

Grant Thornton

An instinct for growth™

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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) - Micro Finance Program** as at **December 31, 2014** 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) - Micro Finance Program** as at **December 31, 2014** 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.

Anjum Asim Shahid Rahman
CHARTERED ACCOUNTANTS

Engagement Partner: Imran Afzal

Lahore

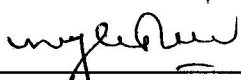
Dated: *January 31, 2015*

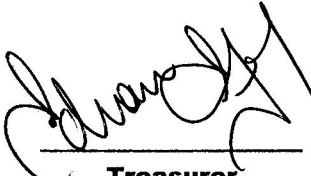
DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
MICRO FINANCE PROGRAM
BALANCE SHEET
AS AT 31 DECEMBER 2014

		2014	2013
ASSETS	Notes	Rupees	
Current assets			
Cash and bank balances	5	186,027,388	154,469,316
Short term investment	6	148,648,600	149,600,000
Advances, prepayments and other receivables	7	28,969,805	21,275,231
Micro credit loan portfolio - current portion	8	875,740,978	713,003,146
Total current assets		1,239,386,771	1,038,347,693
Non-current assets			
Micro credit loan portfolio - non-current portion	8	77,260,955	-
Operating fixed assets - Tangible	9	13,386,259	12,791,112
Intangible assets	10	383,817	560,963
Security deposits	11	666,097	478,250
Total non-current assets		91,697,128	13,830,325
Total assets		1,331,083,899	1,052,178,018
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	12	3,871,557	2,131,538
Payable to social sector program		154,521	(108,311)
Runing Finance Facility	13	15,625,542	15,000,050
Current portion of long term loans	14	807,374,612	643,915,789
Total current liabilities		827,026,232	660,939,066
Non-current liabilities			
Long term loans	14	251,253,194	183,975,635
Deferred grant	15	1,563,075	2,454,663
Total non-current liabilities		252,816,269	186,430,298
Total liabilities		1,079,842,501	847,369,364
NET ASSETS		251,241,398	204,808,654
REPRESENTED BY :			
Endowment fund from Pakistan Poverty Alleviation Fund	16	106,000,000	106,000,000
General fund	17	144,030,680	97,597,936
Reserves	18	1,210,718	1,210,718
		251,241,398	204,808,654
CONTINGENCIES AND COMMITMENTS			
	20		

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

MDR


Executive Director

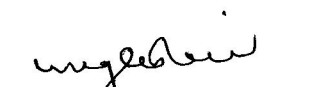

Treasurer

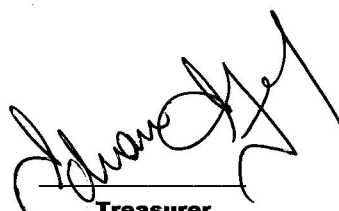
DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**MICRO FINANCE PROGRAM****INCOME AND EXPENDITURE ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2014**

		2014	2013
Financial revenue	Notes	Rupees	
Service charges on micro credit loans		282,819,630	229,217,656
Loan processing fee		42,370,950	30,393,750
Total financial revenue		325,190,580	259,611,406
Finance cost	21	106,334,559	91,522,092
Branchless banking charges		5,538,154	3,298,418
		111,872,713	94,820,510
Gross financial margin		213,317,867	164,790,896
Provision against non-performing loans - net	8.3	24,663,593	35,521,147
Net financial margin		188,654,274	129,269,749
Profit on investments and bank deposits	19	39,507,437	28,853,879
		228,161,711	158,123,628
Operational expenses			
Salaries, wages, stipends and other benefits		80,472,062	61,053,688
General and administrative expenses	22	45,842,467	32,366,135
Research Studies		407,635	1,676,820
Donation in Relief Fund for IDPs & Flood effectees		2,214,523	-
Training expenses		2,096,540	1,620,421
		131,033,227	96,717,064
Surplus from operations		97,128,484	61,406,564
Other Income	23	2,400,288	1,446,430
Net operating surplus before grants		99,528,772	62,852,994
Deferred grants amortized /utilized:			
- relating to fixed assets		565,480	604,894
- relating to capacity building		973,281	2,073,531
		1,538,761	2,678,425
Prior Year Item- Performance reward to staff			
Net surplus for the year		101,067,533	65,531,419
Operational Self sufficiency (OSS) Ratio	24	137%	128%

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




Executive Director



Treasurer

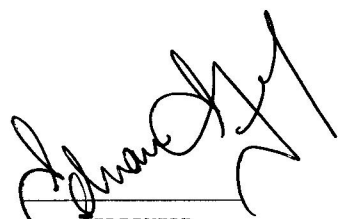
DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
MICRO FINANCE PROGRAM
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Net surplus for the year		101,067,533	65,531,419
Adjustments for non cash items :			
Depreciation	9	4,213,315	2,948,622
Amortisation on intangible assets	10	177,146	177,145
Amortization of deferred grants:			
- relating to fixed assets	15.1	(565,480)	(604,894)
- relating to capacity building	15.2	(973,281)	(2,073,531)
Finance cost	21	106,334,559	91,522,092
Branchless banking costs		5,538,154	3,298,418
Gain on disposal of operating fixed assets	23	(1,161,196)	52,106
Provision against non-performing loans	8.3	24,663,593	35,521,147
		138,226,810	130,841,105
Operating surplus before working capital changes		239,294,343	196,372,524
(Increase) /decrease in:			
Advances, prepayments and other receivables		(7,694,574)	(7,384,270)
Micro credit loan portfolio		(264,662,380)	(103,464,323)
Short term investments		46,951,400	(105,600,000)
Security deposits		(187,847)	14,250
Increase/(decrease) in:			
Payable to social sector program		262,832	(991,620)
Payable to sustainable livelihood program		-	-
Creditors, accrued and other liabilities		1,601,148	620,241
		(223,729,421)	(216,805,722)
Operating deficit after working capital changes		15,564,922	(20,433,198)
Finance cost paid & branchless banking charges paid		(111,733,842)	(94,748,786)
Net cash used in operations		(96,168,920)	(115,181,984)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating fixed assets		(10,843,307)	(1,705,685)
Proceeds from disposal of operating fixed assets		1,561,252	41,000
Net cash used in investing activities		(9,282,055)	(1,664,685)
CASH FLOWS FROM FINANCING ACTIVITIES			
Endowment fund from Pakistan Poverty Alleviation Fund		-	32,000,000
Creation of sustainability reserve for Social Sector program		(49,000,000)	(61,000,000)
Grant received /capitalized during the year			
- relating to capacity building		647,173	1,018,072
Net proceeds from short term financing		625,492	15,000,050
Net proceeds from long term loans		230,736,382	94,440,396
Net cash from financing activities		183,009,047	81,458,518
Net change in cash and cash equivalents		77,558,072	(35,388,151)
Cash and cash equivalents at the beginning of year		198,469,316	233,857,467
Cash and cash equivalents at the end of year	26	276,027,388	198,469,316

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




Executive Director


Treasurer

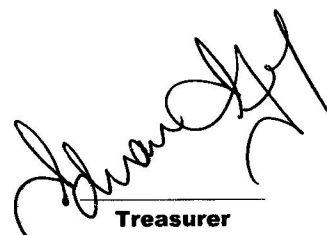
**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
MICRO FINANCE PROGRAM
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Endowment Fund	General fund	Donated funds	Reserves	Total
	-----Rupees-----				
Balance as at 01 January 2013	74,000,000	92,066,517	1,000,000	1,210,718	168,277,235
Net surplus for the year	-	65,531,419	-	-	65,531,419
Endowment fund from PPAF	32,000,000	-	-	-	32,000,000
Donated Fund transferred to Gneral Fund	-	1,000,000	(1,000,000)	-	-
Transferred to social sector program General Fund	-	(6,000,000)	-	-	(6,000,000)
Transferred to social sector program reserves	-	(55,000,000)	-	-	(55,000,000)
Balance as at 31 December 2013	106,000,000	97,597,936	-	1,210,718	204,808,654
Net surplus for the year	-	101,067,533	-	-	101,067,533
Transferred to social sector program reserves	-	(54,634,789)	-	-	(54,634,789)
Balance as at 31 December 2014	106,000,000	144,030,680	-	1,210,718	251,241,398

The annexed notes 1 to 28 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 31 DECEMBER 2014

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 25 field offices within vicinity of Lahore, Kasur and Sheikhpura 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 Sheikhpura 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 the 'Financial Reporting Guidelines for NGOs/NPOs engaged in Microfinance issued by Institute of Chartered Accountants of Pakistan (ICAP).

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

All operating assets except intangible asset

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 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 years 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.

Intangible asset

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the organization and that the cost of such asset can also be measured reliably. Cost of the intangible asset includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over the estimated useful life of the asset on a systematic basis by applying the straight line method from the month when such asset is available for use.

Useful lives of intangible assets are reviewed at each balance sheet date and impact on amortization is adjusted, if significant.

4.3 Borrowings

Loans and borrowings are initially recorded at proceeds received which is considered to be equal to its fair value. 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.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing cost are recognized in income and expenditure account in the year in which they are incurred.

4.4 Income recognition

- 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 0.95/day/1,000 Rupees on outstanding loan balance.
- Service charges on loan portfolio are accrued on late loans for up to 30 days. After 30 days, late loans are classified as non-performing and further accrual of service charges ceases.
- Documentation and loan processing fee collected from micro credit loan customer is recognized when received. The fee is charged at the rate of 3% of the loan amount .
- Profit on bank deposits is recognised on accrual basis.
- Donations in kind are recognized at fair market value as and when donated items are received.
- Return on investments is recognized on accrual basis.
- Bad debts recovered are added to current year's income .

4.5 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Society's functional and presentation currency.

4.6 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.

4.7 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.

4.7.1 Loan Loss provision

The Loan Loss Provision shall be the higher of general and specific provisions.

4.7.1.1 General provision

General provision is made @ 5 % of the gross outstanding loan balances. The rate has been fixed as per requirement of the lender.



DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**MICRO FINANCE PROGRAM****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2014****4.7.1.2 Specific 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 outstanding 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 61 days or more but less than 90 days.	25%
Doubtful	Loans in arrears (instalment overdue) for 91 days or more but less than 180 days	50%
Loss	Loans in arrears (instalment overdue) for 181 days or more.	100%

4.7.2 Write-Off

Loans are classified as loss when instalment are overdue for 181 days or more. 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.

4.8 Foreign currency translations

All monetary assets and liabilities in foreign currencies are translated into Pak 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.

4.9 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.

4.10 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.

4.11 Taxation

The Society is registered under section 2(36) of the Income Tax Ordinance, 2001. Its income is exempt from tax. Hence, no provision has been made for the current and prior years in these financial statements.

4.12 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.



DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

MICRO FINANCE PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4.13 Use of Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Society's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Society's financial statements or where judgments were exercised in application of accounting policies are below:

- Operating fixed assets - Tangible and intangible
- Micro credit loan portfolio
- Advances, prepayments and other receivables
- Creditors, accrued and other liabilities

4.14 Advances, prepayments, deposits and other receivables

Advances, prepayments and other receivables are carried at original cost less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off, when identified.

4.15 Cost allocation

Common costs relating to financial and non-financial services are allocated in the ratio of 5% of direct social sector costs and the remaining portion to micro finance sector upto June - 2014. Thereafter, no costs had been allocated to social sector as its expenses are being borne separately by social sector

4.16 Related party transactions

Terms of transactions with related parties are determined using the comparable uncontrolled price method except for those transactions which in exceptional circumstances are specifically approved by the Board of Directors.

4.17 Creditors, accrued and other liabilities

These are recognized using the trade date accounting and are measured initially at cost.

MP/SL

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
MICRO FINANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
		Rupees	
5 CASH AND BANK BALANCES			
Cash in hand		102,271	29,960
Cash with banks:			
In current accounts - local currency		51,425,095	33,342,430
In deposit accounts			
- local currency		134,143,382	120,786,594
- foreign currency		356,640	310,332
		134,500,022	121,096,926
		186,027,388	154,469,316
6 SHORT TERM INVESTMENTS			
Held to maturity			
Term Deposit Receipts (TDRs)	6.1	148,648,600	149,600,000
6.1	These represent investments in Term Deposit Receipts having a term of 1 year. These investments carry mark up rate ranging from 8.53 % to 10.15 % (2013: from 8.52 % to 9.90%).		
6.2	These include restricted TDRs amounting Rs. 106.6 Million (2013: Rs.116.6 Million).		
7 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Accrued service charges on micro credit loans		16,075,164	12,411,286
Advances to staff		235,194	194,013
Advance tax		5,126,311	1,353,686
Advances for expenses		-	18,000
Accrued income on investments - TDRs		5,836,369	6,307,555
Prepaid insurance		192,799	259,873
Other receivables		1,503,968	730,818
		28,969,805	21,275,231
8 MICRO CREDIT LOAN PORTFOLIO			
Current portion		875,740,978	713,003,146
Non-current portion		77,260,955	-
	8.1	953,001,933	713,003,146

Notes	2014			2013		
	Numbers	Rupees	PAR %age	Numbers	Rupees	PAR %age
8.1 MICRO CREDIT LOAN PORTFOLIO						
Considered good	35,509	995,240,171	99.21	34,332	738,625,116	98.41
Considered doubtful (non-performing)	8.2 755	7,919,758	0.79	853	11,904,511	1.59
	36,264	1,003,159,929	100.00	35,185	750,529,627	100.00
Less: Specific provision	8.3	3,068,088			5,208,088	
Less: General provision	8.3	47,089,908			32,318,393	
		50,157,996			37,526,481	
		953,001,933			713,003,146	

All the loans are secured by way of social guarantees.

MSL

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**MICRO FINANCE PROGRAM****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2014****8.2 Particulars of non-performing loans**

Micro credit loan portfolio includes Rs. 12,942,307 (2013: Rs. 11,904,511) which, as detailed below, have been placed under non-performing status:

Classification	2014			
	Amount outstanding	Percentage	Provision required	Provision held
	Rupees		Rupees	
OAEM	2,117,137	-	-	-
Sub-standard	1,424,519	25%	356,130	356,130
Doubtful	3,332,289	50%	1,666,145	1,666,145
Loss	1,045,813	100%	1,045,813	1,045,813
	<u>7,919,758</u>		<u>3,068,088</u>	<u>3,068,088</u>

Classification	2013			
	Amount outstanding	Percentage	Provision required	Provision held
	Rupees		Rupees	
OAEM	2,336,889	-	-	-
Sub-standard	2,129,025	25%	532,256	532,256
Doubtful	5,525,531	50%	2,762,766	2,762,766
Loss	1,913,066	100%	1,913,066	1,913,066
	<u>11,904,511</u>		<u>5,208,088</u>	<u>5,208,088</u>

8.3 Movement of provision against non-performing loan is as under:

Notes	2014		
	Rupees		
	Specific	General	Total
Opening balance	5,208,088	32,318,393	37,526,481
Charge for the year	9,892,078	14,771,515	24,663,593
Amounts written off during the year	(12,032,078)	-	(12,032,078)
Closing balance	<u>3,068,088</u>	<u>47,089,908</u>	<u>50,157,996</u>

Notes	2013		
	Rupees		
	Specific	General	Total
Opening balance	5,455,543	13,765,229	19,220,772
Charge for the year	16,967,983	18,553,164	35,521,147
Amounts written off during the year	(17,215,438)	-	(17,215,438)
Closing balance	<u>5,208,088</u>	<u>32,318,393</u>	<u>37,526,481</u>

	2014	2013
Rupees		
	<u>12,032,078</u>	<u>17,215,438</u>

8.4 Particulars of amount written off

Against provision

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

8.5 Portfolio by segment

Loan type:

Trade and business	621,612,180	480,840,853
Tailoring centre	136,632,008	76,248,407
Livestock	190,741,892	146,391,228
Handicraft and embroidery	54,173,849	47,049,139
	<u>1,003,159,929</u>	<u>750,529,627</u>

MSL

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
MICRO FINANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

8.6 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.

	2014		2013	
	Rupees	Percentage	Rupees	Percentage
Loan portfolio				
Current and up to 30 days late	995,240,171	99.2%	738,625,116	98.4%
31 - 60 days late	2,117,137	0.2%	2,336,889	0.3%
61 - 90 days late	1,424,519	0.1%	2,129,025	0.3%
More than 90 days late	4,378,102	0.4%	7,438,597	1.0%
	<u>1,003,159,929</u>	<u>100%</u>	<u>750,529,627</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 instalments based on repayment terms.

8.7 Movement of loan portfolio

	2014	2013
	Rupees	
Opening balance as on 01 January	750,529,627	664,280,742
Disbursements made during the year	1,412,376,479	1,013,125,000
Recoveries made during the year	(1,147,714,099)	(909,660,677)
Loans written off during the year	(12,032,078)	(17,215,438)
Closing balance as on 31 December	<u>1,003,159,929</u>	<u>750,529,627</u>

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**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
MICRO FINANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

9 OPERATING FIXED ASSETS

2014									
DESCRIPTION	COST			DEPRECIATION				BOOK VALUE AS AT December 31 2014	RATE %
	As at 01 January, 2014	Additions during the year	Disposals / Transferred to Social Sector	As at 31 December, 2014	As at 01 January, 2014	On disposals /adjustments	Charge for the year		
Land	4,887,500	-	(4,887,500)	-	-	-	-	-	-
Vehicles	13,283,321	7,603,272	(4,415,324)	16,471,269	8,370,657	(3,448,267)	2,583,325	7,505,715	8,965,554
Computer equipment	6,716,921	1,461,012	(854,350)	7,323,583	5,894,474	(713,147)	834,038	6,015,365	1,308,218
Furniture and fittings	3,625,201	842,592	(240,594)	4,227,199	2,263,410	(217,752)	421,721	2,467,379	1,759,820
Office equipment	3,585,086	936,431	(190,640)	4,330,877	2,778,376	(174,397)	374,231	2,978,210	1,352,667
2014	32,098,029	10,843,307	(10,588,408)	32,352,928	19,306,917	(4,553,563)	4,213,315	18,966,669	13,386,259

2013									
DESCRIPTION	COST			DEPRECIATION				BOOK VALUE AS AT December 31 2013	RATE %
	As at 01 January, 2013	Additions / (disposals) during the year	Transferred to social sector program	As at 31 December, 2013	As at 01 January, 2013	On disposals /adjustments	Charge for the year		
Land	4,887,500	-	-	4,887,500	-	-	-	-	4,887,500
Vehicles	12,963,116	320,205	-	13,283,321	6,258,170	-	2,112,487	8,370,657	4,912,664
Computer equipment	6,166,709	711,549	(161,337)	6,716,921	5,565,123	(142,097)	471,448	5,894,474	822,447
Furniture and fittings	3,604,816	187,205	(166,820)	3,625,201	2,034,968	(110,817)	339,259	2,263,410	1,361,791
Office equipment	3,236,175	486,726	(137,815)	3,585,086	2,872,900	(119,952)	25,428	2,778,376	806,710
2013	30,858,316	1,705,685	(465,972)	32,098,029	16,731,161	(372,866)	2,948,622	19,306,917	12,791,112

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
MICRO FINANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
		Rupees	
Notes			
10	INTANGIBLE ASSETS		
	Computer software licenses		
	Opening balance	10.1 560,963	738,108
	Additions during the year	-	-
		560,963	738,108
	Less: Amortization	(177,146)	(177,145)
	Balance as on December 31	383,817	560,963
10.1	Licensed Software were acquired in 2012 from Microsoft Corporation at a cost of Rs. 885,730 (US \$ 9,744), to comply with the legal requirement. As per terms of agreement with the vendor, the software will be updated annually at a nominal fee. These licenses do not have a finite useful life. Due to rapid developments in the IT sector, the management has decided to amortize their cost over a year of five years, using the straight line method.		
11	SECURITY DEPOSITS		
	This represents security deposits against rent of branch office buildings and internet connection.		
12	CREDITORS, ACCRUED AND OTHER LIABILITIES		
	Accrued expenses	2,507,573	2,059,814
	Mark up payable	138,871	71,724
	DAMEN Relief Fund	1,225,113	-
		3,871,557	2,131,538
13	Runing Finance Facility		
	Faysal Bank Limited	13.1 15,625,542	15,000,050
13.1	A Running Finance Facility has been obtained from Faysal Bank Limited with a limit of PKR 16 Million. The facility is secured against cash deposits of PKR 16 Million + Hypo charge on receivables of PKR 2 Million out of the proceeds of this facility. The funds of this facility are used to enhance the existing Micro Finance Loan portfolio. The facility carries mark up @ 10.45% while the profit rate on TDR is 9.55%. The guarantee money for this facility is provided by PPAF under their PRISM-Endowment Fund initiative.		

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
MICRO FINANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
		Rupees	
14	LONG TERM LOANS		
	Pakistan Poverty Alleviation Fund (PPAF)	14.1 1,039,408,962	737,024,756
	Faysal Bank Limited(FBL)	14.2 19,218,844	28,366,669
	Habib Bank Limited (HBL)	14.3 -	62,499,999
		1,058,627,806	827,891,424
	Less: Current maturity	14.1,14.2 & 14.3 (807,374,612)	(643,915,789)
	Closing balance	251,253,194	183,975,635
14.1	Pakistan Poverty Alleviation Fund (PPAF)		
	Opening balance	737,024,756	581,832,607
	Additions during the year	869,000,000	585,000,000
		1,606,024,756	1,166,832,607
	Repayments during the year	(566,615,794)	(429,807,851)
		1,039,408,962	737,024,756
	Less: Current maturity	(788,590,551)	(566,615,794)
	Closing balance	14.4 250,818,411	170,408,962
14.2	Faysal Bank Limited(FBL)		
	Opening balance	28,366,669	-
	Additions during the year	10,000,000	37,000,000
		38,366,669	37,000,000
	Repayments during the year	(19,147,825)	(8,633,331)
		19,218,844	28,366,669
	Less: Current maturity	(18,784,061)	(14,799,996)
	Closing balance	14.5 434,783	13,566,673
14.3	Habib Bank Limited		
	Opening balance:		
	HBL-PRISM-I	-	31,618,421
	HBL-PRISM-II	62,499,999	120,000,000
		62,499,999	151,618,421
	Additions during the year:		
	HBL-PRISM-I	-	-
	HBL-PRISM-II	-	45,000,000
		-	45,000,000
	Repayments during the year:		
	HBL-PRISM-I	-	(31,618,421)
	HBL-PRISM-II	(62,499,999)	(102,500,001)
		(62,499,999)	(134,118,422)
	Closing balance		
	HBL-PRISM-I	-	-
	HBL-PRISM-II	-	62,499,999
		-	62,499,999
	Less: Current maturity:		
	HBL-PRISM-I	-	-
	HBL-PRISM-II	-	(62,499,999)
		-	(62,499,999)

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
MICRO FINANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
	Note	Rupees	
14 LONG TERM LOANS			
Pakistan Poverty Alleviation Fund (PPAF)	14.1	1,039,408,962	737,024,756
Faysal Bank Limited(FBL)	14.2	19,218,844	28,366,669
Habib Bank Limited (HBL)	14.3	-	62,499,999
		<u>1,058,627,806</u>	<u>827,891,424</u>
Less: Current maturity	14.1,14.2 & 14.3	(807,374,612)	(643,915,789)
Closing balance		<u>251,253,194</u>	<u>183,975,635</u>
14.1 Pakistan Poverty Alleviation Fund (PPAF)			
Opening balance		737,024,756	581,832,607
Additions during the year		<u>869,000,000</u>	<u>585,000,000</u>
		<u>1,606,024,756</u>	<u>1,166,832,607</u>
Repayments during the year		<u>(566,615,794)</u>	<u>(429,807,851)</u>
		<u>1,039,408,962</u>	<u>737,024,756</u>
Less: Current maturity		<u>(788,590,551)</u>	<u>(566,615,794)</u>
Closing balance	14.4	<u>250,818,411</u>	<u>170,408,962</u>
14.2 Faysal Bank Limited(FBL)			
Opening balance		28,366,669	-
Additions during the year		<u>10,000,000</u>	<u>37,000,000</u>
		<u>38,366,669</u>	<u>37,000,000</u>
Repayments during the year		<u>(19,147,825)</u>	<u>(8,633,331)</u>
		<u>19,218,844</u>	<u>28,366,669</u>
Less: Current maturity		<u>(18,784,061)</u>	<u>(14,799,996)</u>
Closing balance	14.5	<u>434,783</u>	<u>13,566,673</u>
14.3 Habib Bank Limited			
Opening balance:			
HBL-PRISM-I		-	31,618,421
HBL-PRISM-II		<u>62,499,999</u>	<u>120,000,000</u>
		<u>62,499,999</u>	<u>151,618,421</u>
Additions during the year:			
HBL-PRISM-I		-	-
HBL-PRISM-II		<u>-</u>	<u>45,000,000</u>
		<u>-</u>	<u>45,000,000</u>
Repayments during the year:			
HBL-PRISM-I		-	(31,618,421)
HBL-PRISM-II		<u>(62,499,999)</u>	<u>(102,500,001)</u>
		<u>(62,499,999)</u>	<u>(134,118,422)</u>
Closing balance			
HBL-PRISM-I		-	-
HBL-PRISM-II		<u>-</u>	<u>62,499,999</u>
		<u>-</u>	<u>62,499,999</u>
Less: Current maturity:			
HBL-PRISM-I		-	-
HBL-PRISM-II		<u>-</u>	<u>(62,499,999)</u>
		<u>-</u>	<u>(62,499,999)</u>

11/12/14

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**MICRO FINANCE PROGRAM****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2014**

14.4 This carries interest @ 6 monthly KIBOR prevailing on the first working day of January and July.

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; and

- a first charge on all assets/capital items created out of PPAF financing agreement.

14.5 A demand finance loan obtained from Faysal Bank Limited to enhance the existing Micro Credit programme of the institution. The sanctioned limit is Rs. 47 million. This loan carries mark up @ 9.84 % per annum (1% p.a. over deposit rate of 8.84 % p.a).

-Principal and mark-up are repayable in 30 monthly instalments. Principal repayments started from June 2013.

-Mark-up is repayable on monthly basis in arrears.

This loan is secured against cash guarantee in shape of TDRs amounts to Rs. 37 Million.

14.6 A demand finance loan had been obtained from Habib Bank Limited to enhance the existing Micro Credit programme. The sanctioned limit is Rs. 120 million (2013: 120 million). This loan carries mark up @ 11.5% per annum (1% p.a. over deposit rate of 10.50% p.a).

-Principal and mark-up are repayable in 18 monthly instalments. Principal repayments started from January 2013 after a grace year of 6 months.

-Mark-up is repayable on monthly basis in arrears.

This loan is secured against cash guarantee in shape of TDRs amounts to Rs. 110 Million

14.7 Quarterly Movements in long term loans

2014				
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Rupees			
Opening Balance				
PPAF	737,024,756	852,636,010	868,438,056	958,343,156
HBL-PRISM-II	62,499,999	28,999,998	-	-
FBL-PRISM-III	28,366,669	34,231,887	29,227,541	24,223,195
	827,891,424	915,867,895	897,665,597	982,566,351
Additions				
PPAF	240,000,000	165,000,000	240,000,000	224,000,000
HBL-PRISM-II	-	-	-	-
FBL-PRISM-III	10,000,000	-	-	-
	250,000,000	165,000,000	240,000,000	224,000,000
Repayments				
PPAF	(124,388,746)	(149,197,954)	(150,094,900)	(142,934,194)
HBL-PRISM-II	(33,500,001)	(28,999,998)	-	-
FBL-PRISM-III	(4,134,782)	(5,004,346)	(5,004,346)	(5,004,346)
	(162,023,529)	(183,202,298)	(155,099,246)	(147,938,540)
Closing balance				
PPAF	852,636,010	868,438,056	958,343,156	1,039,408,962
HBL-PRISM-II	28,999,998	-	-	-
FBL-PRISM-III	34,231,887	29,227,541	24,223,195	19,218,849
	915,867,895	897,665,597	982,566,351	1,058,627,811

188

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
MICRO FINANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2013			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	----- Rupees -----			
Opening Balance				
PPAF	581,832,607	596,165,219	786,734,275	842,041,038
HBL-PRISM-I	31,618,421	21,332,240	10,792,819	-
HBL-PRISM-II	120,000,000	99,999,999	80,000,000	95,999,999
FBL-PRISM-III	-	-	35,766,667	32,066,668
	733,451,028	717,497,458	913,293,761	970,107,705
Additions				
PPAF	108,000,000	307,000,000	160,000,000	10,000,000
HBL-PRISM-I	-	-	-	-
HBL-PRISM-II	-	-	45,000,000	-
FBL-PRISM-III	-	37,000,000	-	-
	108,000,000	344,000,000	205,000,000	10,000,000
Repayments				
PPAF	(93,667,388)	(116,430,944)	(104,693,237)	(115,016,282)
HBL-PRISM-I	(10,286,181)	(10,539,421)	(10,792,819)	-
HBL-PRISM-II	(20,000,001)	(19,999,999)	(29,000,001)	(33,500,000)
FBL-PRISM-III	-	(1,233,333)	(3,699,999)	(3,699,999)
	(123,953,570)	(148,203,697)	(148,186,056)	(152,216,281)
Closing balance				
PPAF	596,165,219	786,734,275	842,041,038	737,024,756
HBL-PRISM-I	21,332,240	10,792,819	-	-
HBL-PRISM-II	99,999,999	80,000,000	95,999,999	62,499,999
FBL-PRISM-III	-	35,766,667	32,066,668	28,366,669
	717,497,458	913,293,761	970,107,705	827,891,424

	2014	2013
Notes	Rupees	

15 DEFERRED GRANT

Grants related to fixed assets	15.1	929,690	1,495,170
Grants related to capacity building	15.2	633,385	959,493
		<u>1,563,075</u>	<u>2,454,663</u>

15.1 Grant related to fixed assets

Opening balance	1,495,170	2,100,064
Funds received /capitalized during the year	-	-
	<u>1,495,170</u>	<u>2,100,064</u>
Less: Amortization	<u>(565,480)</u>	<u>(604,894)</u>
	<u>929,690</u>	<u>1,495,170</u>

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**MICRO FINANCE PROGRAM****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

		2014	2013
Notes		Rupees	
15.2 Grant related to capacity building			
Opening balance		959,493	2,014,952
Funds received/receivable during the year from:			
Pakistan Poverty Alleviation Fund (PPAF)		-	184,186
Pakistan Microfinance Network (PMN)		647,173	833,886
		647,173	1,018,072
Less: Amortization		(973,281)	(2,073,531)
		633,385	959,493
16 ENDOWMENT FUND			
Opening balance	16.1	106,000,000	74,000,000
Funds received from Pakistan Poverty Alleviation Fund (PPAF)		-	32,000,000
		106,000,000	106,000,000
16.1	To strengthen the financial position of DAMEN as a Micro Finance Institution, an Endowment Fund has been created by Pakistan Poverty Alleviation Fund (PPAF) under their PRISM program. The terms and conditions associated with the Endowment Fund will remain applicable till three years from the date of receipt of the funds. As per these terms, 50 % of the funds could be used as guarantee money for obtaining secured loans from commercial banks & the remaining 50% could be deposited with commercial banks rated AA, with competitive terms & conditions. The income from the investment may be utilized either for operational expenses or increasing the loan portfolio.		
17 GENERAL FUND - Micro finance program			
Opening balance		97,597,936	92,066,517
Surplus for the year		101,067,533	65,531,419
Transfer of donated funds into general fund		-	1,000,000
Transferred to General Fund- social sector program		-	(6,000,000)
Transferred to Sustainability Reserves - social sector program		(54,634,789)	(55,000,000)
		144,030,680	97,597,936
18 RESERVES - Micro finance program			
Bonus reserves		1,063,968	1,063,968
Bad debt reserves		146,750	146,750
		1,210,718	1,210,718
19 PROFIT ON INVESTMENTS AND BANK DEPOSITS			
Profit on Investments - TDRs		15,240,489	13,288,966
Profit on bank deposits		24,266,948	15,564,913
		39,507,437	28,853,879
20 CONTINGENCIES AND COMMITMENTS			
There were no contingencies and commitments to report at the year end. (2013: Rs. Nil)			
21 FINANCE COST			
Mark-up on long term loan:			
Pakistan Poverty Alleviation Fund		100,288,016	77,447,086
Habib Bank Limited		1,726,620	12,339,750
Faysal Bank Limited		2,792,822	1,730,961
Mark-up on short term loan:			
Faysal Bank Limited		1,527,101	4,295
		106,334,559	91,522,092



DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**MICRO FINANCE PROGRAM****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014	2013
Notes	Rupees	
22 GENERAL AND ADMINISTRATIVE EXPENSES		
Rent, rates and taxes	4,497,431	3,783,820
Electricity, water and gas	2,305,638	1,927,199
Repair and maintenance	3,988,514	2,664,781
Vehicle running and maintenance	4,477,395	3,627,970
Communications	2,116,223	1,560,656
Legal and professional charges	259,150	293,325
Stamp papers	1,703,550	1,098,523
Fee and subscription	50,000	245,500
Printing and stationary	2,042,776	1,592,658
Office supplies	2,699,047	2,081,246
Traveling and conveyance	3,474,106	2,336,166
Bank charges	1,132,037	1,197,447
Auditors' remuneration	375,000	350,000
Insurance	9,380,820	4,325,604
Depreciation	4,213,315	2,948,622
Amortisation on intangible assets	177,146	177,145
Networking and linkages /institutional assessments	1,276,802	908,989
E-CIB Charges	1,337,541	681,447
Cable TV advertisement	191,233	126,650
Other expenses	225,121	591,425
	<u>45,922,845</u>	<u>32,519,173</u>
Less: Common costs allocated to social sector program	<u>80,378</u>	<u>153,038</u>
	<u>45,842,467</u>	<u>32,366,135</u>
23 OTHER INCOME		
Financial income		
Bad debts (written off) recovered	1,042,627	1,309,246
	<u>1,042,627</u>	<u>1,309,246</u>
Non-financial income		
Gain on disposal of operating fixed assets	1,161,196	52,106
Staff advances	12,942	18,259
Other income	183,523	66,819
	<u>1,357,661</u>	<u>137,184</u>
	<u>2,400,288</u>	<u>1,446,430</u>
24 Operational Self Sufficiency (OSS) Ratio		
Total financial income	325,190,580	259,611,406
Profit on investments and bank deposits	39,507,437	28,853,879
Other income	2,400,288	1,446,430
Total income	<u>367,098,305</u>	<u>289,911,715</u>
Finance cost	111,872,713	94,820,510
Provision against non-performing loans - net	24,663,593	35,521,147
Administrative expenses	131,033,227	96,717,064
Total expenditure	<u>267,569,533</u>	<u>227,058,721</u>
Operational Self Sufficiency (OSS) Ratio	<u>137%</u>	<u>128%</u>

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
MICRO FINANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

25 TAXATION

The Society is a "Non-profit Organization" as defined under Section 2(36) of Income Tax Ordinance, 2001.

		2014	2013
	Notes	Rupees	
26 CASH AND CASH EQUIVALENTS			
Cash and bank balances	5	186,027,388	154,469,316
Short term investments		90,000,000	44,000,000
		<u>276,027,388</u>	<u>198,469,316</u>

		Executive Director	Executive Director
27 REMUNERATION OF KEY MANAGEMENT PERSONNEL			
Basic pay		2,328,000	1,041,600
House allowance		931,200	416,640
Utilities allowance		232,800	104,160
Medical allowance		12,000	12,000
POL allowance		96,000	96,000
Communication allowance		60,000	-
		<u>3,660,000</u>	<u>1,670,400</u>
No. of Personnel		1	1

28 NUMBER OF EMPLOYEES

The Society employed 103 loan officers (2013: 80) and 125 other employees (2013: 104) as at the year end.

29 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 - Social Sector Program

Payable	<u>154,521</u>	<u>(108,311)</u>
Rent expense	<u>1,386,000</u>	<u>1,260,000</u>

26 GENERAL

Figures have been rounded off to the nearest rupee.

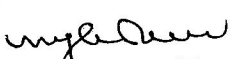
27 CORRESPONDING FIGURES

Corresponding figures have been rearranged where necessary for better presentation. However, no significant reclassification has been made in these financial statements.

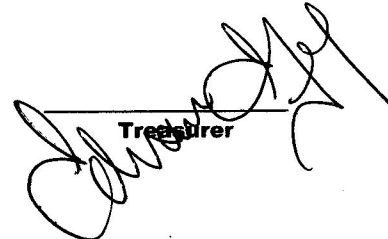
28 DATE OF AUTHORIZATION

These financial statements have been approved by the Board of Directors and authorised for issue on 31-Jan-2015





Executive Director



Treasurer