



# Grant Thornton

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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) - Social Sector Program** as at **December 31, 2013** 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, 2013** 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: *February 8, 2014*

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**  
**SOCIAL SECTOR PROGRAM**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2013**

		2013	2012
ASSETS	Notes	Rupees	
<b>Non-current assets</b>			
Operating fixed assets	5	7,983,238	8,198,912
		7,983,238	8,198,912
<b>Current assets</b>			
Cash and bank balances	6	1,886,607	20,394
Short term investment	7	86,000,000	25,000,000
Receivables	9	510,218	883,309
		88,396,825	25,903,703
<b>Total assets</b>		96,380,063	34,102,615
<b>REPRESENTED BY :</b>			
General fund	10	11,248,331	3,970,883
Reserves	11	85,131,732	30,131,732
		96,380,063	34,102,615

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

*MAA*

*[Signature]*

**EXECUTIVE DIRECTOR**

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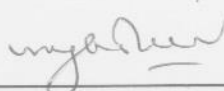
**TREASURER**

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
SOCIAL SECTOR PROGRAM  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

		2013	2012
	Notes	Rupees	
<b>Income</b>			
Profit on investment and bank accounts	8	3,742,731	2,613,318
Rental income		1,260,000	600,000
Donations		25,000	-
		<u>5,027,731</u>	<u>3,213,318</u>
<b>Expenditure</b>			
Salaries, wages, stipends and other benefits		1,549,892	1,303,317
Subsidy to home schools		687,000	731,285
Subsidy to health centers		785,000	895,000
General and administrative expenses	12	689,522	623,060
Training expenses		38,869	19,528
		<u>3,750,283</u>	<u>3,572,190</u>
<b>Net (deficit)/ surplus for the year</b>		<u><u>1,277,448</u></u>	<u><u>(358,872)</u></u>
Operational Self sufficiency (OSS) Ratio		134%	90%

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

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**EXECUTIVE DIRECTOR**

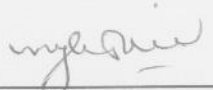
  
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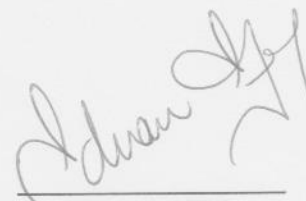
**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**  
**SOCIAL SECTOR PROGRAM**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

		2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>	<b>Rupees</b>	
Net (deficit)/ surplus for the year		1,277,448	(358,872)
Adjustment for depreciation	<b>5</b>	301,800	444,274
Operating surplus before working capital changes		1,579,248	85,402
Increase in receivable/(payable) from micro finance program		373,091	(101,912)
<b>Net cash (used in)/ generated from operations</b>		<b>1,952,339</b>	<b>(16,510)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Addition in Building & fixtures		(86,126)	-
<b>Net cash used in investing activities</b>		<b>(86,126)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in General Fund- transferred from micro finance programme		6,000,000	-
Increase in sustainability reserves- transferred from micro finance programme		55,000,000	-
<b>Net cash from financing activities</b>		<b>61,000,000</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>		<b>62,866,213</b>	<b>(16,510)</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>25,020,394</b>	<b>25,036,904</b>
<b>Cash and cash equivalents at the end of year</b>	<b>14</b>	<b>87,886,607</b>	<b>25,020,394</b>

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

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**EXECUTIVE DIRECTOR**

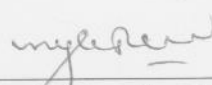
  
**TREASURER**

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
SOCIAL SECTOR PROGRAM  
STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<b>General fund</b>	<b>Reserves</b>	<b>Total</b>
	<b>-----Rupees-----</b>		
Balance as at 01 January 2012	4,329,755	30,131,732	34,461,487
Net surplus for the year	(358,872)	-	(358,872)
Transfer from micro finance program	-	-	-
<b>Balance as at 31 December 2012</b>	<b>3,970,883</b>	<b>30,131,732</b>	<b>34,102,615</b>
Net surplus for the year	1,277,448	-	1,277,448
Transfer from micro finance program	6,000,000	55,000,000	61,000,000
<b>Balance as at 31 December 2013</b>	<b>11,248,331</b>	<b>85,131,732</b>	<b>96,380,063</b>

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

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**Executive Director**

  
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**Treasurer**

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**  
**SOCIAL SECTOR PROGRAM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

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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 approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs) issued by the Institute of Chartered Accountants Pakistan and Financial Reporting Guidelines for NGOs/NPOs engaged in Microfinance issued by Institute of Chartered Accountants of Pakistan (ICAP). In case requirements differ, Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs) shall prevail.

**3 BASIS OF PREPARATION**

These accounts have been prepared under the historical cost convention using accrual basis of accounting.

**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 5% (2012: 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 amortized cost using the effective interest method.

**4.6 Income recognition**

- Donations in kind are recognized at fair market value as and when donated items are received.
- Return on investments is recognized on accrual basis.

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**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
SOCIAL SECTOR PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**5 OPERATING FIXED ASSETS**

2013								
DESCRIPTION	COST		DEPRECIATION				BOOK VALUE AS AT December 31 2013	RATE %
	As at 01 January, 2013	of additions during the year	As at 31 December, 2013	As at 01 January, 2012	on adjustments	Charge for the year		
=====Rupees=====								
Land	5,866,200	-	5,866,200	-	-	-	5,866,200	-
Building	3,656,121	25,000	3,681,121	1,563,403	-	183,641	1,747,044	5
Vehicles	1,141,738	-	1,141,738	920,457	-	98,348	1,018,805	20
Furniture & Fixture	-	61,126	61,126	-	-	1,098	1,098	10
Office equipment	762,000	-	762,000	744,999	-	17,001	762,000	20
Computer equipment	50,980	-	50,980	49,268	-	1,712	50,980	33
Total	11,477,039	86,126	11,563,165	3,278,127	-	301,800	3,579,927	
							7,983,238	

2012									
DESCRIPTION	COST		DEPRECIATION			BOOK VALUE AS AT December 31 2012	RATE %		
	As at 01 January, 2012	of additions during the year	As at 31 December, 2012	As at 01 January, 2012	on adjustments			Charge for the year	As at 31 December, 2012
-----Rupees-----									
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		

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**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
SOCIAL SECTOR PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013	2012
		Rupees	
<b>6 CASH AND BANK BALANCES</b>			
Cash with banks:			
In deposit accounts:			
- local currency		1,886,607	20,394
<b>7 SHORT TERM INVESTMENT</b>			
Held to maturity			
Term Deposit Receipts (TDRs)	7.1	86,000,000	25,000,000
7.1 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 9.25 to 9.85 % (2012: from 9 % to 12.71%).			
<b>8 PROFIT ON INVESTMENT AND BANK ACCOUNTS</b>			
Profit on Investments - TDRs		3,532,594	2,613,318
Profit on bank accounts		210,137	-
		3,742,731	2,613,318
<b>9 RECEIVABLES</b>			
Profit on Investments - TDRs		618,529	-
Receivable/(payable) from Micro Finance program	9.1	(108,311)	883,309
		510,218	883,309
<b>9.1 Receivable/(payable) from Micro Finance program</b>			
Opening balance		883,309	781,397
Add: Gross income of social sector program		5,027,731	3,213,318
Change in balance left over in bank account		(1,866,213)	16,510
Cash transferred to micro finance program bank accounts		3,161,518	3,229,828
Less: Gross social sector expenses		3,750,283	3,572,190
Income on investment still receivable		618,529	-
Addition in fixed assets		86,126	-
Depreciation		(301,800)	(444,274)
Expenses paid by micro finance program		4,153,138	3,127,916
Net balance (payable)/receivable from micro finance program		(108,311)	883,309
<b>10 GENERAL FUNDS</b>			
Opening balance		3,970,883	4,329,755
Add: Transferred from General Fund of Micro Finance Sector		6,000,000	-
Surplus/(deficit) for the year		1,277,448	(358,872)
		11,248,331	3,970,883
<b>11 RESERVES</b>			
Opening balance		30,131,732	322,346
Sustainability reserve created by transferring from micro finance program:			
-operating fixed assets		-	4,809,386
-investments		55,000,000	25,000,000
		55,000,000	29,809,386
		85,131,732	30,131,732

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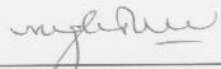



**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
SOCIAL SECTOR PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013	2012
		Rupees	
<b>12 GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Depreciation		301,800	450,377
Vehicles running expense		130,471	116,511
Repair & Maintenance		20,788	73,728
Printing and stationary		3,305	-
Travelling expenses		80,120	-
Common costs	<b>12.1</b>	153,038	73,728
		<u>689,522</u>	<u>714,344</u>
<b>12.1 Calculation of common costs</b>			
Subsidy to home schools		687,000	731,285
Subsidy to health centers		785,000	895,000
Staff salaries		1,549,892	1,303,317
Trainings		38,869	19,528
Direct cost		<u>3,060,761</u>	<u>2,949,130</u>
Allocated @ 5 % of common costs (2012: 2.5%)		<u>153,038</u>	<u>73,728</u>
<b>13 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.			
<b>14 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		1,886,607	36,904
Short term investments		<u>86,000,000</u>	<u>25,000,000</u>
		<u>87,886,607</u>	<u>25,036,904</u>
<b>15 RELATED PARTY TRANSACTIONS</b>			
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. Transactions with related parties during the year are as follows:			
DAMEN - Micro Finance Program			
(Payable) / receivable		<u>(108,311)</u>	<u>883,309</u>
Rent income		<u>1,260,000</u>	<u>600,000</u>
<b>16 NUMBER OF EMPLOYEES</b>			
The Society's Social sector employed 9 employees (2012: 10) as at the year end.			
<b>17 GENERAL</b>			
- Figures have been rounded off to the nearest rupee.			
- Corresponding figures have been rearranged/reclassified for better presentation.			
<b>18 DATE OF AUTHORIZATION</b>			

These financial statements were approved and authorized by the board of directors of DAMEN for issue on February 2014.

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EXECUTIVE DIRECTOR

  
TREASURER