Short term deposits and prepayments	8	**2,356,600**	2,303,690
Receivable from USAID Small Grants And Ambassador's Fund Program		**-**	1,170,362
Cash and bank balances	9	**52,060,700**	60,170,897
		58,875,491	70,411,357
TOTAL ASSETS		**101,071,923**	101,998,744
NON CURRENT LIABILITIES			
Deferred grant	10	**41,814,538**	31,117,647
Restricted Grant	11	**49,973,144**	63,126,127
		91,787,682	94,243,774
CURRENT LIABILITIES			
Accrued and other liabilities	12	**9,284,241**	7,754,970
TOTAL LIABILITIES		**101,071,923**	101,998,744
CONTIGENCIES AND COMMITMENTS	13		

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

Shahid Aftar
Trustee

Nasreen Iqbal
Trustee

Developments in Literacy
Income and Expenditure Account
For the year ended 31 December 2015

	Note	2015 (Rupees)	2014 (Rupees)
INCOME			
Restricted grant recognised as income			
- Education and other program activities	*11.1*	**336,334,352**	302,256,628
Deferred grant recognised as income	*10*	**3,464,499**	3,020,269
		339,798,851	305,276,897
EXPENDITURE			
Grants to partner organisations	*14*	**103,548,180**	92,567,775
General and administration expenses	*15*	**26,570,528**	24,235,134
Program expenses	*16*	**125,000,438**	113,858,092
Project expenses	*17*	**84,679,705**	74,615,896
		(339,798,851)	**(305,276,897)**
Excess of income over expenditure		**-**	-

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

Shahida Afzal
Trustee

Naneen Iqbal
Trustee

Developments in Literacy
Cash Flow Statement
For the year ended 31 December 2015

	Note	2015 (Rupees)	2014 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Excess of income over expenditure		-	-
Adjustments for:			
Restricted grant recognised as income:			
- Education and other program activities	*11.1*	**(336,334,352)**	(302,256,628)
- Deferred capital grant recognised as income	*10*	**(3,464,499)**	(3,020,269)
- Depreciation	*4*	**3,378,103**	2,924,101
- Amortization	*5*	**86,396**	96,168
- Provision for doubtful advances		**1,681,986**	-
		(334,652,366)	(302,256,628)
Changes in:			
- Advances		**626,231**	(3,135,342)
- Short term deposits and prepayments		**(52,910)**	1,036,163
- Long term deposits and prepayments		**87,846**	805,693
- Receivables from USAID		**1,170,362**	(458,486)
- Accrued and other liabilities		**1,529,271**	175,163
Cash generated from / (used in) operting activities		**3,360,800**	(1,576,809)
Grant received during the year		**334,010,430**	280,694,360
Interest received during the year		**3,332,329**	5,700,607
Net cash generated from / (used in) operating activities		**6,051,193**	(17,438,470)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure - property and equipment		**(14,076,690)**	(2,066,100)
Capital expenditure - intangible assets		**(84,700)**	(50,000)
Encashment of short term investment		**-**	1,500,000
Net cash used in investing activities		**(14,161,390)**	(616,100)
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net decrease in cash and cash equivalents		**(8,110,197)**	(18,054,570)
Cash and cash equivalents at beginning of the year		**60,170,897**	78,225,467
Cash and cash equivalents at end of the year	*9*	**52,060,700**	60,170,897

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

Shahida Afzal
Trustee

Nasreen Iqbal
Trustee

Developments in Literacy
Notes to the Financial Statements
For the year ended 31 December 2015

1 THE SOCIETY AND ITS OPERATIONS

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

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention.

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates

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

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

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

2.4.1 Property and equipment and intangible assets

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

2.4.2 Provision and contingencies

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

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

2.4.3 Impairment

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

3 SIGNIFICANT ACCOUNTING POLICIES

Except for the change below, the accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the change as updated below;

IFRS 13 "Fair Value Measurement" became effective from financial periods beginning on or after 01 January 2015. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The application of IFRS 13 does not have any impact on the financial statements of the Society except for certain additional disclosures.

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.

3.5 Income recognition

Grants

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

Interest income

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

3.6 Provisions

A provision is recognized in the financial statements when the Society has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.7 Foreign currency transactions

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

3.8 Operating lease

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

3.9 Financial instruments

Non-derivative financial assets

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

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

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

Deposits and other receivables

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

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

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

Offsetting of financial assets and financial liabilities

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

3.10 Finance income and finance costs

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

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

3.11 Impairment

Financial assets

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in income and expenditure account.

Non-financial assets

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

3.12 Approved accounting standards which are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Society's financial statements.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on the Society's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on the Society's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Society's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a Society can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Society's financial statements.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

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

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

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

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

The above amendments are not likely to have an impact on the Society's financial statements.

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4 PROPERTY AND EQUIPMENT

	Note	Freehold land	Leasehold land	Buildings	Vehicles	Furniture and fixtures	Office equipment	Computers	Total
					(Rupees)				(Rupees)
Cost									
As at 1 January 2014		11,783,852	6,677,700	18,077,577	1,699,355	1,245,602	3,285,792	2,952,081	45,721,959
Additions during the year		-	360,000	-	-	14,500	1,387,550	304,050	2,066,100
As at 31 December 2014		11,783,852	7,037,700	18,077,577	1,699,355	1,260,102	4,673,342	3,256,131	47,788,059
Additions during the year	*4.1*	-	-	**12,824,000**	-	**417,690**	-	**835,000**	**14,076,690**
As at 31 December 2015		**11,783,852**	**7,037,700**	**30,901,577**	**1,699,355**	**1,677,792**	**4,673,342**	**4,091,131**	**61,864,749**
Accumulated depreciation									
As at 1 January 2014		-	149,967	8,831,127	1,559,841	338,075	1,337,411	1,956,068	14,172,489
Charge for the year		-	68,049	1,849,290	27,903	90,895	546,095	341,869	2,924,101
As at 31 December 2014		-	218,016	10,680,417	1,587,744	428,970	1,883,506	2,297,937	17,096,590
Charge for the year			**140,355**	**2,120,632**	**22,322**	**87,708**	**557,967**	**449,119**	**3,378,103**
As at 31 December 2015		-	**358,371**	**12,801,049**	**1,610,066**	**516,678**	**2,441,473**	**2,747,056**	**20,474,693**
Carrying value as at:									
- 31 December 2015		**11,783,852**	**6,679,329**	**18,100,528**	**89,289**	**1,161,114**	**2,231,869**	**1,344,075**	**41,390,056**
- 31 December 2014		11,783,852	6,819,684	7,397,160	111,611	831,132	2,789,836	958,194	30,691,469
Depreciation rates (%)			**1%**	**20%**	**20%**	**10%**	**20%**	**30%**	

4.1 This represents the consideration paid for purchase of property comprising of land and building in Karachi. Title of the property is still in the name of the previous owner. Cost of land has not been separately disclosed in these financial statements as its impact would be immaterial in context of overall financial statements.

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

	Note	2015 (Rupees)	2014 (Rupees)
General and Administration expenses	*15*	**506,715**	438,615
Program expenses	*16*	**2,871,388**	2,485,486
		3,378,103	2,924,101

		Note	2015 (Rupees)	2014 (Rupees)
5	**INTANGIBLE ASSET**			
	Cost			
	As at 1 January 2014		**817,000**	767,000
	Additions during the year		**84,700**	50,000
	As at 31 December 2015		**901,700**	817,000
	Accumulated amortization			
	As at 1 January 2014		**390,822**	294,654
	Charge for the year	*15*	**86,396**	96,168
	As at 31 December 2015		**477,218**	390,822
	Written down value as at 31 December 2015		**424,482**	426,178
	Amortisation rate (%)		**20%**	20%
6	**LONG TERM PREPAYMENTS**			
	Prepaid rent		**469,740**	549,600
	Less: Current portion of long term prepayments classified as current assets	*8*	**(87,846)**	(79,860)
			381,894	469,740
7	**ADVANCES - unsecured**			
	Considered good			
	Advance to projects:			
	- Naz Old Boys Welfare Association		**684,710**	311,676
	- Cooperation for Advancement, Rehabilitation and Education		**-**	59,221
	- Khwendo Kor		**1,158,737**	211,667
			1,843,447	582,564
	Mobilization advance	*7.1*	**774,343**	3,393,771
	Advance for expenses		**1,490,644**	1,501,632
	Advance against construction expenses		**-**	339,435
	Other advances		**336,035**	949,006
			4,444,469	**6,766,408**
	Considerd doubtful			
	Advances for expenses		**820,630**	-
	Advance against construction expenses		**361,278**	-
	Other advances		**513,800**	-
			1,695,708	-
	Less: Provision for doubtful advances		**(1,681,986)**	-
			4,458,191	6,766,408

7.1 This represents advance paid for construction of community schools. Upon completion of construction, this advance will be recognised as program expense.

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Developments in Literacy

Notes to the Financial Statements

For the year ended 31 December 2015

		Note	2015 (Rupees)	2014 (Rupees)
8	**SHORT TERM DEPOSITS AND PREPAYMENTS**			
	Security deposits		**886,500**	856,500
	Prepaid rent and insurance		**1,382,254**	1,367,330
	Current portion of long term prepayments	*6*	**87,846**	79,860
			2,356,600	2,303,690
9	**CASH AND BANK BALANCES**			
	Cash in hand		**24,921**	36,074
	Cash at bank in current accounts			
	- Local currency		**2,235,105**	2,218,600
			2,235,105	2,218,600
	Cash at bank in saving accounts	*9.1*	**49,800,674**	57,916,223
			52,060,700	60,170,897

9.1 These carry mark-up rate ranging from 5% to 5.7% per annum (2014: 7% per annum).

		Note	2015 (Rupees)	2014 (Rupees)
10	**DEFERRED GRANT**			
	Opening balance		**31,117,647**	32,021,816
	Add:			
	Cost of property and equipment purchased during the year	*4*	**14,076,690**	2,066,100
	Cost of intangible asset purchased during the year	*5*	**84,700**	50,000
			14,161,390	2,116,100
	Less:			
	Deferred grant recognised as income during the year		**(3,464,499)**	(3,020,269)
			41,814,538	31,117,647
11	**RESTRICTED GRANT**			
	Restricted grant for:			
	- Flood relief activities - DIL USA		**628,643**	628,643
	- For education and other program activities	*11.1*	**49,344,501**	62,497,484
			49,973,144	63,126,127
11.1	**Restricted grant for education and other program activities**			
	Opening balance		**62,497,484**	80,491,173
	Funds received during the year	*11.1.1*	**334,006,970**	280,699,283
	Other income	*11.1.2*	**3,335,789**	5,679,756
			337,342,759	286,379,039
	Transferred to income and expenditure account		**(336,334,352)**	(302,256,628)
	Transfer to deferred capital grant on purchase of:			
	- property and equipment	*10 & 4*	**(14,076,690)**	(2,066,100)
	- intangible asset	*10 & 5*	**(84,700)**	(50,000)
			49,344,501	62,497,484

	2015 (Rupees)	2014 (Rupees)
11.1.1 Funds received during the year		
Related parties		
Developments in Literacy USA	**223,710,236**	210,114,117
Developments in Literacy Canada	**16,316,455**	6,914,740
Developments in Literacy UK / DFID	**15,121,808**	12,872,006
Developments in Literacy UK / Vitol Foundation	**6,361,065**	4,903,265
Developments in Literacy HK	**8,201,281**	3,786,722
Developments in Literacy UK	**29,052,900**	-
Developments in Literacy UK-STARS Foundation	**-**	4,646,704
Developments in Literacy UK-Fund the Front Line	**1,809,400**	-
Developments in Literacy UK-Waterloo	**5,134,080**	-
Donations received from a trustee	**-**	1,000,000
Other		
Funds raised in Pakistan - Various donors - Chapters	**10,205,942**	15,299,430
USAID Small Grants And Ambassador's Fund Program	**3,692,459**	11,473,011
All Pakistan Women's Association	**468,290**	1,826,073
Target International	**5,075,963**	-
International Development and Relief Foundation	**2,563,548**	
Barclays Bank Plc	**-**	3,042,532
Loylogic Inc.	**403,930**	445,758
Amir Kothawal	**565,532**	-
Scholarship Fund	**2,832,600**	-
Food Project Trust	**180,364**	-
Other donors including zakat	**2,311,117**	4,374,925
	334,006,970	280,699,283

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	2015 (Rupees)	2014 (Rupees)
11.1.2 Other income		
Income from financial assets		
Interest income from bank accounts	**3,332,329**	5,607,940
Exchange loss	**-**	(4,923)
Profit on short term investment	**-**	76,739
Other income	**3,460**	-
	3,335,789	5,679,756

12 ACCRUED AND OTHER LIABILITIES

	2015 (Rupees)	2014 (Rupees)
Payable to projects:		
- Indus Resource Centre	**2,464,119**	1,291,209
- Cooperation for Advancement, Rehabilitation and Education	**212,931**	-
- Rising Star Foundation	**459,855**	-
- Mukhtara Mai Women Organization	**35,441**	1,507
	3,172,346	1,292,716
Accrued expenses	**1,821,901**	361,760
Payable against construction expenses	**1,145,086**	1,145,086
Retention money payable	**723,438**	887,902
Audit fee payable	**920,000**	500,000
With holding Tax payable	**761,218**	-
Other payables	**740,252**	3,567,506
	9,284,241	7,754,970

13 CONTINGENCIES AND COMMITMENTS

13.1 There are no contingencies as at 31 December 2015 (2014 : Nil).

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

14 GRANTS TO PARTNER ORGANIZATIONS

	2015 (Rupees)	2014 (Rupees)
Cooperation for Advancement, Rehabilitation and Education	**8,913,566**	7,607,740
Indus Resource Centre	**26,321,247**	22,596,158
Khwendo Kor	**23,883,420**	18,947,929
Naz Old Boys Welfare Association	**39,034,484**	38,865,198
Mukhtara Mai Women Organization	**5,395,463**	4,550,750
	103,548,180	92,567,775

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

2015	**Management**	**Program**	**Operating**	**Total**
Cooperation for Advancement, Rehabilitation and Education	**1,192,671**	**7,367,287**	**353,608**	**8,913,566**
Indus Resource Centre	**2,268,997**	**22,775,131**	**1,277,119**	**26,321,247**
Khwendo Kor	**3,406,755**	**18,234,378**	**2,242,287**	**23,883,420**
Naz Old Boys Welfare Association	**3,966,421**	**33,195,769**	**1,872,294**	**39,034,484**
Mukhtara Mai Women Organization	**786,500**	**4,310,786**	**298,177**	**5,395,463**
	11,621,344	**85,883,351**	**6,043,485**	**103,548,180**

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

15 GENERAL AND ADMINISTRATION EXPENSES

	Note	**2015 (Rupees)**	2014 (Rupees)
Salaries and other benefits		**14,435,166**	15,745,381
Printing and stationary		**104,945**	84,234
Vehicle running expenses		**60,571**	83,470
Communication and postage		**133,137**	150,073
Office repairs		**352,994**	471,990
Vehicle insurance		**39,802**	17,900
Staff health insurance		**637,041**	245,600
Office rent and utilities		**1,335,316**	1,358,650
Office supplies		**4,556**	7,730
Bank charges		**115,603**	165,790
Audit fee		**706,552**	783,036
Fund raising expenses	*15.1*	**3,971,553**	3,183,714
Depreciation	*4.2*	**506,715**	438,615
Amortization	*5*	**86,396**	96,168
Legal and professional charges		**1,174,373**	444,782
Resourcing and recruitment expenses		**480,000**	428,567
Software maintenance		**94,875**	86,250
Travel and meeting expenses		**86,031**	65,600
Miscellaneous		**562,916**	377,584
Provision for doubtful advances		**1,681,986**	-
		26,570,528	24,235,134

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

		Note	2015 (Rupees)	2014 (Rupees)
16	**PROGRAM EXPENSES**			
	Salaries and other benefits		**59,168,174**	42,749,089
	Printing and stationary		**190,554**	152,947
	Vehicle running expenses		**266,367**	367,066
	Travel and meetings expenses		**885,646**	424,261
	Communication and postage		**563,500**	635,184
	Office repairs		**487,120**	651,331
	Office rent and utilities		**3,290,456**	3,144,461
	Vehicle insurance		**15,787**	7,100
	Monitoring and evaluation expenses		**2,713,071**	203,353
	Depreciation	*4.2*	**2,871,388**	2,485,486
	Office supplies		**132,749**	225,230
	Curriculum development		**4,184,215**	1,400,445
	Training expenses		**19,147,947**	13,362,397
	Bank charges		**281,079**	403,104
	Capacity building expenses		**1,167,371**	181,400
	Library establishment		**1,760,573**	1,108,677
	Computer laboratory		**3,612,669**	6,207,967
	Gateway		**532,395**	700,398
	Mlearning project		**-**	11,175,364
	Virtual training hub		**25,095**	133,286
	Staff health insurance		**1,539,266**	593,437
	IT Skills activities		**1,361,072**	891,010
	School construction expenses	*16.1*	**11,269,944**	13,992,799
	Vocational training		**1,924,545**	1,556,767
	Technology enabled project		**7,103,053**	10,857,729
	Miscellaneous		**506,402**	247,804
			125,000,438	113,858,092

16.1 This represents expenses incurred on construction of Schools in Dir, Khyber Pakhtunkhwa.

		Note	2015 (Rupees)	2014 (Rupees)
17	**PROJECT EXPENSES**			
	Islamabad Capital Territory Schools	*17.1*	**10,324,318**	15,519,232
	Orangi Schools	*17.2*	**34,720,193**	27,896,905
	Kala Shah Kaku School	*17.3*	**3,272,421**	2,563,632
	Mansehra Community School Project	*17.4*	**4,310,073**	3,231,789
	Rawalpindi Rural School Program	*17.5*	**27,264,768**	25,404,338
	Rising Star Foundation	*17.6*	**4,787,932**	-
			84,679,705	74,615,896
17.1	**Islamabad Capital Territory Schools**			
	Salaries and other benefits		**8,088,783**	6,830,199
	Direct project expenses	*17.7*	**787,847**	7,113,475
	Library establishment		**276,164**	732,091
	Computer laboratory		**1,051,820**	603,163
	Others		**119,704**	240,304
			10,324,318	15,519,232

		Note	2015 (Rupees)	2014 (Rupees)
17.2	**Orangi Schools**			
	Salaries and other benefits		**22,618,869**	18,645,859
	Direct project expenses	*17.7*	**8,369,148**	6,502,205
	Library establishment		**1,543,618**	1,464,090
	Computer laboratory		**1,769,573**	1,007,283
	Others		**418,985**	277,468
			34,720,193	27,896,905
17.3	**Kala Shah Kaku School**			
	Salaries and other benefits		**2,346,837**	2,034,350
	Direct project expenses	*17.7*	**496,167**	145,314
	Library establishment		**54,770**	160,544
	Computer laboratory		**314,461**	42,880
	Others		**60,186**	180,544
			3,272,421	2,563,632
17.4	**Mansehra Community School Project**			
	Salaries and other benefits		**3,042,448**	2,564,319
	Direct project expenses	*17.7*	**689,534**	433,611
	Library establishment		**187,980**	191,351
	Computer laboratory		**345,266**	-
	Others		**44,845**	42,508
			4,310,073	3,231,789
17.5	**Rawalpindi Rural School Program**			
	Salaries and other benefits		**21,102,513**	18,774,995
	Direct project expenses	*17.7*	**3,343,228**	4,118,662
	Library establishment		**398,883**	1,632,630
	Computer laboratory		**2,169,289**	644,567
	Others		**250,855**	233,484
			27,264,768	25,404,338
17.6	**Rising Star Foundation**			
	Salaries and other benefits		**2,811,449**	-
	Direct project expenses	*17.7*	**1,976,483**	-
			4,787,932	-

17.7 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.

18 FINANCIAL INSTRUMENTS

The Society has exposure 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.

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:

	2015	2014
	(Rupees)	(Rupees)
Deposits	**886,500**	856,500
Bank balances	**52,035,779**	60,134,823
Receivable from USAID Small Grants And Ambassador's Fund Program	**-**	1,170,362
	52,922,279	62,161,685

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.

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				
- 2015	**8,523,023**	**(8,523,023)**	**(8,523,023)**	**-**
- 2014	7,754,970	(7,754,970)	(7,754,970)	-

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	
	2015	2014
	(Rupees)	(Rupees)
Fixed rate instruments		
Saving bank accounts	**49,800,674**	57,916,223

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 purposes.

Non-derivative financial liabilities

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

19.2 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value		
31 December 2015	**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*	-	886,500	-	886,500			
Cash and cash equivalents*	-	52,060,700	-	52,060,700	-	-	-
Financial liabilities not measured at fair value							
Accrued and other liabilities*	-	8,523,023	-	8,523,023	-	-	-
31 December 2014							
Financial assets not measured at fair value							
Receiveable from USAID*	-	1,170,362	-	1,170,362	-	-	-
Security Deposits	-	856,500	-	856,500			
Cash and cash equivalents*	-	60,170,897	-	60,170,897	-	-	-
Financial liabilities not measured at fair value							
Accrued and other liabilities*	-	7,754,970	-	7,754,970	-	-	-

*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.

Developments in Literacy

Notes to the Financial Statements

For the year ended 31 December 2015

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:

	2015	2014
	(Rupees)	(Rupees)
Remuneration of key management personnel	**6,661,290**	4,345,962
Funds received during the year from affiliates	**301,327,293**	238,590,850
Donations received from a trustee	-	1,000,000

21 DATE OF APPROVAL

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

Trustee

Trustee