



# DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION (DAMEN)

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## Financial Statements Microfinance Program

for the year ended December 31, 2010

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**ANJUM ASIM SHAHID RAHMAN**

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**AUDITORS' REPORT TO THE GENERAL BODY**

We have audited the annexed balance sheet of **Development Action for Mobilization and Emancipation (DAMEN) - Micro Finance Program (Program)** as at **December 31, 2010** and the related income and expenditure account and cash flow statement together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the year then ended.

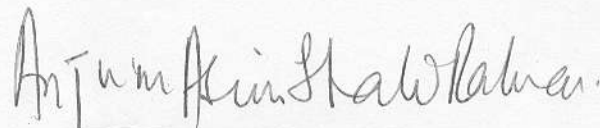
It is the responsibility of the Board of Directors of Development Action for Mobilization and Emancipation (DAMEN) to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects the financial position of the **Development Action for Mobilization and Emancipation (DAMEN) - Micro Finance Program (Program)** as at **December 31, 2010** and of its surplus and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we would like to draw attention of the General Body to note 7.6 to the financial statements, which states that the management is in process of evaluating its credit portfolio. On the basis of the initial evaluation conducted so far and based on management's analysis of the situation additional provision of Rs. 14,098,961 has been made in the financial statements and management believes that no significant provision will arise in this regard.

The financial statements for the year ended December 31, 2009 were audited by another firm of Chartered Accountants who vide their audit report dated April 15, 2010 expressed an unqualified opinion in all respects. However, an emphasis of matter paragraph was added indicating that the management of DAMEN is in the process of evaluating its credit portfolio and on the basis of initial evaluation an additional provision of Rs. 6,006,659 was made in the financial statements.

**CHARTERED ACCOUNTANTS**

Engagement Partner: Asim Iftikhar

Lahore

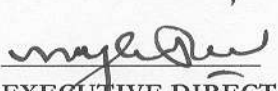
Dated: April 14, 2011



**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
MICROFINANCE PROGRAM  
BALANCE SHEET  
AS AT 31 DECEMBER 2010**

	Notes	2010 Rupees	2009 Rupees
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	76,034,786	95,772,877
Short term investments	6	65,648,001	-
Micro credit loan portfolio	7	354,984,020	403,102,628
Advances, prepayments and other receivables	8	7,982,464	12,706,257
<b>Total current assets</b>		<b>504,649,271</b>	<b>511,581,762</b>
<b>Non-current assets</b>			
Operating fixed assets	9	16,080,887	17,714,853
Security deposits		325,500	317,000
<b>Total non-current assets</b>		<b>16,406,387</b>	<b>18,031,853</b>
<b>Total assets</b>		<b>521,055,658</b>	<b>529,613,615</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	10	2,797,371	1,037,369
Current portion of long term loans	11	368,315,021	377,154,730
<b>Total current liabilities</b>		<b>371,112,392</b>	<b>378,192,099</b>
<b>Non-current liabilities</b>			
Long term financing	11	75,080,600	80,760,705
Deferred grants	12	1,608,959	4,182,560
<b>Total non-current liabilities</b>		<b>76,689,559</b>	<b>84,943,265</b>
<b>Total liabilities</b>		<b>447,801,951</b>	<b>463,135,364</b>
<b>NET ASSETS</b>		<b>73,253,707</b>	<b>66,478,251</b>
<b>REPRESENTED BY :</b>			
General fund	13	71,042,989	64,267,533
Donated fund	14	1,000,000	1,000,000
Reserves	15	1,210,718	1,210,718
		<b>73,253,707</b>	<b>66,478,251</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	16	-	-

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

  
EXECUTIVE DIRECTOR

  
TREASURER



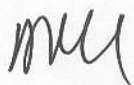
DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
MICROFINANCE PROGRAM  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 Rupees	2009 Rupees
<b>Operating Income</b>			
Service charges on micro credit loans		136,462,434	107,267,470
Loan processing fees		10,890,280	11,188,240
Profit on bank deposits and investments		21,015,315	9,746,284
		168,368,029	128,201,994
Finance cost		(57,283,432)	(37,991,632)
Net financial margin		111,084,597	90,210,362
Provision against non-performing loans - net	7.2	(32,842,895)	(18,467,134)
Operating income after provision		78,241,702	71,743,228
<b>Other Income</b>		652,147	13,042
<b>Expenditure</b>			
Salaries, wages, stipends and other benefits		42,375,305	38,280,322
General and administrative expenses	17	24,482,460	21,246,378
Product development project		54,000	-
Training expenses		1,202,763	1,081,069
		(68,114,528)	(60,607,769)
Net operating surplus		10,779,321	11,148,501
Financial assistance to social sector program - net		(4,325,403)	(4,711,572)
Net operating surplus before grants		6,453,918	6,436,929
Deferred grants amortized / utilized during the period			
- relating to fixed assets		321,538	2,124,631
- relating to capacity building		-	1,011,308
		321,538	3,135,939
<b>Net surplus for the year</b>		<b>6,775,456</b>	<b>9,572,868</b>

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

  
EXECUTIVE DIRECTOR

  
TREASURER



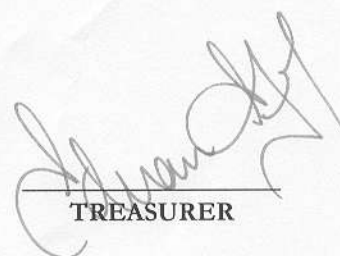


**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
MICROFINANCE PROGRAM  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Notes</b>	<b>2010 Rupees</b>	<b>2009 Rupees</b>
Net surplus for the year		6,775,456	9,572,868
Adjustments for :			
Depreciation	9	3,021,751	3,210,405
Amortization of deferred grants:			
fixed assets	12.1	(321,538)	(2,124,631)
capacity building		-	(1,011,308)
Grants related to fixed assets (un-utilized)		300,000	-
Financial charges		57,283,432	37,991,632
Provision against non-performing loans	7.2	32,842,895	18,467,134
		<u>93,126,540</u>	<u>56,533,232</u>
Operating surplus before working capital changes		99,901,996	66,106,100
(Increase)/decrease in current assets			
Advances, prepayments and other receivables		4,723,793	(1,681,059)
Micro credit loan portfolio		15,275,713	(103,645,297)
Security deposits		(8,500)	(2,000)
		<u>19,991,006</u>	<u>(105,328,356)</u>
(Decrease) / increase in current liabilities			
Creditors, accrued and other liabilities		1,760,000	227,413
		<u>21,751,006</u>	<u>(105,100,943)</u>
Cash generated from operations		121,653,002	(38,994,843)
Finance cost paid		<u>(57,283,432)</u>	<u>(37,991,632)</u>
Net cash from /(used in) operating activities		64,369,570	(76,986,475)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net fixed capital expenditure		<u>(1,387,784)</u>	<u>(3,932,232)</u>
		<u>(1,387,784)</u>	<u>(3,932,232)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grants received/capitalized during the year			
- relating to fixed assets		(1,957,405)	-
- relating to capacity building		(594,658)	-
Net proceeds from long term loans		<u>(14,519,814)</u>	<u>64,235,952</u>
Net cash (used in)/from financing activities		<u>(17,071,877)</u>	<u>64,235,952</u>
<b>Increase/(Decrease) in cash and cash equivalents</b>		<b>45,909,909</b>	<b>(16,682,755)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>95,772,877</b>	<b>112,455,632</b>
<b>Cash and cash equivalents at end of period</b>		<b><u>141,682,787</u></b>	<b><u>95,772,877</u></b>

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

  
EXECUTIVE DIRECTOR

  
TREASURER



**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
MICRO FINANCE PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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**1 STATUS AND NATURE OF THE BUSINESS**

- 1.1 Development Action For Mobilization and Emancipation (DAMEN) was registered in May 1992 as a non profit organization under the Societies Registration Act XXI of 1860. DAMEN has 20 field offices within vicinity of Lahore, Kasur and Sheikhpura District.
- 1.2 The principal activity of DAMEN is to provide cost effective micro finance services to poor women in order to enhance their economic role. DAMEN is also taking part in financial and operational support for provision of primary education and basic health facilities through community based schools and health centres in rural areas in vicinity of Lahore, Kasur and Sheikhpura District. In addition to these functions, DAMEN also provides non financial services in the form of trainings both to its clients and staff.

**2 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and reporting framework advised by Pakistan Poverty Alleviation Fund (PPAF).

**3 BASIS OF PREPARATION**

These accounts have been prepared under the historical cost convention.

**4 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in preparation of these financial statements are set out below. These policies have been consistently applied to all years prescribed, unless otherwise stated.

**4.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For purpose of cash flow statement, cash and cash equivalents include cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

**4.2 Operating fixed assets**

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and impairment loss. Freehold land is stated at cost less impairment loss.

Depreciation on all operating fixed assets is charged to income on straight-line method so as to write off the historical cost of assets over estimated useful life at rates specified in Note 9.

Full month's depreciation is charged on additions while no depreciation is charged in the month of disposals during the year. Impairment loss or its reversal, if any, is charged to income. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset is recognized as an income or expense.

**4.3 Borrowings**

All borrowings are recorded when the proceeds are received. Finance cost is accounted for on accrual basis and is included in creditors and accrued and other liabilities to the extent of the amount payable as on balance sheet date.

**4.4 Income recognition**

- 4.4.1 Service charges and income on loan portfolio are accounted for on accrual basis and collected with loan instalments. These are calculated by using declining interest method at the rate of 0.90/day/1,000 rupees on outstanding loan balance.
- 4.4.2 Documentation and loan processing fee collected from micro credit loan customer is recognized on receipt basis. The fee is charged at the rate of 2% of the loan amount.



DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
MICRO FINANCE PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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4.4.3 Income from health centre is recognized on receipt basis and considered as other income.

4.4.4 Donations in kind are recognized at fair market value as and when donated items are received.

4.4.5 Return on investments is recognized on accrual basis.

4.4.6 Bad debts recovered are added to current year's income .

**4.5 Recognition of grants**

- Funds provided by donors to subsidize operating and administrative expenses are recognized as grant income as per term of agreement with donors.
- Funds utilized for acquiring fixed assets are taken to deferred grant and amortized over the useful life of the assets.
- Grants related to capacity building are taken to deferred grant and amortized as actual expenses incurred on account of capacity building.
- Grants utilized for financing of lending operations are recognized as donated funds.

**4.6 Micro credit loan portfolio**

These are stated net of provision for non-performing loans, if any. The outstanding principal of the loans, payments against which are overdue by over 30 days is classified as non-performing.

**4.6.1 General provision**

General provision is made @ 1.5 % of the net outstanding loan balances after netting of specific provision.

**4.6.2 Specific provision**

In addition to general provision, specific provision for potential loan losses is made for all non-performing loans as follows:

Category	Loans in arrears/ Instalment over due	Percentage of out standing principal
Other Assets Especially Mentioned (OAEM)	Loans in arrears (instalment overdue) for 30 days or more but less than 60 days.	-
Substandard	Loans in arrears (instalment overdue) for 60 days or more but less than 90 days.	25%
Doubtful	Loans in arrears (instalment overdue) for 90 days or more but less than 180 days.	50%
Loss	Loans in arrears (instalment overdue) for 180 days or more.	100%

**4.6.3 Write-Off**

All non-performing loans are written off after one month of classification as loss. However, the Society, continues its efforts for recovery of the written-off loans. Loans are classified as loss when instalment are overdue for 180 days or more.





**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
MICRO FINANCE PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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**4.7 Foreign currency translations**

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rate prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rates. All non monetary items are translated into rupees at exchange rates prevailing on the dates of transactions or on dates when fair values are determined.

Exchange differences are included in income currently.

**4.8 Short term investments (Held to maturity)**

These are stated at amortized cost.

**4.9 Employees retirement benefits**

The Society operates a recognized provident fund for all its permanent employees. Equal monthly contributions are made to the fund both by the Society and the employees at the rate of 10 percent of the basic salary. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

**4.10 Taxation**

The Society's income is exempt from tax under the provisions of Income Tax Ordinance 2001, hence no provision has been made for the current and prior periods in these financial statements.

**4.11 Provisions**

Provisions are recognized when, and only when, the Society has a present obligation (legal or constructive) as a result of a past event 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 the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**4.12 Financial instruments**

Financial assets and financial liabilities are recognized when the Society becomes a party to contractual provisions of the instrument and de-recognized when the Society loses control of contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

**4.13 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if the Society has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or realize the asset and settle the liabilities simultaneously.

**4.14 Cost allocation**

Common costs relating to financial and non-financial services is allocated on proportionate basis according to share percentage of program's direct cost to total cost. DAMEN's financial sector is subsidizing the non financial sector for meeting the Programme costs.





DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
MICRO FINANCE PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
<b>5 CASH AND BANK BALANCES</b>		<b>RUPEES</b>	
Cash in hand		225,994	19,501
<b>Cash with banks</b>			
In current accounts - local currency		12,262,580	39,325,433
In deposit accounts			
- local currency		63,293,410	56,179,516
- foreign currency		252,802	248,427
		63,546,212	56,427,943
		76,034,786	95,772,877
<b>6 SHORT TERM INVESTMENTS</b>		65,648,001	-

These represents investments having term of 1- 3 months, earning mark up ranging from 10.5% to 12%.

7	MICRO CREDIT LOAN PORTFOLIO	Note	2010		2009	
			Numbers	Rupees	Numbers	Rupees
	Considered good		36,449	356,352,985	42,040	401,064,460
	Considered doubtful (non-performing)	(7.1)	1,696	12,471,635	2,872	21,639,676
			38,145	368,824,620	44,912	422,704,136
	Less: Specific provision	(7.2)		1,631,387		13,462,889
	General provision	(7.2)		5,405,847		6,138,619
	Additional general provision	(7.2)		6,803,366		-
				13,840,600		19,601,508
				354,984,020		403,102,628

Additional general provision represents the provision created in addition to the Society's provisioning policy for catering to the unforeseen loan losses.

All the loans are secured by way of social guarantees.

**7.1 Particulars of non-performing loans**

Micro credit loan portfolio includes Rs. 12,471,636 (Dec: 2009 Rs. 21,639,676) which, as detailed below, have been placed under non-performing status:

Classification	Amount outstanding Rupees	Percentage	Provision required Rupees	Provision held Rupees
OAEM	5,946,089	-	-	-
Sub-standard	6,525,546	25%	1,631,387	1,631,387
Doubtful	-	50%	-	-
Loss	-	100%	-	-
	12,471,635		1,631,387	1,631,387

**7.2 Movement of provision against non performing loan is as under:**

	Note	2010	
		<b>Rupees</b>	
		<b>Specific Provision</b>	<b>General Provision</b>
Opening balance		13,462,889	6,138,619
Charge for the period		26,772,301	(732,772)
Amounts written off during the year	(7.3)	(38,603,803)	-
Closing balance		1,631,387	5,405,847
		<b>2009</b>	
		<b>Rupees</b>	
		<b>Specific Provision</b>	<b>General Provision</b>
Opening balance		970,142	6,488,254
Charge for the period		18,816,769	(349,635)
Amounts written off during the year	(7.3)	(6,324,022)	-
Closing balance		13,462,889	6,138,619

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
MICRO FINANCE PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**7.3 Particulars of amount written off**

Against provision

2010	2009
RUPEES	
38,603,803	6,324,022

This represents non performing loans overdue for more than 210 days. Except for amounts aggregating Rs.14,855,683/- written off against the non performing loans falling under the category of loans in arrears for 90 days or more but less than 180 days or more under the instructions of the Board of Directors.

**7.4 Portfolio by segment**

Loan type:

Trade & Business

Tailoring Centre

Livestock

Handcraft & Embroidery

178,638,828	206,152,185
76,475,853	89,062,249
67,869,392	68,359,777
45,840,547	59,129,925
368,824,620	422,704,136

**7.5 Portfolio quality report**

The organization's main measure of loan delinquency is an aged portfolio-at-risk ratio. Loans are separated into classes depending on the number of days they are over-due. For each class of loan, the aged portfolio-at-risk ratio is calculated by dividing the outstanding principal balance of such class by outstanding principal balance of the gross loan portfolio.

Loans are considered overdue if any payment has fallen due and remained unpaid for more than 30 days. The number of days of delay is based on the difference between reporting date (cut off date) and the calculation of fully paid instalments subtracted from scheduled instalments, multiply by the repayment cycle (30 days) and adding the resulting days in the date of disbursement of loan.

	2010		2009	
	Rupees	Percentage	Rupees	Percentage
Loan portfolio				
Current and up to 30 days late	356,352,985	96.6%	401,459,668	95.0%
31 - 60 days late	5,946,089	1.6%	5,023,348	1.2%
61 - 90 days late	6,525,546	1.8%	4,412,619	1.0%
More than 90 days late	-	0.0%	11,808,501	2.8%
	368,824,620	100%	422,704,136	100%

The organization does not allow rescheduling or restructuring of loans. During the year, no loans were rescheduled or restructured.

During the year, loans were disbursed with tenures from 12 months to 18 months, in accordance with needs of the borrowers. Loan repayments are scheduled on monthly instalments based on repayment terms.

- 7.6 During the previous year, the management of DAMEN detected certain irregularities carried out by few of its employees in its five field offices namely Rachna Town, Phoolnagar, Chunian, Habibabad and Pattoki. The management has taken certain remedial actions i.e. termination of concerned employees and evaluation of its credit portfolio of these offices and plans to conduct detailed evaluation of its credit disbursement and recovery system. In addition, the management has made specific provisions where necessary. Due to pending finalisation of the evaluation, an additional provision has been raised amounting to Rs. 14,098,961/=(2009: Rs. 6,006,659) against potential doubtful debts. Total exposure as on December 31, 2010 of such field offices amount to Rs. 65,986,431/= (2009: Rs.104,069,262/=). The management believes that no significant provision will arise in subsequent period in this regard.

**8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

Notes

Accrued service charges on micro credit loans  
Advances to staff  
Advance tax  
Advances for expenses  
Accrued income on bank deposits and investments  
Prepaid insurance  
Grant receivable from PPAF-Capacity building  
Grant receivable from PPAF-Fixed Assets  
Receivables form Former Field Manager  
Other receivables

2010	2009
RUPEES	
5,433,020	6,359,807
179,746	-
689,700	683,935
69,063	23,126
1,258,880	-
157,124	109,621
-	2,405,018
-	1,957,405
-	903,285
194,931	264,060
7,982,464	12,706,257

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
 MICRO FINANCE PROGRAM  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

8.1 Grant receivable from PPAF-Capacity building

	2010	2009
	RUPEES	
Opening balance (receivable)/liability	-	(1,393,710)
Grants (claimed)/received during the year	-	(1,011,308)
	-	(2,405,018)
less : Grants utilized during the year	-	-
	-	(2,405,018)

8.2 Grant receivable from PPAF-fixed assets

Opening balance	-	(701,483)
Add: Grants utilized during the year	-	2,658,888
	-	1,957,405

*over*

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

MICRO FINANCE PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

9 OPERATING FIXED ASSETS

2010							
DESCRIPTION	COST		DEPRECIATION			BOOK VALUE AS AT 31 December 2010	RATE %
	As at 01 January 2010	Additions/ (deletions) during the year	As at 31 December 2010	As at 01 January 2010	For the year		
Land	6,887,500	-	6,887,500	-	-	6,887,500	-
Building	3,656,121	-	3,656,121	1,014,986	182,806	1,197,792	5
Vehicles	8,565,572	761,922 (403,931)	8,923,563	4,998,438	1,304,600 (390,638)	5,912,400	20
Computer equipment	5,720,589	89,889	5,810,478	4,628,245	549,131	5,177,376	33
Furniture and fixture	2,974,744	327,044	3,301,788	1,132,446	297,410	1,429,856	10
Office equipment	4,284,683	222,223	4,506,906	2,600,241	687,804	3,288,045	20
Total	32,089,209	1,401,078 (403,931)	33,086,356	14,374,356	3,021,751 (390,638)	17,005,469	16,080,887

2009							
DESCRIPTION	COST		DEPRECIATION			BOOK VALUE AS AT 31 DECEMBER 2009	Rate %
	As at 01 January 2009	Additions during the year	As at 31 December 2009	As at 01 January 2009	For the year		
-----Rupees-----							
Land	6,887,500	-	6,887,500	-	-	6,887,500	-
Building	3,656,121	-	3,656,121	832,180	182,806	1,014,986	5
Vehicles	5,939,518	2,626,054	8,565,572	3,689,284	1,309,154	4,998,438	20
Computer equipment	4,666,693	1,053,896	5,720,589	3,968,408	659,837	4,628,245	33
Furniture and fixture	2,818,997	155,747	2,974,744	846,992	285,454	1,132,446	10
Office equipment	4,188,148	96,535	4,284,683	1,827,087	773,154	2,600,241	20
Total	28,156,977	3,932,232	32,089,209	11,163,951	3,210,405	14,374,356	17,714,853

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	Note	2010	2009
		RUPEES	
<b>10 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Creditors		-	13,415
Accrued expenses		1,122,976	940,359
DAMEN Relief Fund		646,226	-
Shore bank international		1,000,000	-
Bank overdraft		28,169	97,010
		<u>2,797,371</u>	<u>1,050,784</u>

<b>11 LONG TERM FINANCING</b>			
Opening balance		457,915,435	393,679,483
Additions during the period		<u>475,000,000</u>	<u>352,445,000</u>
		932,915,435	746,124,483
Repayments during the period		<u>(489,519,814)</u>	<u>(288,209,048)</u>
		443,395,621	457,915,435
Current portion of long term loans		<u>(368,315,021)</u>	<u>(377,154,730)</u>
Closing balance		<u>75,080,600</u>	<u>80,760,705</u>

This loan carried mark up at the rate of 8% p.a. During the year Pakistan Poverty Alleviation Fund (PPAF) raised the mark-up rate to 10.76% p.a. (2009 : 8 % p.a.).

Principal and mark-up are payable on quarterly basis.

This loan is secured against:

- a first charge on micro credit sub loans created/financed from the proceeds of the loan.
- the promissory note executed by the Board Of Directors to pay on order the full amount of financing together with service charges.
- a first charge on all assets/capital items created out off PPAF financing agreement.

**11.1 Quarterly Movements in long term loans**

	2010			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Rupees			
Opening Balance	457,915,435	508,475,166	483,304,411	451,477,146
Additions	150,000,000	100,999,000	110,001,000	114,000,000
Repayments	99,440,269	126,169,755	141,828,265	122,081,525
Closing balance	<u>508,475,166</u>	<u>483,304,411</u>	<u>451,477,146</u>	<u>443,395,621</u>

	2009			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Rupees			
Opening Balance	393,679,483	397,885,325	414,150,339	391,708,978
Additions	85,815,000	75,815,000	50,815,000	140,000,000
Repayments	81,609,158	59,549,986	73,256,361	73,793,543
Closing balance	<u>397,885,325</u>	<u>414,150,339</u>	<u>391,708,978</u>	<u>457,915,435</u>

**12 DEFERRED GRANTS**

Grants related to fixed assets	(12.1)	1,308,959	4,182,560
Grants related to fixed assets (un-utilized)		<u>300,000</u>	-
		<u>1,608,959</u>	<u>4,182,560</u>

**12.1 Grants related to fixed assets**

Opening balance	4,182,560	3,648,303
Funds capitalized during the period	<u>(2,552,063)</u>	<u>2,658,888</u>
	1,630,497	6,307,191
Amortization	<u>(321,538)</u>	<u>(2,124,631)</u>
	<u>1,308,959</u>	<u>4,182,560</u>

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
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**13 GENERAL FUND**

Opening balance  
Surplus for the period

2010	2009
RUPEES	
64,267,533	54,694,665
6,775,456	9,572,868
71,042,989	64,267,533

**14 DONATED FUNDS**

This represent funds received from Trust for Voluntary Organizations against financing of lending operations.

**15 RESERVES**

Bonus Reserves  
Bed Debts Reserves

1,063,968	1,063,968
146,750	146,750
1,210,718	1,210,718

**16 CONTINGENCIES AND COMMITMENTS**

Contingencies as on balance sheet date were Rs. Nil(2009 Rs. Nil)  
Commitments as on balance sheet date were Rs. Nil(2009 Rs. Nil)

**17 GENERAL AND ADMINISTRATIVE EXPENSES**

Rent, rates and taxes  
Electricity, water and gas  
Repair and maintenance  
Vehicle running and maintenance  
Communications  
Legal and professional  
Stamp papers  
Fee and subscription  
Printing and stationery  
Office supplies  
Travelling and conveyance  
Bank charges  
Audit fee  
Insurance  
Depreciation  
Performance Appraisal system  
Other expenses

1,869,617	1,690,178
1,356,849	1,259,462
2,441,934	2,600,316
1,903,759	1,484,110
1,115,104	971,830
885,834	791,621
1,081,213	404,813
253,364	2,039,464
1,357,061	1,435,756
1,341,774	1,304,270
1,540,323	1,006,830
1,566,385	638,880
245,162	238,575
2,542,255	2,158,412
3,021,751	3,210,405
1,033,604	-
926,471	11,456
24,482,460	21,246,378

**18 TAXATION**

The society is a "Non-profit Organization" as defined under section 2(36) of the Income Tax Ordinance 2001 and holds an exemption certificate from income tax under section 58(3) of Part I of Second Schedule to the said Ordinance to the Federal Board of Revenue (FBR).

**19 NUMBER OF EMPLOYEES**

The Society employed 78 loan officers (2009: 98) and 124 other employees (2009: 104) as at the year end.

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**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
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**20. FINANCIAL INSTRUMENTS**

	Interest / mark-up bearing		Non interest / mark-up bearing		Total	
	Maturity upto one year		Maturity after one year but less than five years		Maturity upto one year but less than five years	
	2010	2009	2010	2009	2010	2009
R u p e e s )						
<b>Financial assets</b>						
Long term deposits	-	-	-	-	325,500	317,000
Micro credit loan portfolio	354,984,020	403,102,628	-	-	354,984,020	403,102,628
Advances and other receivables	-	-	5,627,951	7,527,152	5,627,951	7,527,152
Cash and Bank Balances	63,546,212	56,427,943	12,488,574	39,344,934	76,034,786	95,772,877
<b>Total financial assets</b>	<b>418,530,232</b>	<b>459,530,571</b>	<b>18,116,525</b>	<b>46,872,086</b>	<b>436,972,257</b>	<b>506,719,657</b>
<b>Financial liabilities</b>						
Long term loans	368,315,021	377,154,730	-	-	443,395,621	457,915,435
Creditors, accrued and other liabilities	-	-	2,797,371	1,037,369	2,797,371	1,037,369
<b>Total financial liabilities</b>	<b>368,315,021</b>	<b>377,154,730</b>	<b>2,797,371</b>	<b>1,037,369</b>	<b>446,192,992</b>	<b>458,952,804</b>

The effective interest/ mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
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**20.1 Financial risk management Objectives**

The society's activities expose it to a variety of financial risks including effect of credit and liquidity risk associated with various financial assets and liabilities respectively.

The society finances its operations through donated funds, borrowings and management of working capital.

Taken as a whole, risk arising from society's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

**a) Credit risk**

Credit risk is the risk that a party to the financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The society's credit risk is primarily attributable to its advances and its balances at banks. The risk on liquid funds is limited as the counter parties are banks with high credit ratings. The society has effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers credit worthiness and identify potential problem loans. A provision for potential loan losses is maintained.

**b) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly due to balance in foreign currency. Therefore, the society is not exposed to any such risk.

**c) Interest rate risk**

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rate. The society borrow funds at fixed rates and thus it is not exposed to the interest rate risk, in respect of borrowings. However, it has placed funds at floating rate and accordingly, it is exposed to interest rate risk.

**d) Liquidity risk**

Liquidity risk is the risk that the society will encounter difficulty in raising funds to meet its net funding requirement. The society manages such risk by having adequate credit lines in place and maintaining sufficient liquidity at field office level to meet anticipated funding requirements.

**21. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include key management personnel.

Related parties comprise directors, their close family members and their company. The society has a policy whereby all transactions with related parties are entered into arm's length basis.

**22. GENERAL**

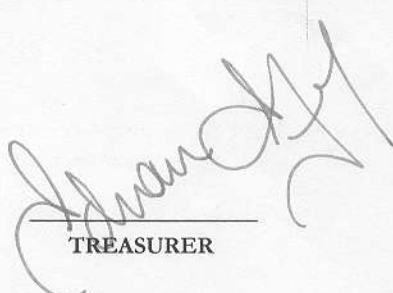
**22.1** Figures have been rounded off to the nearest rupee.

**22.2** Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made in these financial statements.

**23 DATE OF AUTHORIZATION**

These financial statements were approved and authorized by the board of directors for issue on 14-04-11.

  
EXECUTIVE DIRECTOR

  
TREASURER

