

**AUDITORS' REPORT TO THE GENERAL BODY**

We have audited the annexed balance sheet of the **Development Action for Mobilization and Emancipation (DAMEN)** - as at **31 December 2009**, 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 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 statement. 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** - as at **31 December 2009** 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.

Without qualifying our opinion, we would like to draw attention of the General Body to Note 7.6 to the financial statements, which states that the management of DAMEN is in process of evaluating its credit portfolio. On the basis of initial evaluation an additional provision of Rs. 6,006,659 has been made in the financial statements and management believes that no significant provision will arise in this regards.


Chartered Accountants

Naseem Akbar

Lahore: 15 April 2010

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION
BALANCE SHEET AS AT 31 DECEMBER 2009


ASSETS	Notes	2009 Rupees	2008 Rupees
Current assets			
Cash and bank balances	5	95,772,877	71,654,262
Short term investments	6	-	40,801,370
Micro credit loan portfolio	7	403,102,628	317,924,465
Advances, prepayments and other receivables	8	12,706,257	8,056,485
Total current assets		511,581,762	438,436,582
Non-current assets			
Operating fixed assets	9	21,857,204	21,943,056
Security deposits		317,000	315,000
Total non-current assets		22,174,204	22,258,056
Total assets		533,755,966	460,694,638
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	10	940,359	809,956
Short term borrowings	11	97,010	-
Current portion of long term loans	12	377,154,730	286,902,817
Total current liabilities		378,192,099	287,712,773
Non-current liabilities			
Long term loans	12	80,760,705	106,776,666
Deferred grants	13	4,182,560	4,349,786
Total non-current liabilities		84,943,265	111,126,452
Total liabilities		463,135,364	398,839,225
NET ASSETS		70,620,602	61,855,413

REPRESENTED BY:

General fund	14	68,087,538	59,322,349
Donated fund	15	1,000,000	1,000,000
Reserves	16	1,533,064	1,533,064
		<u>70,620,602</u>	<u>61,855,413</u>

CONTINGENCIES AND COMMITMENTS 17

The annexed notes from 1 to 23 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 2009

	Notes	2009 Rupees	2008 Rupees
Operating Income			
Micro-finance program			
Service charges on micro credit loans		107,267,470	79,475,256
Loan processing fees		11,188,240	8,968,480
Profit on bank deposits and investments		9,746,284	8,430,647
		128,201,994	96,874,383
Financial charges		37,991,632	29,345,858
Net financial margin		90,210,362	67,528,525
Provision against non-performing loans - net	7.2	18,467,134	1,421,007
Operating income after provision		71,743,228	66,107,518
Other Income			
Income from health centers		122,664	211,609
Membership fees and other income		18,797	-
Donations		40,000	-
		181,461	211,609
		71,924,689	66,319,127
Expenditure			
Micro-finance program			
Salaries, wages, stipends and other benefits		38,280,322	36,131,432
General and administrative expenses	18	21,246,378	16,308,045
Training expenses		1,081,069	2,420,650
		60,607,769	54,860,127
Social sector program			
Salaries, wages, stipends and other benefits		3,977,813	4,234,448
General and administrative expenses	19	1,069,252	1,215,942
Donation to schools and health centers		580,297	-
Training expenses		60,308	136,067
		5,687,670	5,586,457
		66,295,439	60,446,584
Net operating surplus		5,629,250	5,872,543
Deferred grants amortized / utilized			
- relating to fixed assets		2,124,631	909,577
- relating to capacity building	13	1,011,308	9,789,992
		3,135,939	10,699,569
Net Surplus for the year		<u>8,765,189</u>	<u>16,572,112</u>

The annexed notes from 1 to 23 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 2009**

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2009 Rupees	2008 Rupees
Net surplus for the year		8,765,189	16,572,112
Adjustments for non cash items :			
Depreciation	9.2	3,437,787	3,295,451
Amortization of deferred grants:			
- relating to fixed assets	12.1	(2,124,631)	(909,577)
- relating to capacity building	12.2	(1,011,308)	(9,789,992)
Fixed assets donated during the year		580,297	-
Financial charges		37,991,632	29,345,858
Provision against non-performing loans	7.2	18,467,134	1,421,007
		<u>57,340,911</u>	<u>23,362,747</u>
Operating surplus before working capital changes		66,106,100	39,934,859
Increase in:			
Advances, prepayments and other receivables		(1,681,059)	(560,535)
Micro credit loan portfolio		(103,645,297)	(76,702,825)
Security deposits		(2,000)	(28,000)
Increase / (decrease) in creditors, accrued and other liabilities		130,403	(587,006)
		<u>(105,197,953)</u>	<u>(77,878,366)</u>
Operating deficit after working capital changes		(39,091,853)	(37,943,507)
Financial charges paid		(37,991,632)	(31,764,158)
Net cash used in operations		(77,083,485)	(69,707,665)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities - (Fixed capital expenditure)		(3,932,232)	(6,384,320)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received / capitalized during the year			
- relating to fixed assets		-	241,500
- relating to capacity building		-	3,907,042
Short term borrowings		97,010	-
Net proceeds from long term loans		64,235,952	97,044,753
Net cash flows from financing activities		64,332,962	101,193,295
(Decrease) / increase in cash and cash equivalents		(16,682,755)	25,101,310
Cash and cash equivalents at the beginning of the year		112,455,632	87,354,322
Cash and cash equivalents at the end of the year		<u>95,772,877</u>	<u>112,455,632</u>

The annexed notes from 1 to 23 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 2009

	General funds	Donated funds	Reserves	Total
	-----Rupees-----			
Balance as at 01 January 2008	42,750,237	1,000,000	1,533,064	45,283,301
Transfer from income and expenditure account	16,572,112	-	-	16,572,112
Balance as at 31 December 2008	59,322,349	1,000,000	1,533,064	61,855,413
Transfer from income and expenditure account	8,765,189	-	-	8,765,189
Balance as at 31 December 2009	68,087,538	1,000,000	1,533,064	70,620,602

The annexed notes from 1 to 23 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 31 DECEMBER 2009**

1. STATUS AND NATURE OF THE BUSINESS

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

These accounts have been prepared under the historical cost convention.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

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.

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

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 charges are accounted for on accrual basis and are included in creditors and accrued and other liabilities to the extent of the amount payable as on balance sheet date.

4.4 Income recognition

4.4.1 Service charges and income on loan portfolio are accounted for on accrual basis and collected with loan 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 and considered as other income.

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

4.4.5 Return on investments is recognized on accrual basis.

4.5 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.

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

4.6 Micro credit loan portfolio

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

4.6.1 General provision

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

4.6.2 Specific provision

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

Category	Loans in arrears/ Installment over due	Percentage of out standing principal
Other Assets Especially Mentioned (OAEM)	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.

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

4.6.4 Change in accounting estimates

- 4.6.4.1 During the year DAMEN has changed its policy for recognizing provision against non-performing loans to bring it in line with the Prudential Regulation for Micro Finance Institutions issued by State Bank of Pakistan. This change has been accounted for as a change in accounting estimate whereby current and future periods are corrected. Management is of the view that this change provides reliable and more relevant estimation of the provision required against doubtful loans.

Had there been no change in this accounting estimate, the provision charge for the year would have been higher by Rupees 375,778 while net surplus and general fund would have been lower by the same amount.

- 4.6.4.2 During the year, DAMEN changed its accounting policy for writing off bad loan. The writing off policy is brought in line with the Prudential Regulation for Micro Finance Institutions issued by State Bank of Pakistan. This change has been accounted for as a change in accounting estimate whereby current and future periods are corrected. Management is of the view that this change provides reliable and more relevant basis to write off non-performing loans.

Had there been no change in this accounting estimate, the outstanding loan portfolio as at balance sheet date have been higher by Rupees 5,304,710 while the balances written off would have been lower by the same amount.

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 non dates when fair values are determined. Exchange differences are included in income currently.

Exchange difference 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.

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

4.10 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.

4.11 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 on proportionate basis according to share percentage of program's direct cost to total cost. DAMEN is subsidizing the non financial sector for meeting the Programme costs.

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

5. CASH AND BANK BALANCES	2009	2008
	Rupees	Rupees
Cash in hand	19,501	29,335
Cash with banks		
In current accounts - local currency	39,325,433	49,969,769
In deposit accounts		
- local currency	56,179,516	21,423,317
- foreign currency	248,427	231,841
	<u>56,427,943</u>	<u>21,655,158</u>
	<u>95,772,877</u>	<u>71,654,262</u>

6. SHORT TERM INVESTMENTS

This represents Term Deposit Receipts (TDRs) which earn profit at the rate of Nil (2008: 9-13%) per annum.

7. MICRO CREDIT LOAN PORTFOLIO	Notes	2009		2008	
		Numbers	Rupees	Numbers	Rupees
Considered good		42,040	401,064,460	36,417	322,843,204
Considered doubtful (non-performing)	(7.1)	2,872	21,639,676	480	2,539,657
		<u>44,912</u>	<u>422,704,136</u>	<u>36,897</u>	<u>325,382,861</u>
Less: Specific provision	(7.2)		13,462,889		970,142
General provision	(7.2)		6,138,619		6,488,254
			<u>19,601,508</u>		<u>7,458,396</u>
			<u>403,102,628</u>		<u>317,924,465</u>

All the loans are secured by way of social guarantees.

7.1 Particulars of non-performing loans

Micro credit loan portfolio includes Rs. 21,244,468 (2008: Rs. 2,539,657) which, as detailed below, have been placed under non-performing status:

Classification	Amount outstanding	Percentage	Provision required	Provision held
	Rupees		Rupees	Rupees
QAEM	4,526,520	-	-	-
Sub-standard	2,896,308	25%	724,077	724,077
Doubtful	2,956,073	50%	1,478,037	1,478,037
Loss	11,260,775	100%	11,260,775	11,260,775
	<u>21,639,676</u>		<u>13,462,889</u>	<u>13,462,889</u>

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

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

	Notes	2009		
		Rupees		
		Specific	General	Total
Opening balance		970,142	6,488,254	7,458,396
Charge for the period		18,816,769	(349,635)	18,467,134
Amounts written off during the year	(7.3)	(6,324,022)	-	(6,324,022)
Closing balance		<u>13,462,889</u>	<u>6,138,619</u>	<u>19,601,508</u>
				2008
				Rupees
				Specific General Total
Opening balance		2,833,696	4,951,892	7,785,588
Charge for the period		(115,355)	1,536,362	1,421,007
Amounts written off during the year	(7.3)	(1,748,199)	-	(1,748,199)
Closing balance		<u>970,142</u>	<u>6,488,254</u>	<u>7,458,396</u>

7.3 Particulars of amount written off

	2009	2008
	Rupees	Rupees
Against provision	6,324,022	1,748,199

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

7.4 Portfolio by segment

Loan type:		
Trade and business	206,152,185	156,402,221
Tailoring center	89,062,249	65,144,353
Livestock	68,359,777	52,416,852
Handcraft and embroidery	59,129,925	51,419,435
	<u>422,704,136</u>	<u>325,382,861</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.

	2009		2008	
	Rupees	Percentage	Rupees	Percentage
Loan portfolio				
Current and up to 30 days late	401,459,668	95.0%	322,843,204	99.2%
31 - 60 days late	5,023,348	1.2%	587,639	0.2%
61 - 90 days late	4,412,619	1.0%	303,568	0.1%
More than 90 days late	11,808,501	2.8%	1,648,450	0.5%
	<u>422,704,136</u>	<u>100%</u>	<u>325,382,861</u>	<u>100%</u>

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

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

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

7.6 During the year, the management of DAMEN detected certain irregularities carried out by few of its employees in its five field offices namely Rachna Town, Phool Nagar, Chunian, Habibabad and Pattoki. Such irregularities include teaming and lading, involvement of commission agent and issuance of fake loans. Currently, the management is taking remedial action including evaluation of its credit disbursement and recovery systems, termination of concerned employees and detailed evaluation of its credit portfolio of these offices. In addition, the management has made a specific provision where necessary. Due to pending finalization of the evaluation, a general provision has additionally been raised amounting to Rs. 6,006,659/= against potential doubtful debts. Total exposure as on December 31,2009 of such field offices amount to Rs. 120,196,906. The management believe that no significant provision will arise. in subsequent period, in this regard.

8.	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Notes	2009 Rupees	2008 Rupees
	Accrued service charges on micro credit loans		6,359,807	5,019,728
	Advance tax		683,935	610,102
	Advances for expenses		23,126	-
	Advances to staff		903,285	963
	Accrued income on bank deposits and investments		-	598,301
	Prepayments		109,621	322,671
	Grant receivable from PPAF-Capacity building	(8.1)	2,405,018	1,393,710
	Grant receivable from PPAF-Fixed Assets	(8.2)	1,957,405	-
	Other receivables		264,060	111,010
			<u>12,706,257</u>	<u>8,056,485</u>
8.1	Grant receivable from PPAF-Capacity building			
	Opening balance (receivable)/liability		(1,393,710)	4,489,240
	Grants (claimed)/received during the year		(1,011,308)	3,907,042
			<u>(2,405,018)</u>	<u>8,396,282</u>
	Less: Grants utilized during the year		-	9,789,992
			<u>(2,405,018)</u>	<u>(1,393,710)</u>
8.2	Grant receivable from PPAF- fixed assets			
	Opening balance		(701,483)	-
	Add: Grants utilized during the year		2,658,888	-
			<u>1,957,405</u>	<u>-</u>

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

9. OPERATING FIXED ASSETS

DESCRIPTION	2009				DEPRECIATION Charge / (Adjustment) for the year	As at 31 December 2009	As at 31 December 2009	BOOK VALUE AS AT 31 DECEMBER 2009	Rate %
	COST		DEPRECIATION						
	As at 01 January 2009	Additions/ (deletions) during the year	As at 31 December 2009	As at 01 January 2009					
Land	10,753,700	-	10,753,700	-	-	-	10,753,700	-	
Building	3,656,121	-	3,656,121	832,179	182,806	1,014,985	2,641,136	5	
Vehicles	6,969,068	2,626,054	9,595,122	4,306,676	1,445,168	5,751,844	3,843,278	20	
Computer equipment	4,666,693	1,053,896	5,720,589	3,968,412	659,837	4,628,249	1,092,340	33	
Furniture and fixture	3,732,638	155,747	2,974,744	1,088,963	376,822	1,132,441	1,842,303	10	
		(913,641)			(333,344)				
Office equipment	4,188,148	96,535	4,284,683	1,827,082	773,154	2,600,236	1,684,447	20	
Total Rupees - 2009:	33,966,368	3,932,232	36,984,959	12,023,312	3,437,787	15,127,755	21,857,204		
		(913,641)			(333,344)				

DESCRIPTION	2008				DEPRECIATION For the year	As at 31 December 2008	As at 31 December 2008	BOOK VALUE AS AT 31 DECEMBER 2008	Rate %
	COST		DEPRECIATION						
	As at 01 January 2008	Additions/ (deletions) during the year	As at 31 December 2008	As at 01 January 2008					
Land	5,866,200	4,887,500	10,753,700	-	-	-	10,753,700	-	
Building	3,656,121	-	3,656,121	649,374	182,805	832,179	2,823,942	5	
Vehicles	6,969,068	-	6,969,068	3,146,726	1,159,950	4,306,676	2,662,392	20	
Computer equipment	4,167,857	498,836	4,666,693	3,141,034	827,378	3,968,412	698,281	33	
Furniture and fixture	3,597,538	135,100	3,732,638	722,238	365,725	1,088,963	2,643,675	10	
Office equipment	3,325,264	862,884	4,188,148	1,068,489	758,593	1,827,082	2,361,066	20	
Total Rupees - 2008:	27,582,048	6,384,320	33,966,368	8,727,861	3,295,451	12,023,312	21,943,056		

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

10. CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	2009 Rupees	2008 Rupees
Creditors		13,415	3,000
Accrued expenses		926,944	797,821
Withholding tax deducted at source		-	9,135
		<u>940,359</u>	<u>809,956</u>

11. SHORT TERM BORROWINGS

This represents negative balances as per books of accounts, however, respective bank statements show favourable balances of Rs. 38,053 (2008: Rs. Nil).

12. LONG TERM LOANS

Opening balance	393,679,483	296,634,730
Additions during the year	<u>352,445,000</u>	<u>466,640,000</u>
	746,124,483	763,274,730
Repayments during the year	<u>288,209,048</u>	<u>369,595,247</u>
	457,915,435	393,679,483
	<u>377,154,730</u>	<u>286,902,817</u>
Less: Current maturity	80,760,705	106,776,666
Closing balance	<u>297,154,025</u>	<u>179,126,151</u>

12.1 Quarterly Movements in long term loans

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

	2008			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	----- Rupees -----			
Opening Balance	296,634,730	301,350,319	302,869,423	306,947,531
Additions	89,175,000	89,910,000	100,000,000	187,555,000
Repayments	<u>84,459,411</u>	<u>88,390,896</u>	<u>95,921,892</u>	<u>100,823,048</u>
Closing balance	<u>301,350,319</u>	<u>302,869,423</u>	<u>306,947,531</u>	<u>393,679,483</u>

13. DEFERRED GRANTS

	2009 Rupees	2008 Rupees
Grants related to fixed assets	(13.1) 4,182,560	3,648,303
Grants related to fixed assets (un-utilized)	-	701,483
	<u>4,182,560</u>	<u>4,349,786</u>

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

	2009	2008
	Rupees	Rupees
13.1 Grants related to fixed assets		
Opening balance	3,648,303	3,642,748
Funds capitalized during the period	<u>2,658,888</u>	<u>915,132</u>
	6,307,191	4,557,880
Less: Amortization	<u>2,124,631</u>	<u>909,577</u>
	<u>4,182,560</u>	<u>3,648,303</u>
14. GENERAL FUND		
Opening balance	59,322,349	42,750,237
Surplus for the year	<u>8,765,189</u>	<u>16,572,112</u>
	<u>68,087,538</u>	<u>59,322,349</u>
15. DONATED FUNDS		
This represents funds received from Trust for Voluntary Organizations against financing of lending operations.		
16. RESERVES		
Health centre (Shahpur)	37,185	37,185
Health centre (Chung)	15,761	15,761
Education services	269,400	269,400
Bonus reserves	1,063,968	1,063,968
Bed debts reserves	<u>146,750</u>	<u>146,750</u>
	<u>1,533,064</u>	<u>1,533,064</u>
17. CONTINGENCIES AND COMMITMENTS		
Contingencies as on balance sheet date were Rs. Nil (2008 Rs. Nil).		
Capital commitments as on balance sheet date were Rs. Nil (2008 Rs. Nil).		
18. MICROFINANCE PROGRAM		
Rent, rates and taxes	1,690,178	1,636,826
Electricity, water and gas	1,259,462	1,296,814
Repair and maintenance	2,600,316	1,521,207
Vehicle running and maintenance	1,484,110	1,749,887
Communications	971,830	994,179
Legal and professional	791,621	554,503
Stamp papers	404,813	-
Fee and subscription	2,039,464	202,758
Printing and stationary	1,435,756	1,205,181
Office supplies	1,304,270	1,006,844
Traveling and conveyance	1,006,830	1,180,374
Bank charges	638,880	523,055
Audit fee	238,575	191,250
Insurance	2,158,412	1,244,651
Depreciation	3,210,405	2,998,388
Other expenses	<u>11,456</u>	<u>2,128</u>
	<u>21,246,378</u>	<u>16,308,045</u>

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

19. SOCIAL SECTOR PROGRAM	2009	2008
	Rupees	Rupees
Rent, rates and taxes	193,640	242,115
Electricity, water and gas	60,314	68,253
Repair and maintenance	163,597	137,765
Vehicle running and maintenance	71,072	92,099
Communications	46,539	52,325
Legal and professional	37,910	29,184
Fee and subscription	97,667	27,155
Printing and stationary	28,458	63,431
Office supplies	62,460	31,140
Traveling and conveyance	48,216	62,125
Bank charges	-	27,529
Audit fee	11,425	33,750
Insurance	20,022	51,896
Depreciation	227,382	297,063
Other expenses	550	112
	<u>1,069,252</u>	<u>1,215,942</u>

- 19.1 The society is supporting 100 home schools and 15 health centers. These are owned by local community women. A major portion of funds are being generated through operations of microfinance program as social sector program provides a platform for social mobilization. Synergy achieved by both programs increases the pace of social and economic development in the operational areas of DAMEN.

20. TAXATION

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

21. NUMBER OF EMPLOYEES

The Society employed 98 loan officers (2008: 98) and 104 other employees (2008: 102) as at the year end.

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22. FINANCIAL INSTRUMENTS

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANICIPATION

	Interest / mark-up bearing				Non interest / mark-up bearing				Total	
	Maturity upto one year 2009	2008	Maturity after one year but less than five years 2009	2008	Maturity upto one year 2009	2008	Maturity after one year but less than five years 2009	2008	2009	2008
Financial assets										
Long term deposits	-	-	-	-	-	-	317,000	315,000	317,000	315,000
Micro credit loan portfolio	403,102,628	317,924,465	-	-	-	-	403,102,628	317,924,465	403,102,628	317,924,465
Advances and other receivables	-	-	-	-	7,527,152	5,730,022	-	-	7,527,152	5,730,022
Cash and Bank Balances	56,427,943	62,456,528	-	-	39,325,433	49,999,104	-	-	95,753,376	112,455,532
Total financial assets	<u>459,530,571</u>	<u>380,380,993</u>	<u>-</u>	<u>-</u>	<u>46,852,585</u>	<u>55,729,106</u>	<u>317,000</u>	<u>315,000</u>	<u>506,700,156</u>	<u>436,425,099</u>
Financial liabilities										
Long term loans	377,154,730	286,902,817	80,760,705	108,776,666	-	-	-	-	457,915,435	393,679,483
Creditors, accrued and other liabilities	-	-	-	-	940,359	809,956	-	-	940,359	809,956
Total financial liabilities	<u>377,154,730</u>	<u>286,902,817</u>	<u>80,760,705</u>	<u>108,776,666</u>	<u>940,359</u>	<u>809,956</u>	<u>-</u>	<u>-</u>	<u>458,855,794</u>	<u>394,489,439</u>

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

Signature

22.1 Financial risk management Objectives

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

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

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

a) Credit risk

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

b) Currency risk

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

c) Interest rate risk

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

d) Liquidity risk

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

23. GENERAL

23.1 Figures have been rounded off to the nearest rupee.

23.2 Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made in these financial statements, except for the grants receivable against capacity building which is currently classified as a part of advances, prepayments and other receivables, while previously these were adjusted against deferred grants.


EXECUTIVE DIRECTOR


TREASURER