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DEVELOPMENTS IN LITERACY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES

Opinion

We have audited the accompanying financial statements of **Developments in Literacy (the Society)** which comprise the statement of financial position as at December 31, 2018, and the statement of income and expenditure, statement of cash flows, statement of changes 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 Society as at December 31, 2018 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 the Code. 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 financial statements that are 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

Chartered accountants

Engagement Partner: Waqas Waris

Islamabad

Date: February 06, 2020

DEVELOPMENTS IN LITERACY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018 (Rupees)	2017 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	4	47,857,264	42,793,933
Intangible asset	5	217,335	271,668
Long term prepayments	6	308,529	369,360
		<u>48,383,128</u>	<u>43,434,961</u>
CURRENT ASSETS			
Advances - unsecured, considered good	7	4,613,277	4,350,483
Short term deposits, prepayments and other receivables	8	3,347,486	4,282,949
Cash and bank balances	9	67,491,320	38,081,364
		<u>75,452,083</u>	<u>46,714,796</u>
TOTAL ASSETS		<u>123,835,211</u>	<u>90,149,757</u>
NON CURRENT LIABILITIES			
Deferred grant	10	48,074,599	43,065,601
CURRENT LIABILITIES			
Accrued and other liabilities	11	10,805,975	10,609,343
TOTAL LIABILITIES		<u>58,880,574</u>	<u>53,674,944</u>
FUNDS			
Restricted grant	12	64,954,637	36,474,813
TOTAL LIABILITIES AND FUND		<u>123,835,211</u>	<u>90,149,757</u>
CONTINGENCIES AND COMMITMENTS			
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The annexed notes from 1 to 23 form an integral part of these financial statements.


Trustee

Mr. Zibber.


Trustee

DEVELOPMENTS IN LITERACY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 (Rupees)	2017 (Rupees)
INCOME			
Restricted grant recognised as income			
- Education and other program activities	12.1	274,077,785	279,521,298
Deferred grant recognised as income	10	3,892,776	3,941,584
Program income	14	6,775,613	396,375
		<u>284,746,174</u>	<u>283,859,257</u>
EXPENDITURE			
Grants to partner organisations	15	73,242,251	78,685,988
General and administration expenses	16	27,706,742	29,079,813
Program expenses	17	86,452,860	88,459,587
Project expenses	18	97,344,321	87,633,869
		<u>(284,746,174)</u>	<u>(283,859,257)</u>
Excess of income over expenditure		<u>-</u>	<u>-</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.



Trustee

Mr. Zibbey



Trustee

**DEVELOPMENTS IN LITERACY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018 (Rupees)	2017 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Excess of income over expenditure		-	-
Adjustments for:			
- Restricted grant recognised as income	12.1	(274,077,785)	(279,917,673)
- Deferred capital grant recognised as income	10	(3,892,776)	(3,941,584)
- Depreciation	4	3,838,443	3,873,666
- Amortization	5	54,333	67,918
- Cost of assets adjusted		-	6,200
		<u>(274,077,785)</u>	<u>(279,911,473)</u>
Changes in:			
- Advances		(262,795)	363,553
- Short term deposits and prepayments		935,462	(1,612,403)
- Long term deposits and prepayments		60,831	(59,340)
- Accrued and other liabilities		196,632	316,679
Cash generated / (used in) operating activities		930,130	(991,511)
Grant received during the year		308,619,063	288,954,601
Interest received during the year		2,840,321	1,661,407
Net cash generated from operating activities		<u>38,311,729</u>	<u>9,713,024</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure - property and equipment		(8,901,774)	(5,726,998)
Net cash used in investing activities		<u>(8,901,774)</u>	<u>(5,726,998)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		29,409,956	3,986,026
Cash and cash equivalents at beginning of the year		38,081,364	34,095,338
Cash and cash equivalents at end of the year	9	<u>67,491,320</u>	<u>38,081,364</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.



Trustee

Mr. Zibber



Trustee

DEVELOPMENTS IN LITERACY
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	RESTRICTED FUND
Balance as at January 01, 2017		31,497,276
Restricted funds received during the year	12.1	290,219,633
Transferred to income and expense statement	12.1	(279,521,298)
Transferred to deferred capital grant		(5,720,798)
Balance as at December 31, 2017		<u>36,474,813</u>
Restricted funds received during the year	12.1	311,459,383
Transferred to income and expense statement	12.1	(274,077,785)
Transferred to deferred capital grant		(8,901,774)
Balance as at December 31, 2018		<u><u>64,954,637</u></u>

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The annexed notes from 1 to 22 form an integral part of these financial statements.



Trustee

Mr. Zibber



Trustee

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1 THE SOCIETY AND ITS OPERATIONS

- 1.1** Developments in Literacy ("the Society") is a non-profit organization. The Society was registered in March 2003 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** Economic Affairs Division (EAD) Ministry of Finance through its notification no. 1(5)INGO/05 dated November 28, 2013 has required that all local NGOs, desirous of utilizing foreign economic assistance / grants, will need prior registration with Government (i.e. EAD). Accordingly, Society has applied for registration with EAD vide application dated August 22, 2017 which was regretted by EAD through letter dated April 25, 2018. The Society, in response, filed an appeal before the Social Committee of the Economic Affairs Division, to review the case, and in pursuit, management explained its program in detail in a meeting with the Committee on August 13, 2018. The decision of the committee is still pending, however, management is confident that the case will be decided in favour of the Society.

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 Act, 2017.

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.

DEVELOPMENTS IN LITERACY
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FOR THE YEAR ENDED DECEMBER 31, 2018

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 statement of income and expenditure as incurred.

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

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, and same has been awarded upto June 30, 2020.

3.5 Income recognition

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

School fee/concessional tuition fee from students is recognised on receipt bases.

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 statement of income and expenditure.

3.8 Operating lease

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

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 de-recognises 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

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in statement of income and expenditure.

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 statement of income and expenditure. 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 2	Share based payments - Classification and measurement of share based payments transaction (Amendment)
IFRS 4	Insurance contracts
IAS 40	Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements

IAS 28	Investments in Associates and Joint Ventures
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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)
IFRS 3	Business combinations	January 1, 2020
IFRS 9	Financial Instruments	July 1, 2018
IFRS 11	Joint Arrangements	January 1, 2019
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 1/IAS 8	Definition of Material (Amendments)	January 1, 2020
IAS 12	Income Taxes- Amendments	January 1, 2019
IAS 19	Employee Benefits	January 1, 2019
IAS 23	Borrowing costs	January 1, 2019
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2019
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 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

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 2017	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
Additions during the year	-	-	-	-	-	-	-	8,901,774	8,901,774
Transfers to/ (from) CWIP	-	-	3,115,665	-	-	-	-	(3,115,665)	-
As at 31 December 2018	15,891,352	7,037,700	38,054,688	1,699,355	1,677,792	4,934,026	4,115,631	7,320,461	80,731,005
Accumulated depreciation									
As at 1 January 2017	-	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
Charge for the year	-	70,377	3,135,255	11,429	94,050	325,844	201,488	-	3,838,443
As at 31 December 2018	-	569,502	22,543,118	1,653,639	831,339	3,630,649	3,645,494	-	32,873,741
Carrying value as at:									
- 31 December 2018	15,891,352	6,468,198	15,511,570	45,716	846,453	1,303,377	470,137	7,320,461	47,857,264
- 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
Depreciation rates (%)		1%	20%	20%	10%	20%	30%		
							Note	2018	2017
								(Rupees)	(Rupees)

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

Administration expenses	16	575,766	581,050
Program expenses	17	3,262,677	3,292,616
		3,838,443	3,873,666

4.2 This includes cost of work in progress for construction of following schools

DIL secondary school, J-6 Orangi	3,802,314	1,534,352
DIL Karachi school campus-1	3,518,147	-
	7,320,461	1,534,352

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5	INTANGIBLE ASSET	Note	2018 (Rupees)	2017 (Rupees)
	Cost			
	As at 1 January 2018		901,700	901,700
	Additions during the year		-	-
	As at 31 December 2018		901,700	901,700
	Accumulated amortization			
	As at 1 January 2018		630,032	562,114
	Charge for the year	16	54,333	67,918
	As at 31 December 2018		684,365	630,032
	Written down value as at 31 December 2018		217,335	271,668
	Amortisation rate (%)		20%	20%
6	LONG TERM PREPAYMENTS			
	Prepaid rent		206,202	310,020
	Subscription fee		216,533	278,400
			422,735	588,420
	Less: Current portion of long term prepayments classified as current assets	8	(114,206)	(219,060)
			308,529	369,360
7	ADVANCES - unsecured			
	Considered good			
	Advance to projects:			
	- Khwendo Kor		-	685,293
	- Indus Resource Center		513,791	-
			513,791	685,293
	Mobilization advance	7.1	2,015,312	1,150,833
	Advance for expenses		2,084,174	1,980,640
	Other advances		-	533,717
			4,613,277	4,350,483
	Considered doubtful		-	2,140,016
	Less: Provision for doubtful advances		-	(2,140,016)
			4,613,277	4,350,483
7.1	This represents advances paid for construction of community schools.			
8	SHORT TERM DEPOSITS AND PREPAYMENTS	Note	2018 (Rupees)	2017 (Rupees)
	Security deposits		1,010,000	1,010,000
	Prepaid rent and insurance		2,223,280	1,982,312
	Current portion of long term prepayments	6	114,206	219,060
	Other receivables		1,071,577	1,071,577
			4,419,063	4,282,949
	Considered doubtful			
	Less: Provision for doubtful recovery	8.1	(1,071,577)	-
			3,347,486	4,282,949

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. However, the amount is provided for considering the uncertainty in recoverability/ adjustment.

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9	CASH AND BANK BALANCES	Note	2018 (Rupees)	2017 (Rupees)
	Cash in hand		17,646	38,109
	Cash at bank: saving accounts	9.1	67,473,674	38,043,255
			<u>67,491,320</u>	<u>38,081,364</u>
9.1	These carry mark-up rate ranging from 8% to 9% per annum (2017: 5% to 5.75% per annum).			
10	DEFERRED GRANT	Note	2018 (Rupees)	2017 (Rupees)
	Opening balance		43,065,601	41,286,387
	Add:			
	Cost of property and equipment purchased during the year		-	-
	Less:			
	Deferred grant recognised as income during the year		(3,892,776)	(3,941,584)
	Cost of assets adjusted during the year	4	8,901,774	5,720,798
			<u>5,008,998</u>	<u>1,779,214</u>
			<u>48,074,599</u>	<u>43,065,601</u>
11	ACCRUED AND OTHER LIABILITIES			
	Payable to projects:			
	- Indus Resource Centre		-	3,033,128
	- Cooperation for Advancement, Rehabilitation and Education		1,526,640	1,259,775
	- Khwendo Kor		578,274	-
	- Rising Star Foundation		-	12,447
	- Naz Old Boys Welfare Association		3,141,851	3,491,295
	- Mukhtara Mai Women Organization		141,802	299,768
			<u>5,388,567</u>	<u>8,096,413</u>
	Accrued expenses		878,777	1,989,882
	Payable against construction expenses		-	21,843
	Retention money payable		575,268	171,325
	Audit fee payable		175,000	150,000
	Other payables		3,788,363	179,880
			<u>10,805,975</u>	<u>10,609,343</u>
12	RESTRICTED FUND			
	Restricted grant for:			
	- Flood relief activities - DIL USA		628,643	628,643
	- For education and other program activities	12.1	64,325,994	35,846,170
			<u>64,954,637</u>	<u>36,474,813</u>
12.1	Restricted grant for education and other program activities			
	Opening balance		35,846,170	30,868,633
	Funds received during the year	12.1.1	308,502,721	287,413,140
	Other income	12.1.2	2,956,662	2,806,493
			<u>311,459,383</u>	<u>290,219,632</u>
	Transferred to income and expenditure account		(274,077,785)	(279,521,298)
	Transfer to deferred capital grant on purchase of:			
	- property and equipment	10 & 4	(8,901,774)	(5,720,798)
		12.1.3	<u>64,325,994</u>	<u>35,846,170</u>

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DEVELOPMENTS IN LITERACY
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	2018 (Rupees)	2017 (Rupees)
12.1.1 Funds received during the year		
<i>Related parties</i>		
Developments in Literacy USA	211,551,889	183,252,330
Developments in Literacy Canada	4,928,000	5,586,791
Developments in Literacy UK/DFID	29,760,484	23,180,607
Developments in Literacy HK	7,637,750	7,383,128
Developments in Literacy UK-Waterloo	-	3,978,000
Donation Received from Trustee	-	1,500,000
<i>Other</i>		
Funds raised in Pakistan - Various donors - Chapters	22,594,067	14,294,751
USAID Small Grants And Ambassador's Fund Program	-	6,627,650
Target International	1,314,366	2,551,281
Punjab Education Fund	11,650,557	17,054,094
Food Project Trust	1,210,377	934,139
Other donors including zakat	17,855,231	21,070,369
	<u>308,502,721</u>	<u>287,413,140</u>
12.1.2 Other income		
Income from financial assets		
Interest income from bank accounts	2,840,321	1,661,407
Income from non financial assets		
Other income	116,342	1,145,086
	<u>2,956,662</u>	<u>2,806,493</u>
12.1.3 Restricted grant for education and other program activities:		
DIL US	14,373,615	10,121,815
Ghazi Farooq	3,336,339	5,783,450
DIL Pakistan	46,616,040	13,237,371
Waterloo	-	263,953
Punjab Education Foundation	-	6,439,581
	<u>64,325,994</u>	<u>35,846,170</u>

13 CONTINGENCIES AND COMMITMENTS

- 13.1** On November 11, 2017, the Society 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. Society management had to evict the school on force of local administration. However, Society had engage M/s RIAA Barker Gillete and submitted the court through attorney that Society 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 land title has now been reverted to the Society and the court order obtained by the occupying party has been declared unsustainable and void. The Society has now filed a counter suit to get eviction orders to obtain the possession of the land. The cost of land under dispute is Rs 1,880,235/-.
- 13.2** 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 the Society for payment of gratuity and leave encashment and got an order from Assistant Commissioner (City) ICT under Payment and Wages Act, 1936 amounting to Rs 742,960/-. The Society has challenged the order passed by Assistant Commissioner in Islamabad High Court and the said order has been suspended by Islamabad High Court. The case is pending adjudication and the next hearing has not been fixed by the court. Management based on opinion of the legal advisor, is hopeful of court's decision in its favour. Consequently, no provision has been made in these financial statements for payment of the said amount, however in case of adverse order the Society may be exposed to a payment of Rs 742,960/-.

DEVELOPMENTS IN LITERACY
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13.3 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 sales 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 appellate tribunal.

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

14 PROGRAM INCOME

This represents receipts against school fee/ concessional tuition fee from students.

	2018 (Rupees)	2017 (Rupees)
15 GRANTS TO PARTNER ORGANIZATIONS		
Cooperation for Advancement, Rehabilitation and Education	10,291,904	10,316,802
Indus Resource Centre	24,624,476	23,516,663
Khwendo Kor	18,334,147	19,662,084
Naz Old Boys Welfare Association	14,741,831	19,171,462
Mukhtara Mai Women Organization	5,249,893	6,018,977
	<u>73,242,251</u>	<u>78,685,988</u>

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

2018	Management	Program	Operating	Total
Cooperation for Advancement, Rehabilitation and Education	1,030,866	8,633,376	627,662	10,291,904
Indus Resource Centre	1,955,166	19,170,726	3,498,584	24,624,476
Khwendo Kor	2,897,133	11,204,937	4,232,077	18,334,147
Naz Old Boys Welfare Association	3,200,410	4,718,415	6,823,006	14,741,831
Mukhtara Mai Women Organization	508,851	3,737,162	1,003,880	5,249,893
	<u>9,592,426</u>	<u>47,464,616</u>	<u>16,185,209</u>	<u>73,242,251</u>

2017

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
	<u>4,482,095</u>	<u>68,164,336</u>	<u>6,039,557</u>	<u>78,685,988</u>

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16 GENERAL AND ADMINISTRATION EXPENSES	Note	2018 (Rupees)	2017 (Rupees)
Salaries and other benefits		18,017,641	20,277,341
Office rent and utilities		1,776,202	1,611,631
Printing and stationary		22,222	79,240
Vehicle running expenses		120,246	75,551
Communication and postage		130,077	158,005
Office expenses		305,428	268,945
Vehicle insurance		62,340	54,213
Bank charges		110,067	115,334
Audit fee		175,000	409,539
Fund raising expenses	16.1	3,367,275	4,234,059
Depreciation	4.1	575,766	581,050
Amortization	5	54,333	67,918
Legal and professional charges		991,253	538,357
Software maintenance		109,578	121,058
Travel and meeting expenses		43,296	61,986
Miscellaneous		216,165	425,585
Provision for doubtful advances	8.1 & 7	1,629,853	-
		<u>27,706,742</u>	<u>29,079,813</u>

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

17 PROGRAM EXPENSES	Note	2018 (Rupees)	2017 (Rupees)
Salaries and other benefits		47,497,702	53,573,852
Staff health insurance		1,264,307	1,316,807
Monitoring and evaluation expenses		1,454,719	705,998
Curriculum development		1,781,267	818,011
Training / capacity building		9,954,994	6,960,741
Library establishment		7,018,014	3,066,074
Computer laboratory		3,374,122	487,120
Gateway		1,310,107	203,237
USAID E-Library project		-	5,741,474
Technology enabled & active learning		2,012,958	4,484,467
IT Skills activities		432,456	133,499
Vocational training		-	709,952
Program development		620,204	719,357
Printing and stationary		40,349	143,880
Vehicle running expenses		528,789	332,244
Travel and meetings expenses		280,011	400,888
Communication and postage		550,549	668,759
Office repairs		108,223	370,227
Office rent and utilities		4,110,844	3,729,960
Vehicle insurance		24,727	21,503
Depreciation	4.1	3,262,677	3,292,616
Office supplies		416,356	19,191
Bank charges		267,619	280,424
Miscellaneous		141,866	279,306
		<u>86,452,860</u>	<u>88,459,587</u>

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DEVELOPMENTS IN LITERACY
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18 PROJECT EXPENSES	Note	2018 (Rupees)	2017 (Rupees)
Islamabad Capital Territory Schools	18.1	11,237,491	9,598,119
Orangi Schools	18.2	33,785,415	30,539,737
Kala Shah Kaku School	18.3	3,246,578	3,247,832
Mansehra Community School Project	18.4	5,673,762	4,217,864
Rawalpindi Rural School Program	18.5	28,437,232	24,923,663
Punjab Education Fund	18.6	14,963,843	15,106,654
		<u>97,344,321</u>	<u>87,633,869</u>
18.1 Islamabad Capital Territory Schools			
Salaries and other benefits		9,814,725	9,084,123
Direct project expenses		26,899	412,794
Library establishment		733,093	-
Computer laboratory		226,011	15,061
Others		436,763	86,141
		<u>11,237,491</u>	<u>9,598,119</u>
18.2 Orangi Schools			
Salaries and other benefits		28,093,632	25,778,880
Direct project expenses	18.7	2,871,867	2,813,367
Library establishment		1,048,905	817,660
Computer laboratory		514,599	592,037
Others		1,256,412	537,793
		<u>33,785,415</u>	<u>30,539,737</u>
18.3 Kala Shah Kaku School			
Salaries and other benefits		2,548,339	2,856,785
Direct project expenses	18.7	218,079	139,530
Library establishment		191,625	-
Computer laboratory		8,393	24,526
Others		280,142	226,991
		<u>3,246,578</u>	<u>3,247,832</u>
18.4 Mansehra Community School Project			
Salaries and other benefits		4,049,736	3,694,084
Direct project expenses	18.7	896,753	469,761
Library establishment		193,460	-
Computer laboratory		95,151	23,649
Others		438,662	30,370
		<u>5,673,762</u>	<u>4,217,864</u>
18.5 Rawalpindi Rural School Program			
Salaries and other benefits		22,752,917	21,609,975
Direct project expenses	18.7	2,746,414	2,985,907
Library establishment		1,524,708	1,000
Computer laboratory		426,940	140,850
Others		986,253	185,931
		<u>28,437,232</u>	<u>24,923,663</u>

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DEVELOPMENTS IN LITERACY
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	Note	2018 (Rupees)	2017 (Rupees)
18.6 Punjab Education Foundation			
Salaries and other benefits		12,459,798	11,394,447
Direct project expenses	18.7	235,287	2,076,983
Library establishment		294,100	45,815
Computer laboratory		429,049	559,067
Others		1,545,609	1,030,342
		<u>14,963,843</u>	<u>15,106,654</u>

18.7 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.

19 FINANCIAL INSTRUMENTS

The Society has exposures to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

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

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

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

19.1 Credit risk

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

	2018 (Rupees)	2017 (Rupees)
Deposits	1,010,000	1,010,000
Bank balances	67,473,674	38,043,255
	<u>68,483,674</u>	<u>39,053,255</u>

Geographically there is no concentration of credit risk. As at the year end the Society's most significant financial asset represents amount placed with Banks from whom Rs. 67.47 million (2017: Rs. 38.04 million) was receivable. Based on past experience, the management believes that no impairment allowance is necessary in respect of its financial assets.

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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19.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within one year	Over one year
	----- (Rupees) -----			
Accrued and other liabilities				
- 2018	10,805,975	(10,805,975)	(10,805,975)	-
- 2017	10,609,343	(10,609,343)	(10,609,343)	-

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

19.3 Market risk

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

a) Currency risk

The Society is not significantly exposed to currency risk.

b) Interest rate risk

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

	Carrying amount	
	2018	2017
	(Rupees)	(Rupees)
<i>Fixed rate instruments</i>		
Saving bank accounts	67,473,674	38,043,255

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.

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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20 DETERMINATION OF FAIR VALUE

20.1 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.

20.2 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.

20.3 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		
	Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
31 December 2018							
Financial assets not measured at fair value							
Security Deposits	-	1,010,000	-	1,010,000			
Cash and cash equivalents	-	67,491,320	-	67,491,320	-	-	-
Accrued and other liabilities	-	10,805,975	-	10,805,975	-	-	-
31 December 2017							
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	-	-	-
Financial liabilities not measured at fair value							
Accrued and other liabilities	-	10,609,343	-	10,609,343	-	-	-

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.

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DEVELOPMENTS IN LITERACY
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21 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:

	2018 (Rupees)	2017 (Rupees)
Remuneration of key management personnel	3,770,460	3,317,399
Funds received during the year from affiliates	308,502,721	219,402,856
Donations received from trustee	-	1,500,000

22 DATE OF APPROVAL

These financial statements were approved by the Board of Trustees of the Society in their meeting held on Feb 6, 2020.

23 GENERAL

- Figures have been rounded off to the nearest rupee.
- The comparative figures have been rearranged/ reclassified, wherever necessary, for the purpose of comparison. However, these are not material enough to be disclosed separately.



Trustee

Mr. Zibber



Trustee