

**DEVELOPMENTS IN LITERACY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
DECEMBER 31, 2021**

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**Grant Thornton Anjum  
Rahman**

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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, 2021, 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, 2021 and its financial performance and its cash flows for the year then ended in accordance with 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 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 Statements

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

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

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

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



Grant Thornton Anjum Rahman

Chartered Accountants

Engagement Partner: Waqas Waris

Islamabad

Date: June 15, 2022



**DEVELOPMENTS IN LITERACY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

	Note	2021 (Rupees)	2020 (Rupees)
<b>NON-CURRENT ASSETS</b>			
Property and equipment	4	64,214,342	62,915,633
Intangible asset	5	111,275	139,094
Right of use asset	6	9,559,627	14,154,813
Long term deposits and prepayments	7	1,061,911	1,215,341
		<u>74,947,155</u>	<u>78,424,881</u>
<b>CURRENT ASSETS</b>			
Advances - unsecured, considered good	8	5,117,563	1,250,607
Short term deposits and prepayments	9	1,756,784	1,640,324
Receivable from donor	10	15,944,763	19,823,740
Cash and bank balances	11	147,793,198	91,599,475
		<u>170,612,308</u>	<u>114,314,146</u>
<b>TOTAL ASSETS</b>		<u><u>245,559,463</u></u>	<u><u>192,739,027</u></u>
<b>FUND</b>			
Restricted fund/grants	10	159,152,469	107,155,944
<b>NON CURRENT LIABILITIES</b>			
Deferred grant	12	64,325,617	63,054,727
Lease liability	13	7,448,863	12,901,131
		<u>71,774,480</u>	<u>75,955,858</u>
<b>CURRENT LIABILITIES</b>			
Current portion of lease liability	13	5,258,670	3,686,675
Accrued and other liabilities	14	9,373,844	5,940,550
		<u>14,632,514</u>	<u>9,627,225</u>
<b>TOTAL LIABILITIES</b>		<u>86,406,994</u>	<u>85,583,083</u>
<b>TOTAL LIABILITIES AND FUND</b>		<u><u>245,559,463</u></u>	<u><u>192,739,027</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	15		

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

  
Trustee

  
Trustee

DEVELOPMENTS IN LITERACY  
 STATEMENT OF INCOME AND EXPENDITURE  
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 (Rupees)	2020 (Rupees)
<b>INCOME</b>			
Grant income recognized			
- Education and other program activities	10	275,013,795	272,758,062
Amortization of deffered capital grant	12	8,880,980	5,216,159
School fee income	16	6,257,398	7,866,940
		290,152,173	285,841,161
<b>EXPENDITURE</b>			
Program expenses	17	263,624,622	262,731,334
General and administration expenses	18	26,527,551	23,109,827
		(290,152,173)	(285,841,161)
Excess of income over expenditure		-	-

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

  
 Trustee

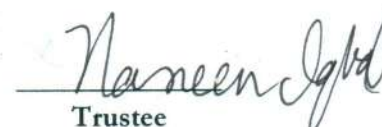
  
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**DEVELOPMENTS IN LITERACY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Note	2021 (Rupees)	2020 (Rupees)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Excess of income over expenditure		-	-
<b>Adjustments for:</b>			
- Restricted grant recognised as income	10	(275,013,795)	(272,758,062)
- Deferred capital grant recognised as income	12	(8,880,980)	(5,216,159)
- Depreciation on fixed assets	4	8,853,161	5,181,385
- Amortization	5	27,819	34,774
- Depreciation on right of use asset	6	4,519,140	4,680,807
- Finance cost - interest on lease liability	13	1,591,900	1,966,570
		<u>(268,902,755)</u>	<u>(266,110,685)</u>
Changes in:			
- Advances		(3,866,956)	4,101,453
- Short term deposits and prepayments		(116,460)	196,699
- Long term deposits and prepayments		153,430	(541,608)
- Accrued and other liabilities		3,433,294	(3,608,105)
Cash generated / (used in) operating activities		(396,691)	148,439
Grant received during the year		336,599,009	265,299,875
Interest received during the year		4,442,158	4,530,913
Net cash generated from operating activities		<u>71,741,721</u>	<u>3,868,542</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure - property and equipment		(10,151,870)	(9,439,179)
Net cash used in investing activities		<u>(10,151,870)</u>	<u>(9,439,179)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payment of lease liability	13	(5,396,128)	(4,086,957)
Net cash used in financing activities		<u>(5,396,128)</u>	<u>(4,086,957)</u>
Net (decrease)/increase in cash and cash equivalents		56,193,723	(9,657,594)
Cash and cash equivalents at beginning of the year		91,599,475	101,257,069
Cash and cash equivalents at end of the year	11	<u>147,793,198</u>	<u>91,599,475</u>

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

  
Trustee

  
Trustee



DEVELOPMENTS IN LITERACY  
STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	Restricted fund/grant
Balance as at January 01, 2020		116,314,141
Restricted funds received during the year	10	269,830,788
Transferred to statement of income and expenditure	10	(272,758,062)
Transferred to deferred capital grant	10	(9,439,179)
Change in receivable fund donor during the year	10	3,208,256
Balance as at December 31, 2020		107,155,944
Restricted funds received during the year	10	341,041,167
Transferred to statement of income and expenditure	10	(275,013,795)
Transferred to deferred capital grant	10	(10,151,870)
Change in receivable fund donor during the year	10	(3,878,977)
Balance as at December 31, 2021		159,152,469

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

  
Trustee

  
Trustee

**DEVELOPMENTS IN LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**1 THE SOCIETY AND ITS OPERATIONS**

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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.

Society has signed a Memorandum of Understanding (MOU) with the Ministry of Economic Affairs which is valid up to April 09, 2022. Subsequent to the year-end, the Society has initiated the process of getting its MOU renewed with Economic Affairs Division (EAD).

**2 BASIS OF PREPARATION**

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**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 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, 2021 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.



**DEVELOPMENTS IN LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Society's operations or are not expected to have significant impact on the Society's financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	January 01, 2022
Amendments to IAS 1 'Presentation of Interim Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Interim Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 – First time adoption of IFRSs  
 IFRS 17 - Insurance Contracts

January 01, 2023

**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.

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.



DEVELOPMENTS IN LITERACY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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**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.

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**DEVELOPMENTS IN LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**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 donor" 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.



**DEVELOPMENTS IN LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**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.

**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:

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**DEVELOPMENTS IN LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**(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:

- Loans, advances, deposits and prepayments
- 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 trade receivables**

The Society recognizes life time ECL on trade receivables, 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 trade 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.

**DEVELOPMENTS IN LITERACY**  
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**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.

**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).

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**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)
<b>Cost</b>									
As at 1 January 2020	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 31 December 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
Additions during the year	-	-	-	-	456,000	5,033,870	4,662,000	-	10,151,870
Transfers to/ (from) CWIP	-	-	-	-	-	-	-	-	-
<b>As at 31 December 2021</b>	<b>15,891,352</b>	<b>7,037,700</b>	<b>66,637,860</b>	<b>4,586,717</b>	<b>2,133,792</b>	<b>9,967,896</b>	<b>8,777,631</b>	<b>-</b>	<b>115,032,948</b>
<b>Accumulated depreciation</b>									
As at 1 January 2020	-	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 31 December 2020	-	703,857	29,843,027	2,441,220	992,165	4,099,912	3,885,264	-	41,965,445
Charge for the year	-	70,377	7,358,967	429,099	77,782	495,988	420,948	-	8,853,161
<b>As at 31 December 2021</b>	<b>-</b>	<b>774,234</b>	<b>37,201,994</b>	<b>2,870,319</b>	<b>1,069,947</b>	<b>4,595,900</b>	<b>4,306,212</b>	<b>-</b>	<b>50,818,606</b>
Carrying value as at:									
- 31 December 2021	15,891,352	6,263,466	29,435,866	1,716,398	1,063,845	5,371,996	4,471,419	-	64,214,342
- 31 December 2020	15,891,352	6,333,843	36,794,833	2,145,497	685,627	834,114	230,367	-	62,915,633
<b>Depreciation rates (%)</b>		1%	20%	20%	10%	20%	30%		

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

	Note	2021 (Rupees)	2020 (Rupees)
Other program expenses	17.3	7,620,525	4,404,177
General and administration expenses	18	1,224,678	777,208
School expenditures	17.1	7,958	-
		<b>8,853,161</b>	<b>5,181,385</b>

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

DIL secondary school, J-6 Orangi	-	16,445,147
DIL Karachi school campus-1	-	12,138,025
	-	28,583,172

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		2021 (Rupees)	2020 (Rupees)
<b>5 INTANGIBLE ASSET</b>	<b>Note</b>		
<b>Cost</b>			
Balance at beginning of the year		901,700	901,700
Additions during the year		-	-
Balance at end of the year		901,700	901,700
<b>Accumulated amortization</b>			
Balance at beginning of the year		762,606	727,832
Charge for the year	18	27,819	34,774
Balance at end of the year		790,425	762,606
Written down value		111,275	139,094
<b>Amortization rate (%)</b>		20%	20%
5.1 Intangible asset includes accounting and HR software			
<b>6 RIGHT OF USE ASSET</b>			
Balance at beginning of the year		14,154,813	18,835,620
Remeasurement during the year		(76,046)	-
Depreciation charge to statement of income and expenditure		(4,519,140)	(4,680,807)
Balance at end of the year		9,559,627	14,154,813
<b>Allocation of depreciation charge to income and expenditure</b>			
- General and administrative expenses		(663,350)	(702,121)
- Program expenses		(3,855,790)	(3,978,686)
		(4,519,140)	(4,680,807)
<b>7 LONG TERM DEPOSITS AND PREPAYMENTS</b>			
Security deposit		750,000	650,000
Subscription fee		311,911	565,341
		1,061,911	1,215,341
<b>8 ADVANCES - unsecured</b>	<b>Note</b>		
<b>Considered good</b>			
Advance to projects:			
- CARE		-	204,466
- Indus Resource Center		-	136,028
		-	340,494
Mobilization advance		303,059	303,059
Advance for school land and building	8.1	4,010,000	-
Advances:			
- to suppliers		233,153	172,106
- to consultants - TEACH		396,500	-
- to program personnel	8.2	174,851	434,948
		804,504	607,054
		5,117,563	1,250,607
8.1 This represents advance for purchase of school land and building in Orangi, Karachi and is subsequently adjusted on April 22, 2022			
8.2 This represents advance to program and project personnel in project office for routine expenses.			
<b>9 SHORT TERM DEPOSITS AND PREPAYMENTS</b>		2021 (Rupees)	2020 (Rupees)
Security deposits		236,000	336,000
Prepaid subscription fee		233,933	172,853
Prepaid insurance		1,286,851	1,131,471
		1,756,784	1,640,324

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

	Note	DIL USA	DIL UK	Ghazi Farooq	DIL Hong Kong	DIL Canada	Local Chapters	Total
		..... Rupees .....						
<b>Balance as at December 31, 2021</b>								
Restricted fund - opening balance		84,135,956	-	3,101,086	-	-	19,918,902	107,155,944
Receivable from donors - opening balance		-	6,077,520	-	651,437	13,094,783	-	19,823,740
<b>Additions:</b>								
Receipt during the year	10.1	184,019,575	15,492,175	399,600	7,320,280	6,397,000	122,700,528	336,329,158
Income allocated	10.2	3,611,835	253,600	-	119,418	99,639	627,517	4,712,009
		187,631,410	15,745,775	399,600	7,439,698	6,496,639	123,328,045	341,041,167
<b>Utilization:</b>								
Expense charged		154,953,195	16,328,636	3,133,269	2,089,960	2,315,238	96,193,497	275,013,795
Transfer to deferred capital grant		2,149,000	136,000	-	68,000	235,000	7,563,870	10,151,870
		157,102,195	16,464,636	3,133,269	2,157,960	2,550,238	103,757,367	285,165,665
<b>Restricted fund - closing balance</b>		<b>114,665,171</b>	<b>-</b>	<b>367,417</b>	<b>4,630,301</b>	<b>-</b>	<b>39,489,580</b>	<b>159,152,469</b>
<b>Receivable from donors - closing balance</b>		<b>-</b>	<b>6,796,381</b>	<b>-</b>	<b>-</b>	<b>9,148,382</b>	<b>-</b>	<b>15,944,763</b>
<b>Balance as at December 31, 2020</b>								
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
<b>Additions:</b>								
Receipt during the year		169,045,410	21,361,955	4,991,800	2,454,000	2,340,000	65,106,710	265,299,875
Income allocated		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
<b>Utilization:</b>								
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 deferred 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)
<b>Restricted fund - closing balance</b>		<b>84,135,956</b>	<b>-</b>	<b>3,101,086</b>	<b>-</b>	<b>-</b>	<b>19,918,902</b>	<b>107,155,944</b>
<b>Receivable from donors - closing balance</b>		<b>-</b>	<b>6,077,520</b>	<b>-</b>	<b>651,437</b>	<b>13,094,783</b>	<b>-</b>	<b>19,823,740</b>



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		2021 (Rupees)	2020 (Rupees)
<b>10.1 Funds received during the year from:</b>	<b>Note</b>		
<b>Related parties</b>			
Developments in Literacy USA		184,019,575	169,045,410
Developments in Literacy Canada		6,796,600	7,331,800
Developments in Literacy UK		15,492,175	21,361,955
Developments in Literacy HK		7,320,280	2,454,000
<b>Local chapters/institutional donors</b>			
Various donors including zakat		54,165,142	39,146,317
International Rescue Committee		20,225,540	10,815,434
Target International		1,683,418	1,578,082
Punjab Education Fund		9,349,693	11,810,543
Sindh Education Foundation		36,371,200	-
Food Project Trust		905,535	1,756,334
		122,700,528	65,106,710
		336,329,158	265,299,875
<b>10.2 Other income</b>			
<b>Income from financial assets</b>			
Interest income from bank accounts		4,442,158	4,530,913
<b>Income from non financial assets</b>			
Liabilities written back		269,851	-
		4,712,009	4,530,913
<b>11 CASH AND BANK BALANCES</b>			
Cash in hand		29,870	62,313
Cash at bank in:			
Saving accounts	11.1	146,030,852	91,213,165
Current accounts		1,732,476	323,997
		147,793,198	91,599,475
<b>11.1</b> These carry effective mark-up rate of 5.5% per annum (2020: 5.5% to 6.5% per annum).			
<b>12 DEFERRED CAPITAL GRANT</b>	<b>Note</b>	<b>2021 (Rupees)</b>	<b>2020 (Rupees)</b>
Opening balance		63,054,727	58,831,707
Cost of property and equipment purchased during the year		10,151,870	9,439,179
Deferred grant recognised as income during the year	4 & 5	(8,880,980)	(5,216,159)
		64,325,617	63,054,727
<b>13 LEASE LIABILITY</b>			
Balance at beginning of the year		16,587,806	18,708,192
Remeasurement during the year		(76,045)	-
Interest expense		1,591,900	1,966,571
Payment during the year		(5,396,128)	(4,086,957)
Balance at end of the year		12,707,533	16,587,806
Less: Current portion		(5,258,670)	(3,686,675)
		7,448,863	12,901,131

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**DEVELOPMENTS IN LITERACY**  
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**13.1 Lease liability is payable as follows:**

December 31, 2021

	Rupees		
	Minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	6,348,937	(1,090,267)	5,258,670
Between two to five years	6,525,396	(1,471,870)	5,053,526
More than five years	4,952,532	(2,557,195)	2,395,337
	<b>17,826,865</b>	<b>(5,119,332)</b>	<b>12,707,533</b>

December 31, 2020

	Rupees		
	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
	<b>24,666,260</b>	<b>(8,078,454)</b>	<b>16,587,806</b>

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

**13.3 Finance cost allocation of charge to statement of income and expenditure**

	2021 (Rupees)	2020 (Rupees)
- Program expenses	1,394,201	1,671,585
- General and administrative expenses	197,699	294,986
	<b>1,591,900</b>	<b>1,966,571</b>

**14 ACCRUED AND OTHER LIABILITIES**

Payable to projects:

- IRC	2,240,062	-
- Naz Old Boys Welfare Association	2,494,772	2,947,244
	<b>4,734,834</b>	<b>2,947,244</b>
Accrued expenses	499,266	505,558
Retention money payable	841,286	841,286
Audit fee payable	350,000	575,000
Other payables	1,227,154	1,071,462
EOBI Payable	1,721,304	-
	<b>9,373,844</b>	<b>5,940,550</b>

**15 CONTINGENCIES AND COMMITMENTS**

**15.1** 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 engaged 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.

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



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		2021 (Rupees)	2020 (Rupees)
<b>16 SCHOOL FEE INCOME</b>	<b>Note</b>		
School fees		10,911,484	11,332,995
School running expenses		(4,654,086)	(3,466,055)
School fees income - net		<u>6,257,398</u>	<u>7,866,940</u>
<b>17 PROGRAM EXPENSES</b>			
School expenditures	17.1	152,423,868	139,573,140
Program expenses by Partner Organizations	17.2	23,248,205	47,176,619
Other program expenses	17.3	87,952,549	75,981,575
		<u>263,624,622</u>	<u>262,731,334</u>
<b>17.1 School projects expenses</b>			
Islamabad Capital Territory Schools	17.1.1	6,761,249	9,188,049
Orangi Schools	17.1.2	49,770,045	40,335,169
Kala Shah Kaku School	17.1.3	4,000,440	3,654,699
Mansehra Community School Project	17.1.4	6,098,349	5,495,296
Rawalpindi Rural School Program	17.1.5	34,847,567	33,869,088
Punjab Education Fund	17.1.6	16,996,201	16,747,835
Federal Directorate of Education	17.1.7	6,707,894	5,332,768
TEACH - International Rescue Committee	17.1.8	18,687,496	13,515,817
Dir School Project	17.1.9	8,554,627	11,434,419
		<u>152,423,868</u>	<u>139,573,140</u>
<b>17.1.1 Islamabad Capital Territory Schools</b>			
Salaries and other benefits		6,094,544	8,522,360
Direct project expenses	17.1.10	5,358	19,744
Library establishment		298,600	397,575
Computer laboratory		88,303	62,866
Others		274,444	185,504
		<u>6,761,249</u>	<u>9,188,049</u>
<b>17.1.2 Orangi Schools</b>			
Salaries and other benefits		41,346,540	36,387,364
Direct project expenses	17.1.10	4,520,956	2,756,891
Library establishment		1,326,690	105,150
Computer laboratory		982,451	321,990
Others		1,593,408	763,774
		<u>49,770,045</u>	<u>40,335,169</u>
<b>17.1.3 Kala Shah Kaku School</b>			
Salaries and other benefits		3,609,635	3,486,168
Direct project expenses	17.1.10	301,030	133,043
Library establishment		34,140	-
Computer laboratory		39,235	-
Others		16,400	35,488
		<u>4,000,440</u>	<u>3,654,699</u>
<b>17.1.4 Mansehra Community School Project</b>			
Salaries and other benefits		5,297,945	4,890,873
Direct project expenses	17.1.10	280,639	320,250
Library establishment		53,000	-
Computer laboratory		87,250	-
Others		379,515	284,173
		<u>6,098,349</u>	<u>5,495,296</u>

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		2021	2020
	Note	(Rupees)	(Rupees)
<b>17.1.5 Rawalpindi Rural School Program</b>			
Salaries and other benefits		30,422,061	29,573,230
Direct project expenses	17.1.10	2,915,050	2,798,190
Library establishment		280,240	911,280
Computer laboratory		425,365	86,341
Others		804,851	500,047
		<u>34,847,567</u>	<u>33,869,088</u>
<b>17.1.6 Punjab Education Fund</b>			
Salaries and other benefits		15,528,463	15,763,799
Direct project expenses	17.1.10	404,375	522,917
Library establishment		344,401	-
Computer laboratory		390,556	96,029
Others		328,406	365,090
		<u>16,996,201</u>	<u>16,747,835</u>
<b>17.1.7 Federal Directorate of Education</b>			
Salaries and other benefits		3,958,406	1,675,556
Others		2,749,488	3,657,212
		<u>6,707,894</u>	<u>5,332,768</u>
<b>17.1.8 TEACH - International Rescue Committee</b>			
Salaries and other benefits		8,673,034	7,235,002
Direct project expenses	17.1.10	719,280	839,163
Library establishment		19,300	35,745
Others		9,275,882	5,405,907
		<u>18,687,496</u>	<u>13,515,817</u>
<b>17.1.9 Dir School Project</b>			
Salaries and other benefits		7,785,443	10,480,427
Direct project expenses	17.1.10	606,748	695,572
Others		162,436	258,420
		<u>8,554,627</u>	<u>11,434,419</u>
<b>17.1.10</b>	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.		
<b>17.2 Program expenses by Partner Organizations</b>			
Cooperation for Advancement, Rehabilitation and Education		2,200,016	8,699,355
Indus Resource Centre		15,310,165	26,042,249
Naz Old Boys Welfare Association		5,738,024	12,435,015
	17.2.1	<u>23,248,205</u>	<u>47,176,619</u>

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**DEVELOPMENTS IN LITERACY**  
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**17.2.1 Breakup of program expenses by Partner Organizations:**

2021	(Rupees)			
	Management	Program	Operating	Total
Cooperation for Advancement, Rehabilitation and Education	296,850	1,873,426	29,740	2,200,016
Indus Resource Centre	2,389,719	10,694,704	2,225,742	15,310,165
Naz Old Boys Welfare Association	802,491	3,074,693	1,860,840	5,738,024
	<u>3,489,060</u>	<u>15,642,823</u>	<u>4,116,322</u>	<u>23,248,205</u>
2020				
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
Naz Old Boys Welfare Association	5,177,504	5,024,952	2,232,559	12,435,015
	<u>8,570,152</u>	<u>34,700,187</u>	<u>3,906,280</u>	<u>47,176,619</u>

**17.3 Other program expenses**

	Note	2021 (Rupees)	2020 (Rupees)
Salaries and other benefits		46,725,064	46,340,632
Staff health and life insurance		1,921,336	2,186,004
Monitoring and evaluation expenses		852,726	27,054
Curriculum development		854,161	560,177
Training / capacity building		2,911,897	4,248,119
Library establishment		3,523,026	277,970
Computer laboratory		2,677,162	385,095
Gateway		2,203,098	3,041,106
Technology enabled & active learning		6,456,347	1,308,640
Program development/fundraising		1,880,475	3,843,976
Office expenses		1,675,137	1,044,343
Vehicle running expenses		339,244	347,398
Travel and meetings expenses		380,669	196,049
Office utilities		1,710,305	258,773
Other insurance expenses		137,943	41,956
Depreciation	4	11,476,315	8,382,863
Bank charges		587,369	1,668,055
Finance cost - on finance lease	13	1,394,201	1,671,585
Miscellaneous		246,075	151,780
		<u>87,952,549</u>	<u>75,981,575</u>

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**DEVELOPMENTS IN LITERACY**  
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<b>18 GENERAL AND ADMINISTRATION EXPENSES</b>	<b>Note</b>	<b>2021 (Rupees)</b>	<b>2020 (Rupees)</b>
Salaries and other benefits		18,931,120	17,068,221
Staff health and life insurance		795,165	904,700
Office utilities		738,984	111,809
Printing and stationary		101,008	40,870
Vehicle running expenses		77,143	78,998
Communication and postage		130,682	106,958
Office expenses		101,917	333,949
Other insurance expenses		57,089	105,776
Bank charges		241,575	686,044
Audit fee		350,000	350,000
Depreciation	4	1,888,029	1,479,329
Amortization	5	27,819	34,774
Legal and professional charges		2,442,912	1,030,353
Software maintenance		132,590	221,478
Travel and meeting expenses		58,435	30,314
Miscellaneous		255,384	231,270
Finance cost - on finance lease	13	197,699	294,986
		<b>26,527,551</b>	<b>23,109,827</b>

**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:

	<b>2021 (Rupees)</b>	<b>2020 (Rupees)</b>
Long term deposit	750,000	650,000
Short term deposits	236,000	336,000
Receivable from donors	15,944,763	19,823,740
Bank balances	147,763,328	91,213,165
	<b>164,694,091</b>	<b>112,022,905</b>

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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. 147.763 million (2020: Rs. 91.537 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.

Cash is held only with reputable banks with high quality external credit rating assessed by external rating agencies. Following are the credit ratings of banks with which balances are held or credit lines available:

Bank	Rating Agency	Short term/ long term	2021	2020
		rating	(Rupees)	(Rupees)
Standard Chartered Bank Limited	PACRA	A1+/AAA	147,760,465	90,032,433
Telenor Tameer Bank	PACRA	A1/A	2,863	442,863
Bank of Punjab	PACRA	A1+/AA+	-	1,061,866
			<b>147,763,328</b>	<b>91,537,162</b>

## 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	Two to five years	Over five year
	----- (Rupees) -----			
Accrued and other liabilities				
- 2021				
Lease liabilities	12,707,533	5,258,670	5,053,526	2,395,337
Accrued and other liabilities	9,373,844	9,373,844	-	-
	<b>22,081,377</b>	<b>14,632,514</b>	<b>5,053,526</b>	<b>2,395,337</b>
- 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	-	-
	<b>22,528,356</b>	<b>9,627,225</b>	<b>10,553,025</b>	<b>2,348,106</b>

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:

	2021 (Rupees)	2020 (Rupees)
Saving bank accounts	<u>146,030,852</u>	<u>91,213,165</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.

	2021		2020	
	-----Rupees-----			
	Carrying value	Fair value	Carrying value	Fair value
<b>Assets carried at amortized cost</b>				
Long term deposit	750,000	750,000	650,000	650,000
Security deposits	236,000	236,000	336,000	336,000
Receivable from donors	15,944,763	15,944,763	19,823,740	19,823,740
Cash and cash equivalents	147,793,198	147,793,198	91,599,475	91,599,475
<b>Liabilities carried at amortized cost</b>				
Lease liability	12,707,533	12,707,533	16,587,806	16,587,806
Accrued and other liabilities	9,373,844	9,373,844	5,940,550	5,940,550

**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	2021 (Rupees)	2020 (Rupees)
Remuneration of key management personnel		-	4,572,624
Funds received during the year from affiliates	10	336,329,158	265,299,875

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22 GENERAL

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- 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 15 JUN 2022



Trustee



Trustee