DEVELOPMENTS IN LITERACY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019

Grant Thornton
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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES

Opinion

We have audited the accompanying financial statements of **Developments in Literacy (the Society)** which comprise the statement of financial position as at December 31, 2019, and the statement of income and expenditure, the statement of cash flows, the 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, 2019 and its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

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

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

Grant Thornton Anjum Rahman
GRANT THORNTON ANJUM RAHMAN
Chartered accountants
Engagement Partner: Waqas Waris
Islamabad
Date: March 12, 2021

DEVELOPMENTS IN LITERACY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	2019 (Rupees)	2018 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	5	**58,657,839**	47,857,264
Intangible asset	6	**173,868**	217,335
Right of use asset	7	**18,835,620**	-
Long term deposits and prepayments	8	**673,733**	216,533
		78,341,060	48,291,132
CURRENT ASSETS			
Advances - unsecured, considered good	9	**5,352,060**	4,613,277
Short term deposits, prepayments and other receivables	10	**1,837,023**	3,439,482
Receivable from donors	12	**16,615,484**	17,287,134
Cash and bank balances	11	**101,257,068**	67,491,320
		125,061,635	92,831,213
TOTAL ASSETS		**203,402,695**	141,122,345
FUNDS AND LIABILITIES			
Restricted grant	12	**116,314,140**	82,241,771
NON CURRENT LIABILITIES			
Deferred grant	13	**58,831,707**	48,074,599
Lease liability	15	**15,690,030**	-
		74,521,737	48,074,599
CURRENT LIABILITIES			
Current portion of lease liability	15	**3,018,163**	-
Accrued and other liabilities	16	**9,548,655**	10,805,975
		12,566,818	10,805,975
TOTAL LIABILITIES		**87,088,555**	58,880,574
TOTAL FUND AND LIABILITIES		**203,402,695**	141,122,345
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes from 1 to 28 form an integral part of these financial statements.

Nasreen Iqbal

Trustee

Trustee

DEVELOPMENTS IN LITERACY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 (Rupees)	2018 (Rupees)
INCOME			
Restricted grant recognised as income			
- Education and other program activities	12	**291,349,131**	274,077,785
Deferred grant recognised as income	13	**3,953,786**	3,892,776
Program income	14	**4,405,535**	6,775,613
		299,708,452	284,746,174
EXPENDITURE			
Grants to partner organisations	18	**57,924,005**	73,242,251
General and administration expenses	19	**24,476,871**	27,706,742
Program expenses	20	**82,778,915**	86,452,860
Project expenses	21	**134,528,661**	97,344,321
		(299,708,452)	(284,746,174)
Excess of income over expenditure		-	-

The annexed notes from 1 to 28 form an integral part of these financial statements.

Naneen Iqbal
Trustee

Trustee

DEVELOPMENTS IN LITERACY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 (Rupees)	2018 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Excess of income over expenditure		-	-
Adjustments for:			
- Restricted grant recognised as income	12	(291,349,131)	(274,077,785)
- Deferred capital grant recognised as income	13	(3,953,786)	(3,892,776)
- Depreciation on fixed assets	5	3,910,319	3,838,443
- Amortization	6	43,467	54,333
- Depreciation on right of use asset	7	3,356,645	-
- Finance cost - interest on lease liability		2,818,831	-
		(285,173,655)	(274,077,785)
Changes in:			
- Advances		(738,783)	(262,795)
- Short term deposits and prepayments		390,264	935,462
- Long term deposits and prepayments		(457,200)	60,831
- Accrued and other liabilities		(1,257,320)	196,632
Cash generated / (used in) operating activities		(2,063,039)	930,130
Grant received during the year		335,844,254	308,619,063
Interest received during the year		4,959,789	2,840,321
Net cash generated from / (used in) operating activities		53,567,349	38,311,729
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure - property and equipment		(14,710,894)	(8,901,774)
Net cash used in investing activities		(14,710,894)	(8,901,774)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability	15	(5,090,707)	-
Net cash flows from financing activities		(5,090,707)	-
Net increase /(decrease) in cash and cash equivalents		33,765,748	29,409,956
Cash and cash equivalents at beginning of the year		67,491,320	38,081,364
Cash and cash equivalents at end of the year	11	101,257,068	67,491,320

The annexed notes from 1 to 28 form an integral part of these financial statements.

Trustee

Trustee

DEVELOPMENTS IN LITERACY
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	RESTRICTED FUND
Balance as at January 01, 2018		60,085,104
Restricted funds received during the year	12	270,646,757
Transferred to income and expense statement	12	(239,588,316)
Transferred to deferred capital grant		(8,901,774)
Balance as at December 31, 2018		82,241,771
Restricted funds received during the year	12	312,207,671
Transferred to income and expense statement	12	(263,424,408)
Transferred to deferred capital grant		(14,710,894)
Balance as at December 31, 2019		116,314,140

The annexed notes from 1 to 28 form an integral part of these financial statements.

Naureen Iqbal
Trustee

Trustee

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1 THE SOCIETY AND ITS OPERATIONS

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.

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 granted on April 09, 2020 and is valid till April 08, 2022.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified by the Securities and Exchange Commission of Pakistan (SECP).

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 accounting and reporting 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 / amortization of operating fixed assets (note 5)

b) Contingencies and commitments (note 16)

2.5 STATUS OF STANDARDS AND INTERPRETATIONS

2.5.1 Standards and interpretations that became effective during the year

There are certain amendments and interpretations to accounting and reporting standards which are mandatory for the Society's annual accounting period which began on January 01, 2019. However, these do not have any significant impact on the Society's financial reporting and, therefore, have not been detailed in these financial statements except for changes in accounting policies as referred in notes below:

- IFRS 9 'Financial instruments' – This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On January 1, 2019 (the date of initial application of IFRS 9), the Society's management has assessed which business models apply to the financial assets held by the Society and has classified its financial instruments into the appropriate IFRS 9 categories (i.e. mainly financial assets previously classified as 'loans and receivables' have now been classified as 'amortized cost').
- IFRS 15 'Revenue from contracts with customers' – This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognize revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

The Society has assessed that implementation of changed due to above standards does not have significant effects on preparation of these financial statements. However, changes in accounting policies due to adoption of these standards are disclosed in respective notes.

- IFRS 16 "Leases" replaced IAS 17 "Leases", along with related Interpretations (IFRIC 4 'Determining whether an Arrangement contains a lease', SIC 'Operating lease - Incentive' and SIC 27 ' Evaluating the Substance of Transaction involving the Legal Form of Lease') the former lease accounting standard became effective on January 01, 2019. Under the new lease standard, assets leased by the Society are being recognized on the statement of financial position of the Society with a corresponding liability. As a rule, lease expenses are no longer recorded in the statement of profit or loss from January 01, 2019. Instead, depreciation and interest expenses are recorded stemming from the newly recognized lease assets and lease liabilities. In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Finance cost from the newly recognized lease liability are presented in the cash flow from financing activities.

Effect on financial statements due to adoption of IFRS 16 are disclosed in note 4 to these financial statements.

2.5.2 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective from the dates mentioned below;

Standard, Interpretation or Amendment		**Effective date (annual periods beginning on or after)**
IFRS	Business Combinations (Amendments)	January 1, 2020
IAS 1	Presentation of financial statements (Amendments)	January 1, 2020
IAS 8	Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2020
IFRS	Regulatory Deferral Accounts	July 1, 2019

The above standards and amendments are not expected to have any material impact on the financial statements in the period of initial application.

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 First time Adoption of International Financial Reporting Standards
IFRS Insurance Contracts

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

IFRIC Service concessions arrangements

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

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

Depreciation is calculated on the reducing balance method, except leasehold land on which depreciation is calculated on straight line method, and charged to statement of income and expenditure to write off the depreciable amount of an asset over its estimated useful life at the percentages specified in note 5.

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 the 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 amortization and impairment losses, if any.

Amortization of intangible assets, having finite useful life, is charged by applying diminishing balance method, so as to write off the cost of assets at amortization rate as mentioned in note 6 to the financial statements.

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

3.3 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset (or CGU's) fair value less cost to sell and value in use. For the purpose of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in statement of income and expenditure.

3.4 Leased assets

At the inception of a contract, the Society assesses whether a contract is, or contains, a lease. To assess whether a contract contains a lease, Society considers whether the contract conveys the right to control or use an identified asset by:

- the contract involves the use of an identified asset either explicitly or implicitly. The asset should be physically distinct or represent substantially all the capacity of the asset. If the supplier has the right of substitution, then the asset is not identified,
- The Society has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Society has the right to direct the use of the asset. The Society has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Right-of-use assets

The Society recognizes a right-of-use asset and corresponding lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Society's incremental borrowing rate. Generally, the Society uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Society changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Policy applicable before 01 January 2019

Leases classified as operating leases under IAS - 17

Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor, were classified as operating leases. Contractual payments under operating lease contracts were charged on a straight line basis to the statement of income and expenditure unless another systematic basis was more representative of the underlying use of such assets.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balance.

3.6 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.

3.7 Taxation

(i) Current

Current provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years which arises from assessments/developments made during the year, if any.

(ii) Deferred

Deferred tax is recognized using balance sheet liability method, providing for temporary differences between the carrying amounts if assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation. The Society recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilized.

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 current and deferred taxation has not been made in these financial statements.

3.8 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 / tuition fee from students is recognised on receipt basis.

3.9 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.

3.10 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.

3.11 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Society becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Society losses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of income and expenditure.

3.12 Financial assets

The Society classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

(i) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in statement of income and expenditure.

(ii) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in statement of income and expenditure in the period in which it arises.

3.13 Financial liabilities

The Society classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Society determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

(i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Society has not designated any financial liability upon recognition as being at fair value through profit or loss.

(ii) Amortized cost

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of income and expenditure, when the liabilities are derecognized as well as through effective interest rate amortization process.

a) Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

b) Impairment of financial assets:

The Society assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Long term and short term deposits
- Receivables from donors
- Balances with banks

c) General approach for deposits and cash and balances with banks

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward-looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognized when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognized without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

d) Simplified approach for receivable from donors

The Society recognizes life time ECL on receivable from donors using the simplified approach. The measurement of ECL reflects:

-an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

-reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

As the Society applies simplified approach in calculating ECLs for receivable from donors the Society does not track changes in credit risk, but instead recognized a loss allowance based on life time ECLs at each reporting date. ECLs on these financial assets are estimated using a provision matrix approach adjusted for forward looking factors specific to the receivable and economic environment.

The Society recognizes an impairment gain or loss in the statement of income and expenditure for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3.14 Offsetting financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Society has a legally enforceable right to set off the recognized amounts and intends to settle on net basis or to realize and settle the liability simultaneously.

3.15 Finance income and finance costs

Finance income comprises profit on saving accounts. Profit on saving accounts is accrued on a time proportion basis.

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

3.16 Fair value of financial instruments

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Board is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

IFRS 13, 'Fair Value Measurements' requires the Board to classify fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

4 EFFECTS OF ADOPTION OF IFRS 16 ON FINANCIAL STATEMENTS

The Society has assessed that the accounting treatment mentioned in IFRS 16 will only apply to its buildings acquired under rental basis and presents right-of-use assets in statement of financial position. The Society has adopted the standard using modified retrospective approach from January 1, 2019, under which the Society has recognized right of use assets and lease liabilities at the date of initial recognition for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Society's incremental borrowing rate at the initial application date. The Society has opted to measure the right of use assets at an amount equal to the lease liabilities adjusted by the amount of prepaid lease rentals. Accordingly, no adjustment to fund has been made in these financial statements on adoption of the new policy and the comparative figures presented for 2018 have not been restated, i.e., it is presented, as previously reported, under IAS 17 and related interpretations. The incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 14.84%.

IFRS 16 requires the Society to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Society has extension options which the Society is reasonably certain to exercise and the periods for which the Society has termination options for which the Society is reasonably certain not to exercise those termination options. The Society has not elected to recognise right-of-use assets and lease liabilities for short-term leases of properties that have a lease term of 12 months or less, leases of low-value assets and leases involving short notice period having insignificant penalty or reallocation cost. The Society recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liabilities and right of use assets recognized are as follows:

	December 31, 2018	Impact of IFRS 16	January 01, 2019
		Rupees	
ASSETS			
NON-CURRENT ASSET			
Right of use asset :			
Present value of future lease payments	-	20,980,069	20,980,069
Prepaid rent reclassified as right of use asset	-	1,212,196	1,212,196
	-	22,192,265	22,192,265
CURRENT ASSETS			
Prepaid rent	1,212,196	(1,212,196)	-
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities	-	18,708,193	18,708,193
CURRENT LIABILITIES			
Current portion of lease liabilities		2,271,876	2,271,876
	-	20,980,069	20,980,069

Lease liabilities	**Rupees**
Operating lease commitments as at December 31, 2018	33,843,924
Discounting effect using incremental borrowing rate	(12,863,855)
Lease liabilities recognized on statement of financial position as at January 1, 2019	20,980,069

5 PROPERTY AND EQUIPMENT

	Freehold land	Leasehold land	Buildings	Vehicles	Furniture and fixtures	Office equipment	Computers	Capital work in progress	Total
				(Rupees)				*(Note 5.2)*	(Rupees)
Cost									
As at 1 January 2018	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
Additions during the year	**-**	**-**	**-**	**2,887,362**	**-**	**-**	**-**	**11,823,532**	**14,710,894**
As at 31 December 2019	**15,891,352**	**7,037,700**	**38,054,688**	**4,586,717**	**1,677,792**	**4,934,026**	**4,115,631**	**19,143,993**	**95,441,899**
Accumulated depreciation									
As at 1 January 2018	-	499,125	19,407,868	1,642,210	737,289	3,304,805	3,444,006	-	29,035,303
Charge for the year	-	70,377	3,135,250	11,429	94,050	325,844	201,488	-	3,838,438
As at 31 December 2018	-	569,502	22,543,118	1,653,639	831,339	3,630,649	3,645,494	-	32,873,741
Charge for the year	**-**	**70,377**	**3,102,314**	**251,207**	**84,645**	**260,735**	**141,041**	**-**	**3,910,319**
As at 31 December 2019	**-**	**639,879**	**25,645,432**	**1,904,846**	**915,984**	**3,891,384**	**3,786,535**	**-**	**36,784,060**
Carrying value as at:									
- 31 December 2019	**15,891,352**	**6,397,821**	**12,409,256**	**2,681,871**	**761,808**	**1,042,642**	**329,096**	**19,143,993**	**58,657,839**
- 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
Depreciation rates (%)		**1%**	**20%**	**20%**	**10%**	**20%**	**30%**		

	Note	2019 (Rupees)	2018 (Rupees)
5.1 Depreciation charge for the year has been allocated as follows:			
General and administration expenses	19	**586,548**	581,050
Program expenses	20	**3,323,771**	3,292,616
		3,910,319	3,873,666
5.2 This includes cost of work in progress for construction of following schools			
DIL secondary school, J-6 Orangi		**11,541,568**	3,802,314
DIL Karachi school campus-1		**7,602,425**	3,518,147
		19,143,993	7,320,461

6 INTANGIBLE ASSET	Note	2019 (Rupees)	2018 (Rupees)
Cost			
As at 1 January 2019		901,700	901,700
Additions during the year		-	-
As at 31 December 2019		901,700	901,700
Accumulated amortization			
As at 1 January 2019		684,365	630,032
Charge for the year	19	43,467	54,333
As at 31 December 2019		727,832	684,365
Written down value as at 31 December 2019		173,868	217,335
Amortisation rate (%)		20%	20%

6.1 Intangible asset includes accounting and HR software

7 RIGHT TO USE ASSET	2019 (Rupees)	2018 (Rupees)
Balance at beginning of the year	-	-
Effect of change in accounting policy due to adoption of IFRS-16	22,192,265	-
Balance at beginning of the year (adjusted)	22,192,265	-
Additions during the year	-	
Depreciation charge to statement income and expenditure	(3,356,645)	-
Balance at end of the year	18,835,620	-
Allocation of depreciation charge to income and expenditure		
- Program expenses	(2,710,860)	-
- General and administrative expenses	(645,785)	-
	(3,356,645)	-

8 LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposit		550,000	-
Subscription fee		123,733	216,533
		673,733	216,533

9 ADVANCES - unsecured			
Considered good			
Advance to projects:			
- Khwendo Kor		-	-
- Indus Resource Center		1,208,289	513,791
		1,208,289	513,791
Mobilization advance	9.1	2,614,223	2,015,312
Advance for expenses		1,529,548	2,084,174
		5,352,060	4,613,277

9.1 This represents advances paid for construction of community schools.

		Note	2019 (Rupees)	2018 (Rupees)
10	**SHORT TERM DEPOSITS AND PREPAYMENTS**			
	Security deposits		**436,000**	1,010,000
	Prepaid insurance		**1,338,975**	1,011,084
	Prepaid rent	8	**62,048**	1,418,398
	Other receivables		-	1,071,577
			1,837,023	4,511,059
	Considered doubtful			
	Less: Loss allowance		-	(1,071,577)
			1,837,023	3,439,482

11 CASH AND BANK BALANCES

	Note	2019 (Rupees)	2018 (Rupees)
Cash in hand		**50,020**	17,646
Cash at bank: saving accounts	11.1	**101,207,048**	67,473,674
		101,257,068	67,491,320

11.1 These carry mark-up rate ranging from 6% to 7% per annum (2018: 5% to 5.7% per annum).

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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12 RESTRICTED FUND / RECEIVABLE FROM DONORS

	Note	DIL USA	DIL Pakistan	DIL UK	Ghazi Farooq	DIL Hong Kong	DIL Canada	Total
		Donors						
		Rupees						
Balance as at December 31, 2019								
Opening balance - receivable from donors		-	-	(4,036,326)	(351,107)	(2,991,474)	(9,908,226)	(17,287,133)
Opening balance - restricted fund		15,002,258	67,239,513	-	-	-	-	82,241,771
Additions:								
Receipt during the year	12.1	234,854,411	61,491,598	20,151,500	4,180,000	8,865,500	4,911,000	334,454,009
Income allocated	12.2	3,005,065	2,861,486	191,291	112,218	179,974	-	6,350,034
		237,859,476	64,353,084	20,342,791	4,292,218	9,045,474	4,911,000	340,804,043
Utilization:								
Expense recognised as income		183,983,836	70,456,971	22,047,896	2,958,702	6,024,899	5,876,827	291,349,131
Capital work-in-process		-	14,710,894	-	-	-	-	14,710,894
		(183,983,836)	(85,167,865)	(22,047,896)	(2,958,702)	(6,024,899)	(5,876,827)	(306,060,025)
Closing balance - receivable from donors		-	-	(5,741,431)	-	-	(10,874,053)	(16,615,484)
Closing balance - restricted fund		68,877,898	46,424,732	-	982,409	29,101	-	116,314,140
Balance as at December 31, 2018								
Opening balance - receivable from donors		-	-	(10,607,033)	-	(2,689,362)	(10,313,796)	(23,610,191)
Opening balance - restricted fund		8,083,511	49,905,590	-	2,096,004	-	-	60,085,104
Additions:								
Receipt during the year		211,564,335	56,295,152	28,077,484	-	7,637,750	4,928,000	308,502,721
Income allocated		1,452,143	1,335,127	108,031	-	27,085	34,176	2,956,562
		213,016,478	57,630,279	28,185,515	-	7,664,835	4,962,176	311,459,283
Utilization:								
Expense recognised as income		206,097,731	31,394,581	21,614,808	2,447,111	7,966,947	4,556,607	274,077,785
Capital work-in-process		-	8,901,774	-	-	-	-	8,901,774
		(206,097,731)	(40,296,355)	(21,614,808)	(2,447,111)	(7,966,947)	(4,556,607)	(282,979,559)
Closing balance - receivable from donors		-	-	(4,036,326)	(351,107)	(2,991,474)	(9,908,227)	(17,287,134)
Closing balance - restricted fund		15,002,258	67,239,514	-	-	-	-	82,241,772

		Note	2019 (Rupees)	2018 (Rupees)
12.1	**Funds received during the year**			
	Related parties			
	Developments in Literacy USA		**234,854,411**	211,551,889
	Developments in Literacy Canada		**9,091,000**	4,928,000
	Developments in Literacy UK		**20,151,500**	29,760,484
	Developments in Literacy HK		**8,865,500**	7,637,750
	Donation Received from Trustee		-	-
	DIL Pakistan			
	Funds raised in Pakistan - Various donors - Chapters		**17,817,853**	22,594,067
	International Rescue Committee		**3,896,900**	-
	Target International		**1,514,295**	1,314,366
	Punjab Education Fund		**15,015,250**	11,650,557
	Food Project Trust		**1,339,750**	1,210,377
	Other donors including zakat		**21,907,550**	17,855,231
			61,491,598	54,624,598
			334,454,009	308,502,721
12.2	**Other income**			
	Income from financial assets			
	Interest income from bank accounts		4,959,789	2,840,321
	Income from non financial assets			
	Liabilities written back		**1,337,357**	-
	Other income		**52,889**	116,342
			6,350,034	2,956,662
13	**DEFERRED GRANT**			
	Opening balance		**48,074,599**	43,065,601
	Add:			
	Cost of property and equipment purchased during the year		**14,710,894**	8,901,774
	Less:			
	Deferred grant recognised as income during the year		**(3,953,786)**	(3,892,776)
	Cost of assets adjusted during the year		-	-
			(3,953,786)	(3,892,776)
			58,831,707	48,074,599
14	**PROGRAM INCOME**			
	School fee income		**10,324,824**	9,612,792
	Less: School running expenses		**(5,919,289)**	(2,837,179)
	School fee income - net		**4,405,535**	6,775,613
15	**LEASE LIABILITY**			
	Balance at beginning of the year		-	-
	Effect of change in accounting policy due to adoption of IFRS-16		**20,980,069**	-
	Balance at beginning of the year (adjusted)		**20,980,069**	-
	Additions during the year		-	-
	Interest expense		2,818,831	-
	Payment during the year		(5,090,707)	-
	As at December 31, 2019		18,708,193	-
	Less: Current portion		(3,018,163)	-
			15,690,030	-

15.1 Lease liability is payable as follows:

	Minimum lease payments	Interest	Present value of minimum lease payments
		Rupees	
Less than one year	5,500,862	(2,482,699)	3,018,163
Between two to five years	18,017,331	(4,675,407)	13,341,924
More than five years	5,235,024	(2,886,918)	2,348,106
	28,753,217	(10,045,024)	18,708,193

15.2 Lease liabilities relates to land and buildings acquired under rental basis. Rented facilities includes society's head office and school.

	2019 (Rupees)	2018 (Rupees)
15.3 Finance cost allocation of charge to statement of income and expenditure		
- Program expenses	2,429,910	-
- General and administrative expenses	388,921	-
	2,818,831	-

16 ACCRUED AND OTHER LIABILITIES

	2019	2018
Payable to projects:		
- Cooperation for Advancement, Rehabilitation and Education	1,717,208	1,526,640
- Khwendo Kor	-	578,274
- Naz Old Boys Welfare Association	3,453,198	3,141,851
- Mukhtara Mai Women Organization	-	141,802
	5,170,406	5,388,567
Accrued expenses	130,204	878,777
Retention money payable	1,010,590	575,268
Audit fee payable	400,000	175,000
Other payables	2,837,455	3,788,363
	9,548,655	10,805,975

17 CONTINGENCIES AND COMMITMENTS

17.1 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/-.

17.2 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.

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

17.4 Operating lease commitments have been accounted for under IFRS 16 (note 4) in the current year (2018: Rs 33,843,924).

DEVELOPMENTS IN LITERACY
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	2019 (Rupees)	2018 (Rupees)
18 GRANTS TO PARTNER ORGANIZATIONS		
Cooperation for Advancement, Rehabilitation and Education	**9,190,568**	10,291,904
Indus Resource Centre	**26,402,137**	24,624,476
Khwendo Kor	**5,125,058**	18,334,147
Naz Old Boys Welfare Association	**15,811,347**	14,741,831
Mukhtara Mai Women Organization	**1,394,895**	5,249,893
	57,924,005	73,242,251

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

	Rupees			
2019	**Management**	**Program**	**Operating**	**Total**
Cooperation for Advancement, Rehabilitation and Education	900,000	7,968,186	322,382	9,190,568
Indus Resource Centre	2,241,900	20,753,214	3,407,023	26,402,137
Khwendo Kor	847,920	3,368,367	908,771	5,125,058
Naz Old Boys Welfare Association	4,769,542	6,361,802	4,680,003	15,811,347
Mukhtara Mai Women Organization	165,812	902,252	326,831	1,394,895
	8,925,174	**39,353,821**	**9,645,010**	**57,924,005**
2018				
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
	9,592,426	47,464,616	16,185,209	73,242,251

	Note	2019 (Rupees)	2018 (Rupees)
19 GENERAL AND ADMINISTRATION EXPENSES			
Salaries and other benefits		**16,409,091**	18,017,641
Office rent and utilities		**425,746**	1,776,202
Printing and stationary		**25,574**	22,222
Vehicle running expenses		**94,986**	120,246
Communication and postage		**119,083**	130,077
Office expenses		**296,301**	305,428
Vehicle insurance		**81,135**	62,340
Bank charges		**238,289**	110,067
Audit fee		**225,000**	175,000
Fund raising expenses	19.1	**2,913,960**	3,367,275
Depreciation	5.1 & 7	**1,232,333**	575,766
Amortization	6	**43,467**	54,333
Legal and professional charges		**677,607**	991,253
Software maintenance		**57,418**	109,578
Travel and meeting expenses		**133,044**	43,296
Miscellaneous		**354,006**	216,165
Finance cost - on finance lease		**388,921**	-
Advances written-off		**760,909**	1,629,853
		24,476,871	27,706,742

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

20	PROGRAM EXPENSES	Note	2019 (Rupees)	2018 (Rupees)
	Salaries and other benefits		43,167,682	47,497,702
	Staff health insurance		1,231,173	1,264,307
	Monitoring and evaluation expenses		1,478,763	1,454,719
	Curriculum development		2,719,245	1,781,267
	Training / capacity building		12,308,284	9,954,994
	Library establishment		2,061,907	7,018,014
	Computer laboratory		3,387,903	3,374,122
	Gateway		1,718,568	1,310,107
	Technology enabled & active learning		1,250,728	2,012,958
	IT Skills activities		564,429	432,456
	Program development		74,441	620,204
	Printing and stationary		46,437	40,349
	Vehicle running expenses		417,711	528,789
	Travel and meetings expenses		860,449	280,011
	Communication and postage		504,019	550,549
	Office repairs		298,655	108,223
	Office rent and utilities		985,348	4,110,844
	Vehicle insurance		32,182	24,727
	Depreciation	5.1 & 7	6,034,631	3,262,677
	Office supplies		394,741	416,356
	Bank charges		579,378	267,619
	Finance cost - on finance lease		2,429,910	-
	Miscellaneous		232,332	141,866
			82,778,915	86,452,860

21	PROJECT EXPENSES	Note	2019 (Rupees)	2018 (Rupees)
	Islamabad Capital Territory Schools	21.1	12,168,053	11,237,491
	Orangi Schools	21.2	39,315,873	33,785,415
	Kala Shah Kaku School	21.3	3,598,469	3,246,578
	Mansehra Community School Project	21.4	6,044,396	5,673,762
	Rawalpindi Rural School Program	21.5	32,910,962	28,437,232
	Punjab Education Fund	21.6	16,152,662	14,963,843
	Federal Directorate of Education	21.7	800,117	-
	TEACH - International Rescue Committee	21.8	8,228,323	-
	DIR Schools Projects	21.9	15,309,806	-
			134,528,661	97,344,321

21.1	Islamabad Capital Territory Schools	2019	2018
	Salaries and other benefits	11,082,106	9,814,725
	Direct project expenses	28,946	26,899
	Library establishment	272,785	733,093
	Computer laboratory	407,664	226,011
	Others	376,552	436,763
		12,168,053	11,237,491

		Note	2019 (Rupees)	2018 (Rupees)
21.2	**Orangi Schools**			
	Salaries and other benefits		33,687,150	28,093,632
	Direct project expenses	21.10	2,717,790	2,871,867
	Library establishment		718,266	1,048,905
	Computer laboratory		857,483	514,599
	Others		1,335,184	1,256,412
			39,315,873	33,785,415
21.3	**Kala Shah Kaku School**			
	Salaries and other benefits		2,847,152	2,548,339
	Direct project expenses	21.10	242,799	218,079
	Library establishment		255,270	191,625
	Computer laboratory		58,636	8,393
	Others		194,612	280,142
			3,598,469	3,246,578
21.4	**Mansehra Community School Project**			
	Salaries and other benefits		5,011,345	4,049,736
	Direct project expenses	21.10	66,039	896,753
	Library establishment		435,525	193,460
	Computer laboratory		95,359	95,151
	Others		436,128	438,662
			6,044,396	5,673,762
21.5	**Rawalpindi Rural School Program**			
	Salaries and other benefits		26,844,375	22,752,917
	Direct project expenses	21.10	3,269,373	2,746,414
	Library establishment		892,340	1,524,708
	Computer laboratory		867,123	426,940
	Others		1,037,751	986,253
			32,910,962	28,437,232
21.6	**Punjab Education Foundation**			
	Salaries and other benefits		14,173,566	12,459,798
	Direct project expenses	21.10	488,441	235,287
	Library establishment		-	294,100
	Computer laboratory		406,863	429,049
	Others		1,083,792	1,545,609
			16,152,662	14,963,843
21.7	**Federal Directorate of Education**			
	Salaries and other benefits		127,065	-
	Others		673,052	-
			800,117	-
21.8	**TEACH - International Rescue Committee**			
	Salaries and other benefits		7,306,294	-
	Direct project expenses	21.10	230,060	-
	Computer laboratory		281,288	-
	Others		410,681	-
			8,228,323	-

	Note	2019 (Rupees)	2018 (Rupees)
21.9 DIR School Project			
Salaries and other benefits		13,471,345	-
Direct project expenses	21.10	1,054,849	-
Others		783,612	-
		15,309,806	-

21.10 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.

22 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.

22.1 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 and receivable from donors. 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:

	2019 (Rupees)	2018 (Rupees)
Long term deposit	550,000	-
Short term deposits	436,000	1,010,000
Receivable from donors	16,615,484	17,287,134
Bank balances	101,207,048	67,473,674
	118,808,532	85,770,808

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. 101.207 million (2018: Rs. 67.473 million) was receivable. Based on past experience, the management believes that no impairment allowance is necessary in respect of its financial assets.

22.2 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	Within one year	One to five years	Over five year
	(Rupees)			
- 2019				
Lease liabilities	**18,708,193**	**3,018,163**	15,690,030	-
Accrued and other liabilities	**9,548,655**	**9,548,655**	-	-
	28,256,848	**12,566,818**	15,690,030	-
- 2018				
Accrued and other liabilities	10,805,975	(10,805,975)	-	-

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

22.3 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:

	2019 (Rupees)	2018 (Rupees)
Fixed rate instruments		
Saving bank accounts	**101,207,048**	67,473,674

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.

23 DETERMINATION OF FAIR VALUE

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 of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	2019		2018	
	Rupees			
	Carrying value	Fair value	Carrying value	Fair value
Assets carried at amortised cost				
Long term deposit	**550,000**	**550,000**	-	-
Security deposits	**436,000**	**436,000**	1,010,000	1,010,000
Receivable from donors	**16,615,484**	**16,615,484**	17,287,134	17,287,134
Cash and cash equivalents	**101,257,068**	**101,257,068**	67,491,320	67,491,320
Liabilities carried at amortised cost				
Lease liability	**18,708,193**	**18,708,193**	-	
Accrued and other liabilities	**9,548,655**	**9,548,655**	10,805,975	10,805,975

24 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:

	2019 (Rupees)	2018 (Rupees)
Remuneration of key management personnel	**4,057,956**	3,770,460
Funds received during the year from affiliates	**334,454,009**	308,502,721

25 RECLASSIFICATION IN COMPARATIVE FIGURES

Receivable from donors amounting Rs. 17,287,134 have been reclassified from restricted fund to receivable from donor for better presentation and comparison.

26 GENERAL

Figures have been rounded off to the nearest Rupee.

27 EVENTS AFTER REPORTING DATE

On March 11, 2020 the World Health Organization (WHO) officially declared COVID-19, the disease caused by a novel coronavirus, a pandemic. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses locally and worldwide, resulting in an economic slowdown. The Society has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of Government response remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Society for future periods.

28 DATE OF APPROVAL

These financial statements were approved by the Board of Trustees of the Society in their meeting held on March 12, 2021.

Naneen Iqbal

Trustee

Trustee