

**DEVELOPMENTS IN LITERACY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

**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, 2022, 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, 2022 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

January 11, 2024

UDIN: AR202210209ktHW6YU3f

**DEVELOPMENTS IN LITERACY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022**

	Note	2022 (Rupees)	2021 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	4	174,407,461	64,214,342
Intangible asset	5	89,020	111,275
Right of use asset	6	5,040,490	9,559,627
Long term deposits and prepayments	7	277,978	1,061,911
		<u>179,814,949</u>	<u>74,947,155</u>
CURRENT ASSETS			
Advances - unsecured, considered good	8	2,834,728	5,117,563
Short term deposits and prepayments	9	4,287,676	1,756,784
Receivable from donor	10	7,338,313	15,944,763
Inventory	11	13,572,000	-
Cash and bank balances	12	206,845,502	147,793,198
		<u>234,878,219</u>	<u>170,612,308</u>
TOTAL ASSETS		<u><u>414,693,168</u></u>	<u><u>245,559,463</u></u>
FUND			
Restricted fund/grants	10	161,005,649	159,152,469
NON CURRENT LIABILITIES			
Deferred grant	13	174,496,481	64,325,617
Lease liability	15	2,204,869	7,448,863
Deferred liabilities	16	54,535,878	-
		<u>231,237,228</u>	<u>71,774,480</u>
CURRENT LIABILITIES			
Current portion of lease liability	15	5,239,726	5,258,669
Accrued and other liabilities	17	17,210,565	9,373,845
		<u>22,450,291</u>	<u>14,632,514</u>
TOTAL LIABILITIES		<u>253,687,519</u>	<u>86,406,994</u>
TOTAL LIABILITIES AND FUND		<u><u>414,693,168</u></u>	<u><u>245,559,463</u></u>
CONTINGENCIES AND COMMITMENTS	18		

The annexed notes from 1 to 24 form an integral part of these financial statements.


Trustee


Trustee

DEVELOPMENTS IN LITERACY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 (Rupees)	2021 (Rupees)
INCOME			
Grant income recognized			
- Education and other program activities	10	443,512,898	275,013,795
Amortization of deferred capital grant	13	19,511,822	8,880,980
School fee income	14	1,947,184	6,257,398
		<u>464,971,904</u>	<u>290,152,173</u>
EXPENDITURE			
Program expenses	19	367,734,186	263,624,622
General and administration expenses	20	97,237,718	26,527,551
		<u>(464,971,904)</u>	<u>(290,152,173)</u>
Excess of income over expenditure		<u>-</u>	<u>-</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

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Trustee

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Trustee

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

	Note	2022 (Rupees)	2021 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Excess of income over expenditure		-	-
Adjustments for:			
- Restricted grant recognized as income	10	(443,512,898)	(275,013,795)
- Deferred capital grant recognized as income	13	(19,511,822)	(8,880,980)
- Depreciation on fixed assets	4	19,489,567	8,853,161
- Amortization	5	22,255	27,819
- Depreciation on right of use asset	6	4,519,137	4,519,140
- Provision for gratuity	16	54,535,878	-
- Finance cost - interest on lease liability	15	1,086,004	1,591,900
		<u>(383,371,879)</u>	<u>(268,902,755)</u>
Changes in:			
- Advances		2,282,835	(3,866,956)
- Short term deposits and prepayments		(2,530,892)	(116,460)
- Long term deposits and prepayments		783,933	153,430
- Inventory		(13,572,000)	-
- Accrued and other liabilities		7,836,720	3,433,294
Cash generated / (used in) operating activities		<u>(5,199,404)</u>	<u>(396,691)</u>
Grant received during the year	10	568,196,539	336,599,009
Interest received during the year		<u>15,458,675</u>	<u>4,442,158</u>
Net cash generated from operating activities		<u>195,083,931</u>	<u>71,741,721</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure - property and equipment	4	<u>(129,682,686)</u>	<u>(10,151,870)</u>
Net cash used in investing activities		<u>(129,682,686)</u>	<u>(10,151,870)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability	15	<u>(6,348,941)</u>	<u>(5,396,128)</u>
Net cash used in financing activities		<u>(6,348,941)</u>	<u>(5,396,128)</u>
Net (decrease)/increase in cash and cash equivalents		59,052,304	56,193,723
Cash and cash equivalents at beginning of the year		<u>147,793,198</u>	<u>91,599,475</u>
Cash and cash equivalents at end of the year	12	<u><u>206,845,502</u></u>	<u><u>147,793,198</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

Fiza Shah

Trustee

A. F. Anwar

Trustee

DEVELOPMENTS IN LITERACY
 STATEMENT OF CHANGES IN FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	Restricted fund/grant
Balance as at January 01, 2021		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
Restricted funds received during the year	10	583,655,214
Transferred to statement of income and expenditure	10	(443,512,898)
Transferred to deferred capital grant	10	(129,682,686)
Change in receivable fund donor during the year	10	(8,606,450)
Balance as at December 31, 2022		161,005,649

The annexed notes from 1 to 24 form an integral part of these financial statements.

Fiza Shah

Trustee

A. K. Khan

Trustee

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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.

Society had signed a Memorandum of Understanding (MOU) with the Ministry of Economic Affairs which was valid up to April 09, 2022. The Society had initiated the process of getting its MOU renewed with Economic Affairs Division (EAD), however the process is still pending.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention.

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates

The preparation of financial statements in conformity with the 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 18)
- c) Right-of-use assets and corresponding lease liability (note 6 & 15)

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, 2022 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.

	Effective date (annual periods beginning on or after)
Property, Plant and Equipment: Proceeds before intended use – Amendments	January 1, 2022
Business Combinations - Amendments	January 1, 2022
Onerous Contracts – Cost of Fulfilling a Contract - Amendments	January 1, 2022

**DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

	Effective date (annual periods beginning on or after)
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments (IAS 12)	January 01, 2023
Classification of Liabilities as Current or Non-current (IAS 1)	January 01, 2023
Insurance Contracts (IFRS 17)	January 01, 2023
Disclosure of Accounting Policies – Amendments (IAS 1 & IFRS 2)	January 01, 2023
Definition of accounting estimates - Amendments (IAS 8)	January 01, 2023
Sale or contribution of assets between an investor and its associate or joint venture – Amendments (IFRS 10 & IAS 28)	N/A*

* The Effective date is not yet issued

2.5.3 Annual Improvements to IFRS standards 2018-2020:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a society's financial statements.
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a society's financial statements.
- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.
 - The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a society develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the society applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

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.

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 recognized in the statement of income and expenditure.

3.2 Intangible assets

An intangible asset is recognized 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 recognized in statement of income and expenditure as incurred.

3.3 Impairment of non-financial assets

The carrying amounts of the Society'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, 2022**

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.

Lease payments in the measurement of the lease liability comprise the following: a). fixed payments, including in-substance fixed payments; b). variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; c). amounts expected to be payable under a residual value guarantee; and d) the exercise price under a purchase option that the Society is reasonably certain to exercise, lease payments in an optional renewal period if the Society is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Society is reasonably certain not to terminate early.

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 recognized on receipt basis.

DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

3.10 Employee benefits

3.10.1 Short term employee benefits

The cost of short term employee benefits (those payable within twelve months after the service is rendered such as leave pay, bonuses) are recognized in the period in which the service is rendered and are not discounted.

3.10.2 Gratuity

The Society operates an unfunded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to income. Recent valuation was carried out as at December 31, 2022 using the "Projected Unit Credit Method". The results of actuarial valuation are summarized in note 16 of these financial statements.

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 (FVTOCI);
- 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 recognized 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 recognized in statement of income and expenditure in the period in which it arises.

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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.

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 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.

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**DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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3.15 Finance income and finance costs

Finance income comprises profit on saving accounts which is recognized 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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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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4 PROPERTY AND EQUIPMENT

	Freehold land	Leasehold land	Buildings	Vehicles	Furniture and fixtures	Office equipment	Computers	Total
	(Rupees)							(Rupees)
Cost								
As at 1 January 2021	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
As at 31 December 2021	15,891,352	7,037,700	66,637,860	4,586,717	2,133,792	9,967,896	8,777,631	115,032,948
Additions during the year	-	-	129,006,000	-	-	10,296	666,390	129,682,686
As at 31 December 2022	15,891,352	7,037,700	195,643,860	4,586,717	2,133,792	9,978,192	9,444,021	244,715,634
Accumulated depreciation								
As at 1 January 2021	-	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
As at 31 December 2021	-	774,234	37,201,994	2,870,319	1,069,947	4,595,900	4,306,212	50,818,606
Charge for the year	-	70,377	16,539,937	343,280	106,385	1,074,399	1,355,189	19,489,567
As at 31 December 2022	-	844,611	53,741,931	3,213,599	1,176,332	5,670,299	5,661,401	70,308,173
Carrying value as at:								
- 31 December 2022	15,891,352	6,193,089	141,901,929	1,373,118	957,460	4,307,893	3,782,620	174,407,461
- 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
Depreciation rates (%)		1%	20%	20%	10%	20%	30%	

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

	Note	2022 (Rupees)	2021 (Rupees)
Other program expenses	19.3	16,257,574	7,620,525
General and administration expenses	20	2,923,435	1,224,678
School expenditures	19.1	308,558	7,958
		19,489,567	8,853,161

4.2 Buildings include cost of two individual buildings located in Orangi, Karachi amounting to Rs. 8,000,000 and Rs. 8,200,000 purchased during the year. The society is currently in possession of the buildings, however the administrative formalities related to the transfer of title are still pending. The management of the society is hopeful to initiate and complete the process soon.

DEVELOPMENTS IN LITERACY
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5 INTANGIBLE ASSET	Note	2022 (Rupees)	2021 (Rupees)
Cost			
As at January 01,		901,700	901,700
Additions during the year		-	-
As at December 31,		<u>901,700</u>	<u>901,700</u>
Accumulated amortization			
As at January 01,		790,425	762,606
Charge for the year	20	22,255	27,819
As at December 31,		<u>812,680</u>	<u>790,425</u>
Written down value as at December 31,		<u>89,020</u>	<u>111,275</u>
Amortization rate (%)		20%	20%
5.1 Intangible asset includes accounting and HR software			
6 RIGHT TO USE ASSET	Note	2022 (Rupees)	2021 (Rupees)
Balance at beginning of the year		9,559,627	14,154,813
Premeasurement during the year		-	(76,046)
Depreciation charge to statement of income and expenditure		(4,519,137)	(4,519,140)
Balance at end of the year		<u>5,040,490</u>	<u>9,559,627</u>
Allocation of depreciation charge to income and expenditure			
- General and administrative expenses		663,350	(663,350)
- Program expenses		3,855,787	(3,855,790)
		<u>4,519,137</u>	<u>(4,519,140)</u>
7 LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposit		200,000	750,000
Subscription fee		77,978	311,911
		<u>277,978</u>	<u>1,061,911</u>
8 ADVANCES - unsecured			
Considered good			
Advance to projects:			
- Naz Old Boys Welfare Association (NOWA)		1,907,541	-
- Indus Resource Center (IRC)		-	-
		<u>1,907,541</u>	<u>-</u>
Mobilization advance		-	303,059
Advance for school land and building	8.1	-	4,010,000
Advances:			
- to suppliers		314,732	233,153
- to consultants		-	396,500
- to program personnel	8.2	612,455	174,851
		<u>927,187</u>	<u>804,504</u>
		<u>2,834,728</u>	<u>5,117,563</u>
8.1 This represents advance for purchase of school land and building in Orangi, Karachi.			
8.2 This represents advance to program and project personnel in project office for routine expenses.			
9 SHORT TERM DEPOSITS AND PREPAYMENTS		2022 (Rupees)	2021 (Rupees)
Security deposits		688,500	236,000
Prepaid subscription fee		233,933	233,933
Prepaid insurance & Rent		3,365,243	1,286,851
		<u>4,287,676</u>	<u>1,756,784</u>

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DEVELOPMENTS IN LITERACY
 NOTES TO THE FINANCIAL STATEMENTS
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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								
Balance as at December 31, 2022								
Restricted fund - opening balance		114,665,171	-	367,417	4,630,301	-	39,489,580	159,152,469
Receivable from donors - opening balance		-	6,796,381	-	-	9,148,382	-	15,944,763
Additions:								
Receipt during the year	10.1	340,847,211	23,841,529	9,332,800	1,086,850	7,900,000	185,188,149	568,196,539
Income allocated	10.3	9,100,719	425,963	581,004	521,314	-	4,829,675	15,458,675
		349,947,930	24,267,492	9,913,804	1,608,164	7,900,000	190,017,824	583,655,214
Utilization:								
Expense charged		280,723,221	20,554,443	4,225,059	2,676,179	3,006,599	132,327,397	443,512,898
Transfer to deferred capital grant		129,682,686	-	-	-	-	-	129,682,686
		410,405,907	20,554,443	4,225,059	2,676,179	3,006,599	132,327,397	573,195,584
Restricted fund - closing balance		54,207,194	-	6,056,162	3,562,286	-	97,180,007	161,005,649
Receivable from donors - closing balance		-	3,083,332	-	-	4,254,981	-	7,338,313
Balance as at December 31, 2021								
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
Additions:								
Receipt during the year		184,019,575	15,492,175	399,600	7,320,280	6,397,000	122,700,528	336,329,158
Income allocated		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
Utilization:								
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
Restricted fund - closing balance		114,665,171	-	367,417	4,630,301	-	39,489,580	159,152,469
Receivable from donors - closing balance		-	6,796,381	-	-	9,148,382	-	15,944,763

**DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

10.1 Funds received during the year from:	Note	2022 (Rupees)	2021 (Rupees)
Related parties			
Developments in Literacy USA		340,847,211	184,019,575
Developments in Literacy Canada		17,232,800	6,796,600
Developments in Literacy UK		23,841,529	15,492,175
Developments in Literacy HK		1,086,850	7,320,280
Local chapters/institutional donors			
Various donors including zakat		119,765,927	54,165,142
International Rescue Committee		12,468,738	20,225,540
Target International		-	1,683,418
UNESCO		927,993	-
Punjab Education Fund	10.2	6,991,335	9,349,693
Sindh Education Foundation	10.2	45,908,100	36,371,200
Food Project Trust		1,073,240	905,535
		<u>187,135,333</u>	<u>122,700,528</u>
		<u>570,143,723</u>	<u>336,329,158</u>
10.2 This represent subsidy received from Sindh Education Foundation (SEF) and Punjab Education Fund (PEF) amounting to Rs. 45,908,100 (2021: Rs. 36,371,200) and Rs. 6,991,335 (2021: Rs. 9,349,693) respectively for management and administration of various school in accordance with MOUs signed with authorities.			
10.3 Other income			
	Note	2022 (Rupees)	2021 (Rupees)
Income from financial assets			
Interest income from bank accounts		15,458,675	4,442,158
Income from non financial assets			
Liabilities written back		-	269,851
		<u>15,458,675</u>	<u>4,712,009</u>
11 INVENTORY			
This represents tablets available at year end which are not yet transferred to schools.			
12 CASH AND BANK BALANCES			
	Note	2022 (Rupees)	2021 (Rupees)
Cash in hand		36,153	29,870
Cash at bank in:			
Saving accounts	12.1	193,682,916	146,030,852
Current accounts		13,126,433	1,732,476
		<u>206,845,502</u>	<u>147,793,198</u>
12.1 These carry effective mark-up rate of per annum 9.9% (2021: 5.5% per annum).			
13 DEFERRED CAPTIAL GRANT			
	Note	2022 (Rupees)	2021 (Rupees)
Opening balance		64,325,617	63,054,727
Cost of property and equipment purchased during the year		129,682,686	10,151,870
Deferred grant recognized as income during the year	4 & 5	(19,511,822)	(8,880,980)
		<u>174,496,481</u>	<u>64,325,617</u>
14 SCHOOL FEE INCOME			
School fees		5,518,996	10,911,484
School running expenses		(3,571,812)	(4,654,086)
School fees income - net		<u>1,947,184</u>	<u>6,257,398</u>

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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15 LEASE LIABILITY	Note	2022 (Rupees)	2021 (Rupees)
Balance at beginning of the year		12,707,532	16,587,806
Remeasurement during the year		-	(76,046)
Interest expense		1,086,004	1,591,900
Payment during the year		(6,348,941)	(5,396,128)
As at December 31, 2022		<u>7,444,595</u>	<u>12,707,532</u>
Less: Current portion		<u>(5,239,726)</u>	<u>(5,258,669)</u>
		<u>2,204,869</u>	<u>7,448,863</u>
..... Rupees			
15.1 Lease liability is payable as follows: December 31, 2022		Minimum lease payments	Interest
		Present value of minimum lease payments	
Less than one year		5,752,632	(512,906)
Between two to five years		1,083,504	(1,298,084)
More than five years		4,641,792	(2,222,343)
		<u>11,477,928</u>	<u>(4,033,333)</u>
		<u>7,444,595</u>	<u>7,444,595</u>
..... Rupees			
December 31, 2021		Minimum lease payments	Interest
		Present value of minimum lease payments	
Less than one year		6,348,937	(1,090,267)
Between two to five years		6,525,396	(1,471,870)
More than five years		4,952,532	(2,557,195)
		<u>17,826,865</u>	<u>(5,119,332)</u>
		<u>12,707,533</u>	<u>12,707,533</u>
15.2 Lease liabilities relates to land and buildings acquired under rental basis. Rented facilities includes Society's head office and school.			
15.3 Finance cost allocation of charge to statement of income and expenditure	Note	2022 (Rupees)	2021 (Rupees)
- Program expenses		923,103	1,394,201
- General and administrative expenses		162,901	197,699
		<u>1,086,004</u>	<u>1,591,900</u>
16 DEFERRED LIABILITIES			
Defined benefit obligation			
- Gratuity	16.1	<u>54,535,878</u>	-
16.1 Gratuity			
16.1.1 Change in present value of defined benefit obligation			
Opening balance of liability		-	-
Present value of defined benefit obligation		-	-
Current service cost		6,100,353	-
Past service cost		58,110,813	-
Interest cost on defined benefit obligation		-	-
Benefits due but not paid (payables)		(9,675,288)	-
Closing balance of liability		<u>54,535,878</u>	-
16.1.2 Charge for the defined benefit - Gratuity			
Current service cost		6,100,353	-
Past service cost (credit)		58,110,813	-
Interest cost on defined benefit obligation		-	-
		<u>64,211,166</u>	-

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**DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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16.1.3 Actuarial assumptions		2022	2021
Discount rate used for interest cost		N/A	-
Discount rate used for year end obligation		14.50%	-
Salary increase used for year end obligation		N/A	-
Net salary increased at		01-Jan-23	-
Withdrawal rates		Age-based	-
Retirement assumption		60	-
Mortality rates		SLIC 2001-2005 Setback 1 year	-
		2022	2021
16.1.4 Estimated expense to be charged in 2023	Note	(Rupees)	(Rupees)
Current service cost		7,037,101	-
Interest cost on defined benefit obligation		7,375,624	-
		14,412,725	-

16.1.5 Sensitivity analysis

The sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied, as applied when calculating the gratuity liability recognized within the statement of financial position.

	Note	2022	2021
		(Rupees)	(Rupees)
Discount rate + 100bps		50,552,902	-
Discount rate - 100bps		59,096,058	-
Salary increase + 100bps		59,175,848	-
Salary increase - 100bps		50,414,727	-

17 ACCRUED AND OTHER LIABILITIES

Payable to projects:			
- IRC		3,066,443	2,240,062
- NOWA		-	2,494,772
		3,066,443	4,734,834
Accrued expenses		173,858	499,266
Retention money payable		649,802	841,286
Audit fee payable		350,000	350,000
Other payables		3,295,174	1,227,155
EOBI payable		-	1,721,304
Gratuity payable	16.1.1	9,675,288	-
		17,210,565	9,373,845

18 CONTINGENCIES AND COMMITMENTS

18.1 There were no contingencies as at December 31, 2022. (2021: Nil)

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

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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19 PROGRAM EXPENSES	Note	2022 (Rupees)	2021 (Rupees)
School expenditures	19.1	187,726,512	152,423,868
Program expenses by Partner Organizations	19.2	16,607,625	23,248,205
Other program expenses	19.3	163,400,050	87,952,549
		<u>367,734,186</u>	<u>263,624,622</u>
19.1 School projects expenses			
Islamabad Capital Territory Schools	19.1.1	8,711,698	6,761,249
Orangi Schools	19.1.2	70,554,478	49,770,045
Kala Shah Kaku School	19.1.3	4,998,690	4,000,440
Mansehra Community School Project	19.1.4	7,647,587	6,098,349
Rawalpindi Rural School Program	19.1.5	45,414,075	34,847,567
Punjab Education Fund	19.1.6	8,399,361	16,996,201
Federal Directorate of Education	19.1.7	15,731,172	6,707,894
TEACH - International Rescue Committee	19.1.8	4,352,473	18,687,496
Dir School Project	19.1.9	10,874,451	8,554,627
UNESCO	17.1.10	724,718	-
PSP School Project	17.1.11	6,548,493	-
LHR Project	17.1.12	3,769,317	-
		<u>187,726,512</u>	<u>152,423,868</u>
19.1.1 Islamabad Capital Territory Schools			
Salaries and other benefits		7,479,618	6,094,544
Direct project expenses	19.1.10	446,813	5,358
Library establishment		140,400	298,600
Computer laboratory		161,634	88,303
Others		483,233	274,444
		<u>8,711,698</u>	<u>6,761,249</u>
19.1.2 Orangi Schools			
Salaries and other benefits		50,713,900	41,346,540
Direct project expenses	19.1.10	11,917,865	4,520,956
Library establishment		3,882,006	1,326,690
Computer laboratory		2,231,890	982,451
Others		1,808,817	1,593,408
		<u>70,554,478</u>	<u>49,770,045</u>
19.1.3 Kala Shah Kaku School			
Salaries and other benefits		4,575,375	3,609,635
Direct project expenses	19.1.10	249,259	301,030
Library establishment		94,270	34,140
Computer laboratory		75,286	39,235
Others		4,500	16,400
		<u>4,998,690</u>	<u>4,000,440</u>
19.1.4 Mansehra Community School Project			
Salaries and other benefits		6,537,547	5,297,945
Direct project expenses	19.1.10	250,036	280,639
Library establishment		442,790	53,000
Computer laboratory		118,489	87,250
Others		298,725	379,515
		<u>7,647,587</u>	<u>6,098,349</u>

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**DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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	Note	2022 (Rupees)	2021 (Rupees)
19.1.5 Rawalpindi Rural School Program			
Salaries and other benefits		35,971,219	30,422,061
Direct project expenses	19.1.10	4,819,502	2,915,050
Library establishment		2,819,325	280,240
Computer laboratory		522,536	425,365
Others		1,281,493	804,851
		<u>45,414,075</u>	<u>34,847,567</u>
19.1.6 Punjab Education Foundation			
Salaries and other benefits		7,576,872	15,528,463
Direct project expenses	19.1.10	373,946	404,375
Library establishment		-	344,401
Computer laboratory		119,329	390,556
Others		329,214	328,406
		<u>8,399,361</u>	<u>16,996,201</u>
19.1.7 Federal Directorate of Education			
Salaries and other benefits		12,856,636	3,958,406
Others		2,874,536	2,749,488
		<u>15,731,172</u>	<u>6,707,894</u>
19.1.8 TEACH - International Rescue Committee			
Salaries and other benefits		1,932,000	8,673,034
Direct project expenses	19.1.10	22,429	719,280
Library establishment		-	19,300
Others		2,398,044	9,275,882
		<u>4,352,473</u>	<u>18,687,496</u>
19.1.9 Dir School Project			
Salaries and other benefits		9,211,014	7,785,443
Direct project expenses	19.1.10	1,479,022	606,748
Others		184,415	162,436
		<u>10,874,451</u>	<u>8,554,627</u>
19.1.10 UNESCO Project			
Salaries and other benefits		631,446	-
Direct project expenses		93,272	-
		<u>724,718</u>	<u>-</u>
19.1.11 PSP School Project			
Salaries and other benefits		1,205,548	-
Direct project expenses	19.1.10	5,342,945	-
		<u>6,548,493</u>	<u>-</u>
19.1.12 LHR Project			
Salaries and other benefits		1,890,623	-
Direct project expenses		1,878,694	-
		<u>3,769,317</u>	<u>-</u>

19.1.10 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.

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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19.2 Program expenses by Partner Organizations	Note	2022 (Rupees)	2021 (Rupees)
		-	2,200,016
Cooperation for Advancement, Rehabilitation and Education			
Indus Resource Centre		13,006,377	15,310,165
Naz Old Boys Welfare Association		3,601,248	5,738,024
	19.2.1	<u>16,607,625</u>	<u>23,248,205</u>

19.2.1 Breakup of program expenses by Partner Organizations:

2022	(Rupees)			
	Management	Program	Operating	Total
Cooperation for Advancement, Rehabilitation and Education	-	-	-	-
Indus Resource Centre	3,350,362	8,161,691	1,494,324	13,006,377
Naz Old Boys Welfare Association	1,046,262	1,775,579	779,407	3,601,248
	<u>4,396,624</u>	<u>9,937,270</u>	<u>2,273,731</u>	<u>16,607,625</u>
2021				
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>

19.3 Other program expenses	Note	2022 (Rupees)	2021 (Rupees)
Salaries and other benefits		66,481,873	46,725,064
Staff health and life insurance		2,072,010	1,921,336
Monitoring and evaluation expenses		855,127	852,726
Curriculum development		5,107,390	854,161
Training / capacity building		21,230,296	2,911,897
Library establishment		3,820,474	3,523,026
Computer laboratory		4,342,083	2,677,162
Gateway		6,263,563	2,203,098
Flood relief activities		14,241,729	-
Technology enabled & active learning		7,706,863	6,456,347
Program development / fundraising		314,925	1,880,475
Office expenses		2,209,865	1,675,137
Vehicle running expenses		500,500	339,244
Travel and meetings expenses		1,071,264	380,669
Office utilities		1,900,155	1,710,305
Other insurance expenses		267,647	137,943
Depreciation	4.1 & 6	20,421,919	11,476,315
Bank charges		1,843,003	587,369
Property tax expense		2,250,000	-
Finance cost - on finance lease	15	162,901	1,394,200
Miscellaneous		336,463	246,075
		<u>163,400,050</u>	<u>87,952,549</u>

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**DEVELOPMENTS IN LITERACY
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20	GENERAL AND ADMINISTRATION EXPENSES	Note	2022 (Rupees)	2021 (Rupees)
	Salaries and other benefits	19.1	81,277,785	18,931,120
	Staff health and life insurance		857,522	795,165
	Office utilities		821,014	738,984
	Printing and stationary		121,306	101,008
	Vehicle running expenses		113,813	77,143
	Communication and postage		143,588	130,682
	Office expenses		47,426	101,917
	Other insurance expenses		110,769	57,089
	Bank charges		757,997	241,575
	Audit fee		350,000	350,000
	Fund raising expenses		6,281,582	-
	Depreciation	5.1 & 6	3,586,785	1,888,029
	Amortization	5	22,255	27,819
	Legal and professional charges		955,023	2,442,912
	Software maintenance		193,090	132,590
	Travel and meeting expenses		165,641	58,435
	Miscellaneous		509,019	255,384
	Finance cost - on finance lease	15	923,103	197,699
			<u>97,237,718</u>	<u>26,527,551</u>

19.1 This amount includes gratuity expense payable to employees.

21 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 analyze 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

21.1 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:

	Note	2022 (Rupees)	2021 (Rupees)
Long term deposit		-	750,000
Short term deposits		688,500	236,000
Receivable from donors		7,338,313	15,944,763
Bank balances		206,845,502	147,763,328
		<u>214,872,315</u>	<u>164,694,091</u>

**DEVELOPMENTS IN LITERACY
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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. 206.809 million (2021: Rs. 145.972 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 rating	2022 (Rupees)	2021 (Rupees)
Standard Chartered Bank Limited	PACRA	A-1+/AAA	10,615,512	147,760,465
Telenor Tameer Bank	PACRA	A-1/A	2,863	2,863
Habib Metropolitan Bank	PACRA	A-1+/AA+	196,190,974	-
			206,809,349	147,763,328

21.2 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 - 2022				
Lease liabilities	7,444,595	5,239,726	(214,580)	2,419,449
Accrued and other liabilities	17,210,565	17,210,565	-	-
	24,655,160	22,450,291	(214,580)	2,419,449
- 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	-	-
	22,081,377	14,632,514	5,053,526	2,395,337

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

21.3 Market risk

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

a) Currency risk

The Society is not significantly exposed to currency risk.

b) Interest rate risk

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

	2022 (Rupees)	2021 (Rupees)
Saving bank accounts	193,682,916	146,030,852

