



# DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION (DAMEN)

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## Financial Statements

## Consolidated

for the year ended December 31, 2011

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**ANJUM ASIM SHAHID RAHMAN**

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## INDEPENDENT AUDITORS' REPORT TO THE GENERAL BODY

We have audited the annexed balance sheet of **Development Action for Mobilization and Emancipation (DAMEN)** as at **December 31, 2011** and the related income and expenditure account, cash flow statement and statement of changes in fund 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 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)** as at **December 31, 2011** and of its surplus, its cash flows and changes in fund for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

**CHARTERED ACCOUNTANTS**

Engagement Partner: Asim Iftikhar

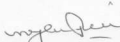
Lahore

Dated: *March 29, 2012*

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

		2011	2010
ASSETS	Notes	Rupees	
<b>Current assets</b>			
Cash and bank balances	5	89,260,535	76,034,786
Short term investments	6	66,028,458	65,648,001
Micro credit loan portfolio	7	444,788,493	354,984,020
Advances, prepayments and other receivables	8	9,920,219	7,982,463
<b>Total current assets</b>		609,997,705	504,649,270
<b>Non-current assets</b>			
Operating fixed assets	9	22,023,623	20,365,065
Security deposits		403,500	325,500
<b>Total non-current assets</b>		22,427,123	20,690,565
<b>Total assets</b>		632,424,828	525,339,835
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	10	1,487,021	2,797,371
Current portion of long term loans	11	359,830,017	368,315,021
<b>Total current liabilities</b>		361,317,038	371,112,392
<b>Non-current liabilities</b>			
Long term loans	11	180,512,173	75,080,600
Deferred grants	12	3,688,758	1,608,959
<b>Total non-current liabilities</b>		184,200,931	76,689,559
<b>Total liabilities</b>		545,517,969	447,801,951
<b>NET ASSETS</b>		86,906,859	77,537,884
<b>REPRESENTED BY:</b>			
General fund	13	54,564,409	75,004,820
Donated fund	14	1,000,000	1,000,000
Reserves	15	31,342,450	1,533,064
		86,906,859	77,537,884
<b>CONTINGENCIES AND COMMITMENTS</b>			
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*The annexed notes 1 to 28 form an integral part of these financial statements.*

  
**EXECUTIVE DIRECTOR**

  
**TREASURER**



**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2010
	Notes	Rupees	
<b>Financial income</b>			
Service charges on micro credit loans		121,456,403	136,462,434
Loan processing fees		12,106,120	10,890,280
<b>Total financial income</b>		133,562,523	147,352,714
Finance cost		62,633,336	57,283,432
<b>Gross financial margin</b>		70,929,187	90,069,282
Provision against non-performing loans - net	7.2	19,152,126	32,842,895
<b>Net financial margin</b>		51,777,061	57,226,387
Profit on investments and bank deposits		27,048,796	21,015,315
		78,825,857	78,241,702
<b>Administrative expenses</b>			
General and administrative expenses			
-Micro finance program	17	22,721,355	23,428,460
-Social sector program	18	621,502	515,646
Salaries, wages, stipends and other benefits			
-Micro finance program		49,965,098	42,375,305
-Social sector program		991,392	2,482,212
Training expenses			
-Micro finance program		1,477,541	1,202,763
-Social sector program		39,658	28,234
Research studies expenses		1,420,467	1,108,000
Subsidy to home schools		415,470	250,305
Subsidy to health centers		738,050	492,440
Contribution in DAMEN flood relief fund		-	600,000
		78,390,533	72,483,365
<b>Surplus from operations</b>		435,324	5,758,337
Other income	19	5,243,790	837,407
Deferred grants amortized /utilized			
- relating to fixed assets	12.1	854,553	321,538
- relating to capacity building	12.2	2,835,308	-
		3,689,861	321,538
<b>Net Surplus for the year</b>		9,368,975	6,917,282
Operational Self Sufficiency (OSS) Ratio	26	104%	104%

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

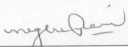
  
**EXECUTIVE DIRECTOR**

  
**TREASURER**

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

		2011	2010
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>		
Net surplus for the year		9,368,975	6,917,282
<b>Adjustments for non cash items :</b>			
Depreciation	9	2,973,116	3,244,936
Amortization of deferred grants:			
- relating to fixed assets	12.1	(854,553)	(21,538)
- relating to capacity building	12.2	(2,835,308)	-
Finance cost		62,633,336	57,283,432
Provision against non-performing loans	7.2	19,152,126	32,842,895
		81,068,717	93,349,725
<b>Operating surplus before working capital changes</b>		90,437,692	100,267,007
(Increase) / decrease in:			
Advances, prepayments and other receivables		(1,937,756)	4,723,793
Micro credit loan portfolio		(108,956,599)	15,275,713
Security deposits		(78,000)	(8,500)
(Decrease) / increase in creditors, accrued and other liabilities		(1,310,350)	1,760,002
		(112,282,705)	21,751,008
<b>Operating deficit after working capital changes</b>		(21,845,013)	122,018,015
Finance cost paid		(62,633,336)	(57,283,432)
<b>Net cash (used in) /generated from operations</b>		(84,478,349)	64,734,583
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net operating fixed assets expenditure		(4,631,674)	(1,752,796)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grants received /capitalized during the year			
- relating to fixed assets		2,373,000	(1,957,405)
- relating to capacity building		3,396,660	(594,658)
Net proceeds from long term loans		96,946,569	(14,519,814)
<b>Net cash generated from /(used in) financing activities</b>		102,716,229	(17,071,877)
<b>Increase in cash and cash equivalents</b>		13,606,206	45,909,910
<b>Cash and cash equivalents at the beginning of year</b>		141,682,787	95,772,877
<b>Cash and cash equivalents at the end of year</b>	21	155,288,993	141,682,787

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

  
**EXECUTIVE DIRECTOR**

  
**TREASURER**



**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**  
**STATEMENT OF CHANGES IN FUND**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	<b>General funds</b>	<b>Donated funds</b>	<b>Reserves</b>	<b>Total</b>
	<b>-----Rupees-----</b>			
Balance as at 01 January 2010	68,087,538	1,000,000	1,533,064	70,620,602
Net surplus for the year	6,917,282	-	-	6,917,282
Balance as at 31 December 2010	75,004,820	1,000,000	1,533,064	77,537,884
Net surplus for the year	9,368,975	-	-	9,368,975
Transferred to social sector program reserves	(29,809,386)	-	29,809,386	-
Balance as at 31 December 2011	<b>54,564,409</b>	<b>1,000,000</b>	<b>31,342,450</b>	<b>86,906,859</b>

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

  
**Executive Director**



  
**Treasurer**

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**1. STATUS AND NATURE OF THE BUSINESS**

- 1.1** Development Action for Mobilization and Emancipation (DAMEN) (the Society) 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 Sheikhupura Districts.
- 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 centers in rural areas in vicinity of Lahore, Kasur and Sheikhupura Districts. 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 the 'Financial Reporting Guidelines for NGOs/NPOs engaged in Microfinance' issued by Institute of Chartered Accountants of Pakistan (ICAP) and reporting framework advised by Pakistan Poverty

**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, 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 installments. 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.

- 4.4.3** Income from health center is recognized on receipt basis.

- 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.



**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**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/ Installment over due	Percentage of outstanding principal
Other Assets Especially Mentioned (OAEEM)	Loans in arrears (installment overdue) for 30 days or more but less than 60 days.	-
Substandard	Loans in arrears (installment overdue) for 60 days or more but less than 90 days.	25%
Doubtful	Loans in arrears (installment overdue) for 90 days or more but less than 180 days	50%
Loss	Loans in arrears (installment 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 installment are overdue for 180 days or more.

**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 reflected 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 setoff 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 in the ratio of 2.5% of direct social sector costs and the remaining portion to micro finance sector. DAMEN's financial sector is subsidizing the non financial sector for meeting the Program costs.





**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011		2010	
	Rupees		Rupees	
<b>5 CASH AND BANK BALANCES</b>				
Cash in hand		46,452		225,994
Cash with banks:				
In current accounts - local currency		8,518,295		12,262,580
In deposit accounts:				
- local currency	80,429,505		63,293,410	
- foreign currency	266,283		252,802	
	80,695,788		63,546,212	
	89,260,535		76,034,786	
<b>6 SHORT TERM INVESTMENTS</b>				
	66,028,458		65,648,001	

These represent investments in Term Deposit Receipts having a term ranging from 1 month to 1 year. These investments carry mark up rate ranging from 10.25% to 13%.

	Notes	2011			2010		
		Numbers	Rupees	PAR %age	Numbers	Rupees	PAR %age
Considered good		29,937	450,089,189	98	36,449	356,352,085	97
Considered doubtful (non-performing)	7.1	1,099	9,224,804	2	1,696	12,471,636	3
		31,036	459,313,993	100	38,145	368,824,621	100
Less: Specific provision	7.2		3,810,090			1,631,387	
General provision	7.3		6,773,429			5,405,848	
Additional general provision			3,941,981			6,803,366	
			14,525,500			13,840,601	
			444,788,493			354,984,020	

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

**7.1 Particulars of non-performing loans**

Micro credit loan portfolio includes Rs. 9,224,804 (2010: Rs. 12,471,636) which, as detailed below, have been placed under non-performing status:

Classification	2011			
	Amount outstanding	Percentage	Provision required	Provision held
	Rupees		Rupees	
OAEM	2,133,548	-	-	-
Sub-standard	1,134,979	25%	283,745	283,745
Doubtful	4,859,865	50%	2,429,933	2,429,933
Loss	1,096,412	100%	1,096,412	1,096,412
	9,224,804		3,810,090	3,810,090
Classification	2010			
	Amount outstanding	Percentage	Provision required	Provision held
	Rupees		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

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**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

Notes	2011			
	Rupees			
	Specific	General	Add. General	Total
Opening balance	1,631,387	5,405,847	6,803,366	13,840,600
Charge for the period	17,784,544	1,367,582	-	19,152,126
Amounts written off during the year	(15,605,841)	-	(2,861,385)	(18,467,226)
Closing balance	3,810,090	6,773,429	3,941,981	14,525,500

	2010			
	Rupees			
	Specific	General	Add. General	Total
Opening balance	13,462,889	6,138,619	-	19,601,508
Charge for the period	26,772,301	(732,772)	6,803,366	32,842,895
Amounts written off during the year	(38,603,803)	-	-	(38,603,803)
Closing balance	1,631,387	5,405,847	6,803,366	13,840,600

**7.3 Particulars of amount written off**

Against provision

This represents non performing loans overdue for more than 210 days.

2011	2010
Rupees	
18,467,226	38,603,803

**7.4 Portfolio by segment**

Loan type:		
Trade & Business	296,077,279	178,638,828
Tailoring Center	54,242,758	76,475,853
Livestock	68,475,203	67,869,392
Handcraft and embroidery	40,518,753	45,840,547
	<u>459,313,993</u>	<u>368,824,620</u>

**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 installments subtracted from scheduled installments, multiply by the repayment cycle (30 days) and adding the resulting days in the date of disbursement of loan.

	2011		2010	
	Rupees	Percentage	Rupees	Percentage
Loan portfolio				
Current and up to 30 days late	450,089,189	98.0%	356,352,985	96.6%
31 - 60 days late	2,133,548	0.5%	5,946,089	1.6%
61 - 90 days late	1,134,979	0.2%	6,525,546	1.8%
More than 90 days late	5,956,277	1.3%	-	0.0%
	<u>459,313,993</u>	<u>100%</u>	<u>368,824,620</u>	<u>100%</u>

The organization does not allow rescheduling or restructuring of loans.

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

**8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

Accrued service charges on micro credit loans	6,999,924	5,433,020
Advances to staff	101,256	179,746
Advance tax	722,234	689,700
Advances for expenses	32,889	69,063
Accrued income on bank deposits and investments	1,391,678	1,258,880
Prepaid insurance	152,842	157,124
Prepaid markup	274,737	-
Other receivables	244,659	194,931
	<u>9,920,219</u>	<u>7,982,464</u>

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## 9 OPERATING FIXED ASSETS

DESCRIPTION	2010						
	COST		DEPRECIATION				BOOK VALUE AS AT December 31 2010
	As at 01 January, 2010	Of additions / (disposals) during the year	As at 31 December, 2010	As at 01 January, 2010	On adjustments	Charge for the period	As at 31 December, 2010
<b>Rupees</b>							
Land	10,753,700	-	10,753,700	-	-	-	10,753,700
Building	3,656,121	-	3,656,121	1,014,985	-	182,806	2,458,330
Vehicles	9,595,122	1,253,660	10,065,301	5,751,844	-	1,527,785	3,429,133
		(783,481)				(643,462)	
Computer equipment	5,720,589	89,889	5,810,478	4,628,249	-	549,131	5,177,380
Furniture and fittings	2,974,744	327,044	3,301,788	1,132,441	-	1,429,851	1,871,937
Office equipment	4,284,683	222,223	4,506,906	2,600,236	-	297,410	3,288,040
						687,804	
Total	36,984,959	1,892,816 (783,481)	38,094,294	15,127,755	-	3,244,936 (643,462)	20,365,064

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**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

		2011	2010
Notes		Rupees	
<b>10</b>	<b>CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
	Accrued expenses	984,009	872,976
	Mark-up accrued	51,986	-
	DAMEN Relief Fund	1,026	646,226
	Shore bank international	150,000	1,000,000
	Audit fee	300,000	250,000
	Bank overdrafts	-	28,169
		<u>1,487,021</u>	<u>2,797,371</u>
<b>11</b>	<b>LONG TERM LOANS</b>		
	Pakistan Poverty Alleviation Fund (PPAF)	485,342,190	443,395,621
	Habib Bank Limited (HBL)	<b>11.1 &amp; 11.2</b> 55,000,000	-
		<u>540,342,190</u>	<u>443,395,621</u>
	Less: Current maturity	<b>11.1 &amp; 11.2</b> 359,830,017	368,315,021
	Closing balance	<u>180,512,173</u>	<u>75,080,600</u>
<b>11.1</b>	<b>Pakistan Poverty Alleviation Fund</b>		
	Opening balance	443,395,621	457,915,435
	Additions during the year	<u>540,000,000</u>	<u>475,000,000</u>
		983,395,621	932,915,435
	Repayments during the year	<u>498,053,431</u>	<u>489,519,814</u>
		485,342,190	443,395,621
		<u>(333,509,584)</u>	<u>(368,315,021)</u>
	Less: Current maturity		
	Closing balance	<u>151,832,606</u>	<u>75,080,600</u>
<b>11.2</b>	<b>Habib Bank Limited</b>		
	Opening balance	-	-
	Additions during the year	<u>55,000,000</u>	<u>-</u>
		55,000,000	-
	Repayments during the year	<u>-</u>	<u>-</u>
		55,000,000	-
	Less: Current maturity	<u>(26,320,433)</u>	<u>-</u>
	Closing balance	<u>28,679,567</u>	<u>-</u>
<b>11.3</b>	From January 2011 to June 2011 phase VI of this loan carried mark up at the rate of 8% (2010: 8%). During the year, mark-up rate for Phase VII of this loan remained 10.76% (2010: 10.76%) and the mark-up for Phase VIII remained 13.24% (2010 : NIL).		
	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 off PPAF financing agreement.		
<b>11.4</b>	A term finance loan has been obtained from Habib Bank Limited to enhance the existing Micro Credit Program of the institution. The sanctioned limit is Rs. 60 million This loan carries mark up @ 11.5% per annum.		
	-Principal and mark-up are repayable in 18 monthly installments. Principal repayments to start from April 2012 after a grace period of 6 months.		
	This loan is secured against:		
	-cash guarantee in shape of TDRs for Rs. 55 Million of which Rs. 15 million is provided by DAMEN and the remaining Rs. 40 million is provided by PPAF under their Micro finance Innovation and Outreach Program (MIOP)		
	/Program for Increasing Sustainable Micro finance (PRISM). The TDRs carry mark up @ 10.5% per annum.		

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**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**11.5 Quarterly Movements in long term loans**

	<b>2011</b>			
	<b>1st quarter</b>	<b>2nd quarter</b>	<b>3rd quarter</b>	<b>4th quarter</b>
	Rupees			
Opening Balance				
PPAF	443,395,621	456,842,488	466,678,670	468,140,058
HBL-PRISM	-	-	-	-
	443,395,621	456,842,488	466,678,670	468,140,058
Additions				
PPAF	140,000,000	140,000,000	105,000,000	155,000,000
HBL-PRISM	-	-	20,000,000	35,000,000
	140,000,000	140,000,000	125,000,000	190,000,000
Repayments				
PPAF	126,553,133	130,163,818	123,538,612	117,797,868
HBL-PRISM	-	-	-	-
	126,553,133	130,163,818	123,538,612	117,797,868
Closing balance	<b>456,842,488</b>	<b>466,678,670</b>	<b>468,140,058</b>	<b>540,342,190</b>

	<b>2010</b>			
	<b>1st quarter</b>	<b>2nd quarter</b>	<b>3rd quarter</b>	<b>4th quarter</b>
	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	<b>508,475,166</b>	<b>483,304,411</b>	<b>451,477,146</b>	<b>443,395,621</b>

**12 DEFERRED GRANTS**

Notes	<b>2011</b>	<b>2010</b>
	Rupees	
Grants related to fixed assets	<b>12.1</b> 2,827,406	1,308,959
Grants related to Capacity Building	<b>12.2</b> 861,352	300,000
	<b>3,688,758</b>	<b>1,608,959</b>

**12.1 Grants related to fixed assets**

Opening balance	1,308,959	4,182,560
Funds received /capitalized during the period	2,373,000	(2,552,063)
	<b>3,681,959</b>	<b>1,630,497</b>
Less: Amortization	(854,553)	(321,538)
	<b>2,827,406</b>	<b>1,308,959</b>

**12.2 Grants related to capacity building**

Opening balance	300,000	-
Funds received during the period	3,396,660	300,000
	<b>3,696,660</b>	<b>300,000</b>
Less: Amortization	(2,835,308)	-
	<b>861,352</b>	<b>300,000</b>

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**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Notes	2011	2010
		<b>Rupees</b>	
<b>13 GENERAL FUND</b>			
Opening balance		75,004,820	68,087,538
Surplus for the period	<b>13.1</b>	9,368,975	6,917,282
Transferred to Sustainability Reserves - social sector program	<b>13.2</b>	(29,809,386)	-
		<u>54,564,409</u>	<u>75,004,820</u>
<b>13.1 SURPLUS FOR THE PERIOD</b>			
Micro finance program		9,001,051	6,775,456
Social sector program		367,924	141,826
		<u>9,368,975</u>	<u>6,917,282</u>
<b>13.2 TRANSFERRED TO SUSTAINABILITY RESERVES - SOCIAL SECTOR PROGRAM</b>			
Sustainability reserve created by transferring:			
-operating fixed assets		4,809,386	-
-investments		25,000,000	-
		<u>29,809,386</u>	<u>-</u>
<b>14 DONATED FUNDS</b>			
This represents funds received from Trust for Voluntary Organizations against financing of lending operations.			
<b>15 RESERVES</b>			
Social sector program	<b>15.1</b>	30,131,732	322,346
Micro finance program	<b>15.2</b>	1,210,718	1,210,718
		<u>31,342,450</u>	<u>1,533,064</u>
<b>15.1 RESERVES - Social sector program</b>			
Health centre - Shahpur		37,185	37,185
Health centre - Chung		15,761	15,761
Education services		269,400	269,400
Sustainability reserve-social sector program	<b>13.2</b>	29,809,386	-
		<u>30,131,732</u>	<u>322,346</u>
<b>15.2 RESERVES - Micro finance program</b>			
Bonus reserves		1,063,968	1,063,968
Bad debts reserves		146,750	146,750
		<u>1,210,718</u>	<u>1,210,718</u>
<b>16 CONTINGENCIES AND COMMITMENTS</b>			
Contingencies as on balance sheet date were Rs. Nil (2010: Rs. Nil)			
Capital commitments as on balance sheet date were Rs. Nil (2010: Rs. Nil)			

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**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

		2011	2010
		Rupees	
Notes			
<b>17</b>	<b>GENERAL AND ADMINISTRATIVE EXPENSES - Micro Finance Program</b>		
Rent, rates and taxes		2,015,855	2,009,949
Electricity, water and gas		1,475,835	1,383,623
Repair and maintenance		2,076,518	1,859,359
Vehicle running and maintenance		2,726,933	2,504,125
Communications		1,334,968	1,137,108
Legal and professional		1,256,435	644,002
Stamp papers		864,996	1,081,213
Fee and subscription		133,979	258,363
Printing and stationary		1,073,954	1,367,229
Office supplies		1,408,432	1,368,250
Traveling and conveyance		1,484,093	1,570,717
Bank charges		1,027,954	1,566,385
Auditors' remuneration		300,000	250,000
Insurance		2,402,849	2,548,066
Depreciation		2,522,740	3,021,751
Networking & linkages /institutional assessments		610,954	259,312
Other expenses		59,474	926,948
		22,775,969	23,756,400
Less: Common costs allocated to social sector program	<b>18.1</b>	54,614	327,940
		<u>22,721,355</u>	<u>23,428,460</u>
<b>18</b>	<b>GENERAL AND ADMINISTRATIVE EXPENSES - Social Sector Program</b>		
Depreciation		450,377	223,186
Vehicles running expense		116,511	67,960
Common costs	<b>18.1</b>	54,614	327,940
		<u>621,502</u>	<u>619,086</u>
<b>18.1</b>	<b>Calculation of common costs</b>		
Subsidy to home schools		415,470	250,305
Subsidy to health centers		738,050	389,000
Staff salaries		991,392	2,482,212
Contribution in DAMEN flood relief fund		-	600,000
Trainings		39,658	28,234
		<u>2,184,570</u>	<u>3,749,751</u>
<b>Allocated @ 2.5% of direct social sector costs</b>		<u>54,614</u>	<u>327,940</u>
<b>19</b>	<b>OTHER INCOME</b>		
Income from health centers		10,983	92,062
Gain on disposal of operating fixed assets		1,989,144	197,691
Bad debts (written off) recovered		1,365,490	527,654
Facilitation charges		98,000	20,000
Profit commission on insurance		1,780,173	-
		<u>5,243,790</u>	<u>837,407</u>
<b>20</b>	<b>TAXATION</b>		

The Society is a "Non-profit Organization" as defined under Section 2(36) of 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.

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

		2011	2010
Notes		Rupees	
<b>21</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and bank balances	5 89,260,535	76,034,786
	Short term investments	6 66,028,458	65,648,001
		155,288,993	141,682,787
<b>22</b>	<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
		<b>Executive Director</b>	<b>Executive Director</b>
	Basic pay	819,204	744,000
	House allowance	327,684	297,600
	Utilities allowance	81,912	74,400
	Medical allowance	12,000	12,000
	POL allowance	79,200	72,000
		1,320,000	1,200,000

**23 NUMBER OF EMPLOYEES**

The Society employed 74 loan officers (2010: 78) and 131 other employees (2010: 104) as at the year end.

**24.1 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.

**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 borrows funds at fixed rates and thus it is not exposed to the interest rate risk, in respect of borrowings.

**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.

**25 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. Transactions with related parties during the year are Nil (2010: Nil).



DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2011

24 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		Maturity after one year but less than five years		2011	2010	
	2011	2010	2011	2010	2011	2010	2011	2010			
	R u p e e s										
Financial assets											
Long term deposits											
Micro credit loan portfolio	444,788,493	354,984,020	-	-	-	-	-	-	403,500	444,788,493	325,500
Advances and other receivables			-								
Cash and Bank Balances	89,260,535	63,546,212	-	-	9,920,219	7,982,464	-	-	9,920,219	89,260,535	7,982,464
Short term investments	66,028,458	65,648,001	-	-	-	12,488,574	-	-	66,028,458	66,028,458	76,034,786
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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  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**26 Operational Self Sufficiency (OSS) Ratio**

Total financial income
Profit on investments and bank deposits
Other income
Total income
Finance cost
Provision against non-performing loans - net
Administrative expenses
Total expenditure
Operational Self Sufficiency (OSS) Ratio

Notes

2011	2010
Rupees	
133,562,523	147,352,714
27,048,796	21,015,315
5,243,790	837,407
165,855,109	169,205,436
62,633,336	57,283,432
19,152,126	32,842,895
78,390,533	72,483,365
160,175,995	162,609,692
104%	104%

**27 GENERAL**

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

**27.2** Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made in these financial statements.

**28 DATE OF AUTHORIZATION**

These financial statements were approved and authorized by the board of directors for issue on 19-02-12.

  
EXECUTIVE DIRECTOR

  
TREASURER

