

**Development in Literacy
Financial Statements
for the year ended
December 31, 2020**

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, 2020, 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, 2020 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.



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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

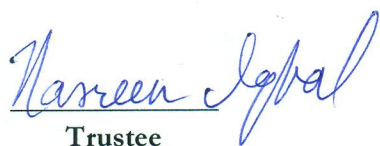
Islamabad

June 18, 2021

DEVELOPMENTS IN LITERACY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	2020 (Rupees)	2019 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	4	62,915,633	58,657,839
Intangible asset	5	139,094	173,868
Right of use asset	6	14,154,813	18,835,620
Long term deposits and prepayments	7	1,215,341	673,733
		<u>78,424,881</u>	<u>78,341,060</u>
CURRENT ASSETS			
Advances - unsecured, considered good	8	1,250,607	5,352,060
Short term deposits, prepayments and other receivables	9	1,640,324	1,837,023
Receivable from donors	11	19,823,740	16,615,484
Cash and bank balances	10	91,599,475	101,257,068
		<u>114,314,146</u>	<u>125,061,635</u>
TOTAL ASSETS		<u><u>192,739,027</u></u>	<u><u>203,402,695</u></u>
FUND			
Restricted fund/grants	11	107,155,944	116,314,140
NON CURRENT LIABILITIES			
Deferred capital grant	12	63,054,727	58,831,707
Lease liability	14	12,901,131	15,690,030
		<u>75,955,858</u>	<u>74,521,737</u>
CURRENT LIABILITIES			
Current portion of lease liability	14	3,686,675	3,018,163
Accrued and other liabilities	15	5,940,550	9,548,655
		<u>9,627,225</u>	<u>12,566,818</u>
TOTAL LIABILITIES		<u>85,583,083</u>	<u>87,088,555</u>
TOTAL LIABILITIES AND FUND		<u><u>192,739,027</u></u>	<u><u>203,402,695</u></u>
CONTINGENCIES AND COMMITMENTS			
	16		

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

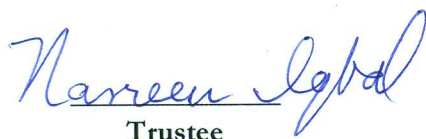

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**DEVELOPMENTS IN LITERACY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Note	2020 (Rupees)	2019 (Rupees)
INCOME			
Grant income recognized			
- Education and other program activities	11	272,758,062	291,349,131
Amortization of deffered capital grant	12	5,216,159	3,953,786
School fee income	13	7,866,940	4,405,535
		<u>285,841,161</u>	<u>299,708,452</u>
EXPENDITURE			
Program expenses	17	262,731,334	275,231,581
General and administration expenses	18	23,109,827	24,476,871
		<u>(285,841,161)</u>	<u>(299,708,452)</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.

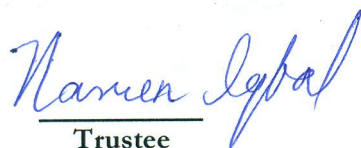

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**DEVELOPMENTS IN LITERACY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Note	2020 (Rupees)	2019 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Excess of income over expenditure		-	-
Adjustments for:			
- Restricted grant recognised as income	11	(272,758,062)	(291,349,131)
- Deferred capital grant recognised as income	12	(5,216,159)	(3,953,786)
- Depreciation on fixed assets	4	5,181,385	3,910,319
- Amortization	5	34,774	43,467
- Depreciation on right of use asset	6	4,680,807	3,356,645
- Finance cost - interest on lease liability	14	1,966,570	2,818,831
		<u>(266,110,685)</u>	<u>(285,173,655)</u>
Changes in:			
- Advances		4,101,453	(738,783)
- Short term deposits and prepayments		196,699	390,264
- Long term deposits and prepayments		(541,608)	(457,200)
- Accrued and other liabilities		<u>(3,608,105)</u>	<u>(1,257,320)</u>
Cash generated from / (used in) operating activities		148,439	(2,063,039)
Grant received during the year		265,299,875	335,844,254
Interest received during the year		<u>4,530,913</u>	<u>4,959,789</u>
Net cash generated from operating activities		3,868,542	53,567,349
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure - property and equipment		<u>(9,439,179)</u>	<u>(14,710,894)</u>
Net cash used in investing activities		(9,439,179)	(14,710,894)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability	14	<u>(4,086,957)</u>	<u>(5,090,707)</u>
Net cash used in financing activities		(4,086,957)	(5,090,707)
Net (decrease)/increase in cash and cash equivalents		<u>(9,657,594)</u>	<u>33,765,748</u>
Cash and cash equivalents at beginning of the year		101,257,068	67,491,320
Cash and cash equivalents at end of the year	10	<u><u>91,599,475</u></u>	<u><u>101,257,068</u></u>

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


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**DEVELOPMENTS IN LITERACY
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Note	Restricted fund/grant
Balance as at January 01, 2019		82,241,771
Restricted funds received during the year	11	340,804,043
Transferred to statement of income and expenditure	11	(291,349,130)
Transferred to deferred capital grant	11	(14,710,894)
Change in recievable from donors during the year	11	(671,650)
Balance as at December 31, 2019		<u>116,314,140</u>
Restricted funds received during the year	11	269,830,788
Transferred to statement of income and expenditure	11	(272,758,062)
Transferred to deferred capital grant	11	(9,439,179)
Change in recievable from donors during the year	11	3,208,257
Balance as at December 31, 2020		<u><u>107,155,944</u></u>

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


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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 been granted with registration with EAD on april 09, 2020 and same is valid upto april 08, 2022.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. Approved accounting 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 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 / amortization of operating fixed assets (note 4 & 5)
- b) Contingencies and commitments (note 16)
- c) Right-of-use assets and corresponding lease liability (note 6 & 14)

2.5 Application of new standards, amendments and interpretations to the published approved accounting and reporting standards

2.5.1 Standards and interpretations that became effective during the year

There are certain standards amendments and interpretations that are mandatory for accounting periods beginning January 01, 2020 and are considered not to be relevant or do not have any significant effect on the Society's financial statements and are therefore not stated in these financial statement.

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

Standard, Interpretation or Amendment		Effective date (annual periods beginning on or after)
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2 - Amendments	January 01, 2021
IFRS 3	Reference to conceptual framework — (Amendments)	January 01, 2022
IAS 16	Property, plant and equipment: Proceeds before intended use — (Amendments)	January 01, 2022
IAS 37	Onerous contracts - costs of fulfilling a contract — (Amendments)	January 01, 2022
AIP IFRS 1	First-time Adoption of International Financial Reporting Standards — Subsidiary as a first-time adopter	January 01, 2022
AIP IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
AIP IAS 41	Agriculture — Taxation in fair value measurements	January 01, 2022
IAS 1	Classification of liabilities as current or non-current — (Amendments)	January 01, 2023
IFRS10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments)	January 01, 2023

The Society expects that the new standards will not have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2021.

The Society expects that such improvements to the standards will not have any material impact on the Society's financial statements.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan;

		Effective date (annual periods beginning on or after)
IFRS 1	First Time Adoption of IFRS	July 01, 2009
IFRS 17	Insurance Contracts	January 01, 2023

The Society expects that above mentioned standards will not have any material impact on the Society's financial statements in the period of initial application.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 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 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 5 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

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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.

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balance.

3.6 Restricted grants

Grant received for specific purpose or imposes specified future performance, and bank interest thereon, are classified as restricted grants. Income from such grants is recognized, to the extent actual expenditure incurred against there. Expenditure against grants committed but not received is accrued and recognized as income, and is reflected as "Receivable from donors" when there is reasonable assurance that the Society will comply with the conditions attaching to such grants and the grants will be received. The unspent portion of such grants is reflected as "restricted grant" in the statement of financial position.

3.7 Deferred capital grants

Grants related to property and equipment and intangible asset are accounted for by setting up the grants as deferred capital grant. These grants are recognized as income on a systematic basis over the useful life of the related property and equipment and intangible asset.

3.8 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.

3.9 Income recognition

Grant is recognized as income over such period as is necessary to match it with the related expenditure, on a systemic basis. Donations received for school support are deferred and recognized as income on a systematic basis to match them with the related costs that they are intended to compensate.

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

3.10 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.

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3.11 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.

3.12 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 loses 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.

3.13 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.

3.14 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.

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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:

- Loans, advances, deposits and prepayments
- Receivable from donors
- Cash and bank balances

c) General approach for loans, advances and deposits and cash and bank balances

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 receivables from donors

The Society recognizes life time ECL on trade debts and contract assets, 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 advances, short term deposits and other receivables 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 debtors 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, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

3.15 Finance income and finance costs

Finance income comprises profit on saving accounts which is recognised 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.

DEVELOPMENTS IN LITERACY
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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). *JK*

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 January 1, 2019	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
Transfers to/ (from) CWIP	-	-	-	-	-	-	-	-	-
As at December 31, 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
Additions during the year	-	-	-	-	-	-	-	9,439,179	9,439,179
Transfers to/ (from) CWIP	-	-	28,583,172	-	-	-	-	(28,583,172)	-
As at December 31, 2020	15,891,352	7,037,700	66,637,860	4,586,717	1,677,792	4,934,026	4,115,631	-	104,881,078
Accumulated depreciation									
As at January 1, 2019	-	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 December 31, 2019	-	639,879	25,645,432	1,904,846	915,984	3,891,384	3,786,535	-	36,784,060
Charge for the year	-	63,978	4,197,595	536,374	76,181	208,528	98,729	-	5,181,385
As at December 31, 2020	-	703,857	29,843,027	2,441,220	992,165	4,099,912	3,885,264	-	41,965,445
Carrying value as at:									
- December 31, 2020	15,891,352	6,333,843	36,794,833	2,145,497	685,627	834,114	230,367	-	62,915,633
- December 31, 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
Depreciation rates (%)		1%	20%	20%	10%	20%	30%		
4.1 Depreciation charge for the year has been allocated as follows:									
Program expenses						Note	2020 (Rupees)	2019 (Rupees)	
						17	4,404,177	3,323,771	
General and administration expenses						18	777,208	586,548	
							5,181,385	3,910,319	
4.2 This includes cost of work in progress for construction of following schools									
DIL secondary school, J-6 Orangi							16,445,147	11,541,568	
DIL Karachi school campus-1							12,138,025	7,602,425	
							28,583,172	19,143,993	

DEVELOPMENTS IN LITERACY
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FOR THE YEAR ENDED DECEMBER 31, 2020

		2020 (Rupees)	2019 (Rupees)
5 INTANGIBLE ASSET	Note		
Cost			
Balance at beginning of the year		901,700	901,700
Additions during the year		-	-
Balance at end of the year		901,700	901,700
Accumulated amortization			
Balance at beginning of the year		727,832	684,365
Charge for the year	18	34,774	43,467
Balance at end of the year		762,606	727,832
Written down value at end of the year		139,094	173,868
Amortisation rate (%)		20%	20%
5.1 Intangible asset includes Accounting and HR software.			
6 RIGHT TO USE ASSET			
Balance at beginning of the year		18,835,620	22,192,265
Additions during the year		-	-
Depreciation charge to statement income and expenditure		(4,680,807)	(3,356,645)
Balance at end of the year		14,154,813	18,835,620
Allocation of depreciation charge to income and expenditure			
- Program expenses		(3,978,686)	(2,710,860)
- General and administrative expenses		(702,121)	(645,785)
		(4,680,807)	(3,356,645)
7 LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposit		650,000	550,000
Subscription fee		565,341	123,733
		1,215,341	673,733
8 ADVANCES - unsecured	Note		
Considered good			
Advance to projects:			
- CARE		204,466	-
- Indus Resource Center		136,028	1,208,289
		340,494	1,208,289
Mobilization advance	8.1	303,059	2,614,223
Advance for expenses		607,054	1,529,548
		1,250,607	5,352,060
8.1 This represents advances paid for repairs and maintainance/construction of community schools.			
9 SHORT TERM DEPOSITS AND PREPAYMENTS			
Security deposits		336,000	436,000
Prepaid insurance		1,304,324	1,338,975
Prepaid rent		-	62,048
		1,640,324	1,837,023
10 CASH AND BANK BALANCES	Note		
Cash in hand		62,313	50,020
Cash at bank in:			
Saving accounts	10.1	91,213,165	92,975,903
Current accounts		323,997	8,231,145
		91,599,475	101,257,068

10.1 These carry mark-up rate ranging from 5.5% to 6.5% per annum (2019: 6% to 7% per annum). *JK*

DEVELOPMENTS IN LITERACY
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11 RESTRICTED FUND/GRANT / RECEIVABLE FROM DONORS

	Note	DIL USA	DIL UK	Ghazi Farooq	DIL Hong Kong	DIL Canada	Local Chapters	Total
	 Rupees		
Balance as at December 31, 2020								
Restricted fund - opening balance		68,877,898	-	982,409	29,101	-	46,424,733	116,314,141
Receivable from donors - opening balance		-	5,741,431	-	-	10,874,053	-	16,615,484
Additions:								
Receipt during the year	11.1	169,045,410	21,361,955	4,991,800	2,454,000	2,340,000	65,106,710	265,299,875
Income allocated	11.2	3,033,194	119,402	115,019	73,855	-	1,189,443	4,530,913
		172,078,604	21,481,357	5,106,819	2,527,855	2,340,000	66,296,153	269,830,788
Utilization:								
Expense charged		156,820,546	21,817,446	2,988,142	3,208,393	4,560,730	83,362,805	272,758,062
Transfer to deffered capital grant		-	-	-	-	-	9,439,179	9,439,179
		156,820,546	21,817,446	2,988,142	3,208,393	4,560,730	92,801,984	282,197,241
Restricted fund - closing balance		84,135,956	-	3,101,086	-	-	19,918,902	107,155,944
Receivable from donors - closing balance		-	6,077,520	-	651,437	13,094,783	-	19,823,740
Balance as at December 31, 2019								
Restricted fund - opening balance		15,002,258	-	-	-	-	67,239,514	82,241,772
Receivable from donors - opening balance		-	4,036,326	351,107	2,991,474	9,908,227	-	17,287,134
Additions:								
Receipt during the year		234,854,411	20,151,500	4,180,000	8,865,500	4,911,000	61,491,598	334,454,009
Income allocated		3,005,065	191,291	112,218	179,974	-	2,861,486	6,350,034
		237,859,476	20,342,791	4,292,218	9,045,474	4,911,000	64,353,084	340,804,043
Utilization:								
Expense charged		183,983,836	22,047,896	2,958,702	6,024,899	5,876,826	70,456,971	291,349,130
Transfer to deffered capital grant		-	-	-	-	-	14,710,894	14,710,894
		183,983,836	22,047,896	2,958,702	6,024,899	5,876,826	85,167,865	(306,060,024)
Restricted fund - closing balance		68,877,898	-	982,409	29,101	-	46,424,733	116,314,141
Receivable from donors - closing balance		-	5,741,431	-	-	10,874,053	-	16,615,484

DEVELOPMENTS IN LITERACY
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	Note	2020 (Rupees)	2019 (Rupees)
11.1 Funds received during the year from:			
Related parties			
Developments in Literacy USA		169,045,410	234,854,411
Developments in Literacy Canada		7,331,800	9,091,000
Developments in Literacy UK		21,361,955	20,151,500
Developments in Literacy HK		2,454,000	8,865,500
Local chapters/institutional donors			
Various donors including zakat		39,146,317	39,725,403
International Rescue Committee		10,815,434	3,896,900
Target International		1,578,082	1,514,295
Punjab Education Fund		11,810,543	15,015,250
Food Project Trust		1,756,334	1,339,750
		65,106,710	61,491,598
		265,299,875	334,454,009
11.2 Other income			
Income from financial assets			
Interest income from bank accounts		4,530,913	4,959,789
Income from non financial assets			
Liabilities written back		-	1,337,357
Other income		-	52,889
		4,530,913	6,350,034
12 DEFERRED CAPITAL GRANT			
Opening balance		58,831,707	48,074,599
Cost of property and equipment purchased during the year		9,439,179	14,710,894
Deferred grant recognised as income during the year	4 & 5	(5,216,159)	(3,953,786)
		63,054,727	58,831,707
13 SCHOOL FEE INCOME			
School fees		11,332,995	10,324,824
School running expenses		(3,466,055)	(5,919,289)
School fees income - net		7,866,940	4,405,535
14 LEASE LIABILITY			
Balance at beginning of the year		18,708,193	20,980,069
Additions during the year		-	-
Interest expense		1,966,570	2,818,831
Payment during the year		(4,086,957)	(5,090,707)
As at December 31, 2020		16,587,806	18,708,193
Less: Current portion		(3,686,675)	(3,018,163)
		12,901,131	15,690,030

DEVELOPMENTS IN LITERACY
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14.1 Lease liability is payable as follows:

	Minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	5,831,012	(2,144,337)	3,686,675
Between two to five years	13,600,224	(3,047,199)	10,553,025
More than five years	5,235,024	(2,886,918)	2,348,106
	24,666,260	(8,078,454)	16,587,806

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

14.3 Finance cost allocation of charge to statement of income and expenditure

	2020 (Rupees)	2019 (Rupees)
- Program expenses	1,671,585	2,429,910
- General and administrative expenses	294,986	388,921
	1,966,571	2,818,831

15 ACCRUED AND OTHER LIABILITIES

Payable to projects:

- Cooperation for Advancement, Rehabilitation and Education	-	1,717,208
- Naz Old Boys Welfare Association	2,947,244	3,453,198
	2,947,244	5,170,406

Accrued expenses	505,558	130,204
Retention money payable	841,286	1,010,590
Audit fee payable	575,000	400,000
Other payables	1,071,462	2,837,455
	5,940,550	9,548,655

16 CONTINGENCIES AND COMMITMENTS

16.1 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. The case was filed by Pervaiz Ahmed on the subject property fraudulently claiming to be the owner and knowingly suppressed material facts (we were not a party to the proceedings) from the Court. As a result, he obtained ex-parte Judgement and decree. On the basis of such decree, he filed an execution application which was also allowed ex-parte. The Society 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. After several hearing and proceedings of the court, the decision came in favor of DIL that it has lawful ownership of the land and the case submitted against DIL was not good at law. Now DIL will approach the concerned police station, who will assist us in taking over the peaceful possession of the Subject Property.

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

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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17	PROGRAM EXPENSES	Note	2020 (Rupees)	2019 (Rupees)
	School expenditures	17.1	139,573,140	134,528,661
	Program expenses by Partner Organisations	17.2	47,176,619	57,924,005
	Other program expenses	17.3	75,981,575	82,778,915
			<u>262,731,334</u>	<u>275,231,581</u>
17.1	School projects expenses			
	Islamabad Capital Territory Schools	17.1.1	9,188,049	12,168,053
	Orangi Schools	17.1.2	40,335,169	39,315,873
	Kala Shah Kaku School	17.1.3	3,654,699	3,598,469
	Mansehra Community School	17.1.4	5,495,296	6,044,396
	Rawalpindi Rural School	17.1.5	33,869,088	32,910,962
	Punjab Education Fund	17.1.6	16,747,835	16,152,662
	Federal Directorate of Education	17.1.7	5,332,768	800,117
	TEACH - International Rescue Committee	17.1.8	13,515,817	8,228,323
	Dir School	17.1.9	11,434,419	15,309,806
			<u>139,573,140</u>	<u>134,528,661</u>
17.1.1	Islamabad Capital Territory Schools			
	Salaries and other benefits		8,522,360	11,082,106
	Direct project expenses	17.1.10	19,744	28,946
	Library establishment		397,575	272,785
	Computer laboratory		62,866	407,664
	Others		185,504	376,552
			<u>9,188,049</u>	<u>12,168,053</u>
17.1.2	Orangi Schools			
	Salaries and other benefits		36,387,364	33,687,150
	Direct project expenses	17.1.10	2,756,891	2,717,790
	Library establishment		105,150	718,266
	Computer laboratory		321,990	857,483
	Others		763,774	1,335,184
			<u>40,335,169</u>	<u>39,315,873</u>
17.1.3	Kala Shah Kaku School			
	Salaries and other benefits		3,486,168	2,847,152
	Direct project expenses	17.1.10	133,043	242,799
	Library establishment		-	255,270
	Computer laboratory		-	58,636
	Others		35,488	194,612
			<u>3,654,699</u>	<u>3,598,469</u>
17.1.4	Mansehra Community School			
	Salaries and other benefits		4,890,873	5,011,345
	Direct project expenses	17.1.10	320,250	66,039
	Library establishment		-	435,525
	Computer laboratory		-	95,359
	Others		284,173	436,128
			<u>5,495,296</u>	<u>6,044,396</u>

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DEVELOPMENTS IN LITERACY
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		2020	2019
	Note	(Rupees)	(Rupees)
17.1.5 Rawalpindi Rural School			
Salaries and other benefits		29,573,230	26,844,375
Direct project expenses	17.1.10	2,798,190	3,269,373
Library establishment		911,280	892,340
Computer laboratory		86,341	867,123
Others		500,047	1,037,751
		<u>33,869,088</u>	<u>32,910,962</u>
17.1.6 Punjab Education Foundation			
Salaries and other benefits		15,763,799	14,173,566
Direct project expenses	17.1.10	522,917	488,441
Library establishment		-	-
Computer laboratory		96,029	406,863
Others		365,090	1,083,792
		<u>16,747,835</u>	<u>16,152,662</u>
17.1.7 Federal Directorate of Education			
Salaries and other benefits		1,675,556	127,065
Others		3,657,212	673,052
		<u>5,332,768</u>	<u>800,117</u>
17.1.8 TEACH - International Rescue Committee			
Salaries and other benefits		7,235,002	7,306,294
Direct project expenses	17.1.10	839,163	230,060
Library establishment		35,745	-
Computer laboratory		-	281,288
Others		5,405,907	410,681
		<u>13,515,817</u>	<u>8,228,323</u>
17.1.9 Dir School			
Salaries and other benefits		10,480,427	13,471,345
Direct project expenses	17.1.10	695,572	1,054,849
Others		258,420	783,612
		<u>11,434,419</u>	<u>15,309,806</u>
17.1.10	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.		
17.2 Program expenses by Partner Organisations			
	Note	2020	2019
		(Rupees)	(Rupees)
Cooperation for Advancement, Rehabilitation and Education		8,699,355	9,190,568
Indus Resource Centre		26,042,249	26,402,137
Khwendo Kor		-	5,125,058
Naz Old Boys Welfare Association		12,435,015	15,811,347
Mukhtara Mai Women Organization		-	1,394,895
	17.2.1	<u>47,176,619</u>	<u>57,924,005</u>

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

17.2.1 Breakup of program expenses by Partner Organisations:

2020	(Rupees)			Total
	Management	Program	Operating	
Cooperation for Advancement, Rehabilitation and Education	1,021,053	7,612,042	66,260	8,699,355
Indus Resource Centre	2,371,595	22,063,193	1,607,461	26,042,249
Khwendo Kor	-	-	-	-
Naz Old Boys Welfare Association	5,177,504	5,024,952	2,232,559	12,435,015
Mukhtara Mai Women Organization	-	-	-	-
	8,570,152	34,700,187	3,906,280	47,176,619

2019

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

17.3 Other program expenses

	Note	2020 (Rupees)	2019 (Rupees)
Salaries and other benefits		46,340,632	43,167,682
Staff health insurance		2,186,004	1,231,173
Monitoring and evaluation expenses		27,054	1,478,763
Curriculum development		560,177	2,719,245
Training / capacity building		4,248,119	12,872,713
Library establishment		277,970	2,061,907
Computer laboratory		385,095	3,387,903
Gateway		3,041,106	1,718,568
Technology enabled & active learning		1,308,640	1,250,728
Program development/fundraising		3,843,976	74,441
Office expenses		1,044,343	1,243,852
Vehicle running expenses		347,398	417,711
Travel and meetings expenses		196,049	860,449
Office utilities		258,773	985,348
Vehicle insurance		41,956	32,182
Depreciation	5.1 & 7	8,382,863	6,034,631
Bank charges		1,668,055	579,378
Finance cost - on finance lease	14	1,671,585	2,429,910
Miscellaneous		151,780	232,332
		75,981,575	82,778,915

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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18 GENERAL AND ADMINISTRATION EXPENSES	Note	2020 (Rupees)	2019 (Rupees)
Salaries and other benefits		17,972,921	16,409,091
Office utilities		111,809	425,746
Printing and stationary		40,870	25,574
Vehicle running expenses		78,998	94,986
Communication and postage		106,958	119,083
Office expenses		333,949	296,301
Vehicle insurance		105,776	81,135
Bank charges		686,044	238,289
Audit fee		350,000	225,000
Fund raising expenses		-	2,913,960
Depreciation	5.1 & 7	1,479,329	1,232,333
Amortization	5	34,774	43,467
Legal and professional charges		1,030,353	677,607
Software maintenance		221,478	57,418
Travel and meeting expenses		30,314	133,044
Miscellaneous		231,270	354,006
Finance cost - on finance lease	14	294,986	388,921
Advances written-off		-	760,909
		23,109,827	24,476,871

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:

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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	2020 (Rupees)	2019 (Rupees)
Long term deposit	650,000	550,000
Short term deposits	336,000	436,000
Receivable from donors	19,823,740	16,615,484
Bank balances	91,213,165	101,207,048
	<u>112,022,905</u>	<u>118,808,532</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 a Bank from whom Rs. 91.213 million (2019: Rs. 101.207 million) was receivable and receivable from donors who are international funding counterparts of the Society having intention to fund the education program in Pakistan. Based on past experience, the management believes that no impairment allowance is necessary in respect of its financial assets.

19.2 Liquidity risk


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

The following are the contractual maturities of financial liabilities:

	Carrying amount	Within one year	One to five years	Over five year
	----- (Rupees) -----			
Accrued and other liabilities				
- 2020				
Lease liabilities	16,587,806	3,686,675	10,553,025	2,348,106
Accrued and other liabilities	5,940,550	5,940,550	-	-
	<u>22,528,356</u>	<u>9,627,225</u>	<u>10,553,025</u>	<u>2,348,106</u>
- 2019				
Lease liabilities	18,708,193	3,018,163	13,341,924	2,348,106
Accrued and other liabilities	9,548,655	9,548,655	-	-
	<u>28,256,848</u>	<u>12,566,818</u>	<u>13,341,924</u>	<u>2,348,106</u>

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.

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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:

	2020 (Rupees)	2019 (Rupees)
Saving bank accounts	<u>91,213,165</u>	<u>92,975,903</u>

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.

20 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.

	2020		2019	
	-----Rupees-----			
	Carrying value	Fair value	Carrying value	Fair value
Assets carried at amortised cost				
Long term deposit	650,000	650,000	550,000	550,000
Security deposits	336,000	336,000	436,000	436,000
Receivable from donors	19,823,740	19,823,740	16,615,484	16,615,484
Cash and cash equivalents	91,599,475	91,599,475	101,257,068	101,257,068
Liabilities carried at amortised cost				
Lease liability	16,587,806	16,587,806	18,708,193	18,708,193
Accrued and other liabilities	5,940,550	5,940,550	9,548,655	9,548,655

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:

	Note	2020 (Rupees)	2019 (Rupees)
Remuneration of key management personnel		4,572,624	4,057,956
Funds received during the year from affiliates	11	265,299,875	334,454,009

22 IMPACT OF COVID-19 (CORONA VIRUS)


A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. Due to this, management has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on the financial statements.

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23 GENERAL

- Figures have been rounded off to the nearest one thousand Pak Rupees unless otherwise stated.
- Comparative figures wherever necessary has been reclassified and rearranged for fair presentation.
- These financial statements were approved by the Board of Trustees of the Society in their meeting held on 18 JUN 2021


Trustee


Trustee