

Grant Thornton

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Anjum Asim Shahid Rahman

1-Inter Floor, Eden Centre,
43-Jail Road, Lahore 54000,
Pakistan.

T +92 42 37590 214-16, 37565 430-31

F +92 42 37599 023

www.gtpak.com

AUDITORS' REPORT TO THE GENERAL BODY

We have audited the annexed balance sheet of **Development Action for Mobilization and Emancipation (DAMEN) - Social Sector Program** as at **December 31, 2012** 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 financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the 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) - Social Sector Program** as at **December 31, 2012** and of its deficit, 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: Imran Afzal

Lahore

Dated: January 31, 2013

Chartered Accountants

Member of Grant Thornton International Ltd

Offices in Karachi & Islamabad

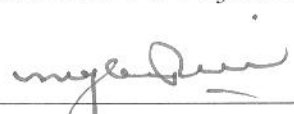
**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
SOCIAL SECTOR PROGRAM
BALANCE SHEET
AS AT 31 DECEMBER 2012**

		2012	2011
ASSETS	Notes	Rupees	
Non-current assets			
Operating fixed assets	5	8,198,912	8,643,186
		8,198,912	8,643,186
Current assets			
Cash and bank balances	6	20,394	36,904
Short term investment	7	25,000,000	25,000,000
Receivable from micro finance program	9	883,309	781,397
		25,903,703	25,818,301
Total assets		34,102,615	34,461,487

REPRESENTED BY :

General fund	10	3,970,883	4,329,755
Reserves	11	30,131,732	30,131,732
		<u>34,102,615</u>	<u>34,461,487</u>

The annexed notes 1 to 18 form an integral part of these financial statements.


EXECUTIVE DIRECTOR


TREASURER



**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
SOCIAL SECTOR PROGRAM
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

		2012	2011
	Notes	Rupees	
Income			
Profit on investment	8	2,613,318	3,163,013
Rental income		600,000	-
Income from health centres		-	10,983
		<u>3,213,318</u>	<u>3,173,996</u>
Expenditure			
Salaries, wages, stipends and other benefits		1,303,317	991,392
Subsidy to home schools		731,285	415,470
Subsidy to health centres		895,000	738,050
General and administrative expenses	12	623,060	621,502
Training expenses		19,528	39,658
		<u>3,572,190</u>	<u>2,806,072</u>
Net (deficit)/ surplus for the year		<u>(358,872)</u>	<u>367,924</u>
Operational Self sufficiency (OSS) Ratio		<u>90%</u>	<u>113%</u>

The annexed notes 1 to 18 form an integral part of these financial statements.


EXECUTIVE DIRECTOR


TREASURER



**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
SOCIAL SECTOR PROGRAM
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

		2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	Note	Rupees	
Net (deficit)/ surplus for the year		(358,872)	367,924
Adjustment for depreciation	5	444,274	450,377
Operating surplus before working capital changes		85,402	818,301
Increase in receivable from micro finance program		(101,912)	(781,397)
Net cash (used in)/ generated from operations		(16,510)	36,904
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term investments transferred from micro finance program		-	25,000,000
Net cash from financing activities		-	25,000,000
Net change in cash and cash equivalents		(16,510)	25,036,904
Cash and cash equivalents at the beginning of year		25,036,904	-
Cash and cash equivalents at the end of year	14	25,020,394	25,036,904

The annexed notes 1 to 18 form an integral part of these financial statements.


EXECUTIVE DIRECTOR




TREASURER

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
SOCIAL SECTOR PROGRAM
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED 31 DECEMBER 2012

	General fund	Reserves	Total
	Rupees		
Balance as at 01 January 2011	3,961,831	322,346	4,284,177
Net surplus for the year	367,924	-	367,924
Transfer from micro finance program	-	29,809,386	29,809,386
Balance as at 31 December 2011	4,329,755	30,131,732	34,461,487
Net deficit for the year	(358,872)	-	(358,872)
Balance as at 31 December 2012	3,970,883	30,131,732	34,102,615

The annexed notes 1 to 18 form an integral part of these financial statements.


Executive Director


Treasurer



DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
SOCIAL SECTOR PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 centres 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 approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Medium-Sized Entities (MSF's) issued by the Institute of Chartered Accountants of Pakistan (ICAP).

These financial statements have also been in accordance with the Financial Reporting Guidelines for NGOs/NPOs engaged in Microfinance issued by Institute of Chartered Accountants of Pakistan (ICAP) and in case requirements differ, Accounting and Financial Reporting Standard for Medium-Sized Entities (MSF's) shall prevail.

3 BASIS OF PREPARATION

These accounts have been prepared under the historical cost convention using accrual basis of accounting except for the cash flow information.

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 losses, if any. Freehold land is stated at cost less impairment loss, if any.

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 5.

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.

The assets' residual values and estimated useful lives are reviewed at least at each balance sheet date and impact on depreciation is adjusted, if significant.

4.3 Taxation

The Society 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.

4.4 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.

4.5 Short term investments - held to maturity

Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition these are measured at amortised cost using the effective interest method.

4.6 Income recognition

- Income from health centre is recognized when services are rendered to the customers.
- Donations in kind are recognized at fair market value as and when donated items are received.
- Return on investments is recognized on accrual basis.



DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

SOCIAL SECTOR PROGRAM

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

5 OPERATING FIXED ASSETS

2012								
DESCRIPTION	COST		DEPRECIATION			BOOK VALUE AS AT December 31 2012	RATE %	
	As at 01 January, 2012	of transfers/ (disposals) during the year	As at 31 December, 2012	As at 01 January, 2012	on adjustments			Charge for the year
Land	5,866,200	-	5,866,200	-	-	-	5,866,200	-
Building	3,656,121	-	3,656,121	1,380,597	-	182,806	1,563,403	5
Vehicles	1,141,738	-	1,141,738	822,109	-	98,348	920,457	20
Office equipment	762,000	-	762,000	592,599	-	152,400	744,999	20
Computer equipment	50,980	-	50,980	38,548	-	10,720	49,268	33
Total	11,477,039	-	11,477,039	2,833,853	-	444,274	3,278,127	

2011								
DESCRIPTION	COST		DEPRECIATION			BOOK VALUE AS AT December 31 2011	RATE %	
	As at 01 January, 2011	of transfers/ (disposals) during the year	As at 31 December, 2011	As at 01 January, 2011	on adjustments			Charge for the year

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
SOCIAL SECTOR PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012	2011
		Rupees	
6 CASH AND BANK BALANCES			
Cash with banks:			
In deposit accounts:			
- local currency		20,394	36,904
		<u>20,394</u>	<u>36,904</u>
7 SHORT TERM INVESTMENT			
Held to maturity			
Term Deposit Receipts (TDRs)	7.1	<u>25,000,000</u>	<u>25,000,000</u>
7.1 These represent investments in Term Deposit Receipts having a term of 3 months. These investments carry mark up rate ranging from 9.0 % to 12.71 % (2011: from 12.% to 13%).			
8 PROFIT ON INVESTMENT			
Profit on Investments - TDRs		<u>2,613,318</u>	<u>3,163,013</u>
		<u>2,613,318</u>	<u>3,163,013</u>
9 Receivable from Micro Finance program			
Opening balance		781,397	-
Gross income of social sector program		<u>3,213,318</u>	<u>3,173,996</u>
Change in balance left over in bank account		<u>16,510</u>	<u>(36,904)</u>
Cash transferred to micro finance program bank accounts		<u>3,229,828</u>	<u>3,137,092</u>
Less: Gross social sector expenses		<u>3,572,190</u>	<u>2,806,072</u>
Depreciation		<u>(444,274)</u>	<u>(450,377)</u>
Expenses paid by micro finance program		<u>3,127,916</u>	<u>2,355,695</u>
Net balance receivable from micro finance program		<u>883,309</u>	<u>781,397</u>
10 GENERAL FUNDS			
Opening balance		4,329,755	3,961,831
Surplus for the year		<u>(358,872)</u>	<u>367,924</u>
		<u>3,970,883</u>	<u>4,329,755</u>
11 RESERVES			
Opening balance		30,131,732	322,346
Sustainability reserve created by transferring from micro finance program:			
- operating fixed assets		-	4,809,386
- investments		-	25,000,000
		-	29,809,386
		<u>30,131,732</u>	<u>30,131,732</u>
12 GENERAL AND ADMINISTRATIVE EXPENSES			
Depreciation		444,274	450,377
Vehicles running expense		105,058	116,511
Common costs	12.1	<u>73,728</u>	<u>54,614</u>
		<u>623,060</u>	<u>621,502</u>
12.1 Calculation of common costs			
Subsidy to home schools		731,285	415,470
Subsidy to health centres		895,000	738,050
Staff salaries		1,303,317	991,392
Trainings		<u>19,528</u>	<u>39,658</u>
Direct cost		<u>2,949,130</u>	<u>2,184,570</u>
Allocated @ 2.5% of direct costs		<u>73,728</u>	<u>54,614</u>

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
SOCIAL SECTOR PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

13 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 Federal Board of Revenue (FBR) under Clause 58(3) of Part I of Second Schedule to the said Ordinance 2001.

14 CASH AND CASH EQUIVALENTS

Cash and bank balances	20,394	36,904
Short term investments	25,000,000	25,000,000
	<u>25,020,394</u>	<u>25,036,904</u>

15 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, their companies and programs run by the Society. 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 as follows:

DAMEN - Micro Finance Program		
Receivable	883,309	781,397
Rent income	600,000	-

16 NUMBER OF EMPLOYEES

The Society employed 10 employees (2011: 12) as at the year end.

17 GENERAL

Figures have been rounded off to the nearest rupee.

18 DATE OF AUTHORIZATION

These financial statements have been approved by the General Body and authorised for issue on 31-01-, 2013.


EXECUTIVE DIRECTOR


TREASURER

