

### AUDITORS' REPORT TO THE GENERAL BODY

We have audited the annexed balance sheet of the **Development Action for Mobilization and Emancipation (DAMEN)** as at **December 31, 2006**, and the related income and expenditure account and cash flow statement 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 management of the society 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 **DAMEN** as at **December 31, 2006** and of its surplus and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

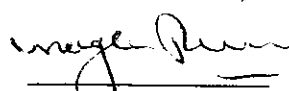
Lahore: April 21, 2007

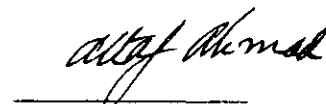
  
Chartered Accountants

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
BALANCE SHEET AS AT DECEMBER 31, 2006

ASSETS	Note	2006 Rupees	2005 Rupees
<b>Current assets</b>			
Cash and bank balances	5	62,805,287	25,145,298
Micro credit loan portfolio	6	162,442,299	90,247,627
Advances, deposits, prepayments and other receivables	7	3,396,798	2,005,362
<b>Total current assets</b>		<b>228,644,384</b>	<b>117,398,287</b>
<b>Non-current assets</b>			
Operating fixed assets	8	13,832,351	10,642,022
Security deposits		302,000	163,000
<b>Total non-current assets</b>		<b>14,134,351</b>	<b>10,805,022</b>
<b>Total assets</b>		<b>242,778,735</b>	<b>128,203,309</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	9	758,208	819,789
Current portion of long term loan	10	185,959,575	92,643,636
<b>Total current liabilities</b>		<b>186,717,783</b>	<b>93,463,425</b>
<b>Non-current liabilities</b>			
Long term loan	10	20,279,489	6,772,873
Deferred grants	11	10,641,492	9,658,499
<b>Total non-current liabilities</b>		<b>30,920,981</b>	<b>16,431,372</b>
<b>Total liabilities</b>		<b>217,638,764</b>	<b>109,894,797</b>
<b>Net assets</b>		<b>25,139,971</b>	<b>18,308,512</b>
<b>Represented by:</b>			
General funds	12	22,606,907	15,775,448
Donated funds	13	1,000,000	1,000,000
Reserves	14	1,533,064	1,533,064
		<b>25,139,971</b>	<b>18,308,512</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	15	-	-

The annexed notes 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 DECEMBER 31, 2006

	Note	2006 Rupees	2005 Rupees
<b>Operating Income</b>			
<b>Micro-finance sector</b>			
Service charges on micro credit loans		37,703,553	20,131,487
Loan processing fees		4,850,500	2,859,150
Profit on bank deposits and investment		2,774,425	277,015
		45,328,478	23,267,652
Financial charges		11,256,191	5,461,359
Net financial margin		34,072,287	17,806,293
Provision against non-performing loans		7,405,164	3,383,362
Operating income after provision		26,667,123	14,422,931
<b>Non-micro-finance sector</b>			
Service fees		10,075	66,215
Other income		90,242	(11,132)
Donations		-	29,500
		100,317	84,583
		26,767,440	14,507,514
<b>Expenditure</b>			
<b>Micro-finance sector</b>			
Salaries and other benefits		24,301,112	12,406,123
General and administrative expenses	16	11,250,458	6,524,075
Training expenses		514,953	437,095
Loss / (gain) on disposal of fixed assets		6,090	(130,746)
		36,072,613	19,236,547
<b>Non-micro-finance sector</b>			
Salaries and other benefits		4,016,083	2,258,824
General and administrative expenses	16	1,525,413	921,520
Training expenses		122,840	122,440
Loss on disposal of fixed assets		1,075	-
		5,665,411	3,302,784
Net operating loss		(14,970,584)	(8,031,817)
Deferred grants amortized / utilized during the year			
- relating to fixed assets	11.1	946,314	764,099
- relating to capacity building	11.2	20,855,729	9,403,182
		21,802,043	10,167,281
<b>Net surplus for the year</b>		<b>6,831,459</b>	<b>2,135,464</b>

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

  
 EXECUTIVE DIRECTOR

  
 TREASURER

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2006**

	Note	2006 Rupees	2005 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net surplus for the year		6,831,459	2,135,464
Adjustment for non cash items :			
Depreciation		2,357,043	1,644,506
Amortization of deferred grants relating to fixed assets		(946,314)	(764,099)
Amortization of deferred grants relating to capacity building		(20,855,729)	(9,403,182)
Financial charges		11,256,191	5,461,359
Loss / (gain) on disposal of fixed assets		7,165	(130,746)
Provision against non-performing loans		7,405,164	3,383,362
Written off loan portfolio		(3,306,703)	(2,017,646)
		<u>(4,083,183)</u>	<u>(1,826,446)</u>
Operating surplus before working capital changes		2,748,276	309,018
(Increase) / decrease in current assets			
(Increase) in advances, deposits and prepayments		(1,391,436)	(1,703,507)
(Increase) in micro credit loan portfolio		(76,293,133)	(61,485,817)
(Increase) in security deposits		(139,000)	(124,441)
(Decrease) / increase in creditors, accrued and other liabilities		(61,581)	211,965
		<u>(77,885,150)</u>	<u>(63,101,800)</u>
<b>Cash (used in) operations</b>		<u>(75,136,874)</u>	<u>(62,792,782)</u>
Financial charges paid		(11,256,191)	(5,461,359)
Net cash (used in) operations		<u>(86,393,065)</u>	<u>(68,254,141)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(5,559,537)	(6,175,190)
Proceeds from sale of fixed assets		5,000	528,000
Net cash used in investing activities		<u>(5,554,537)</u>	<u>(5,647,190)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grants (related to fixed assets) received during the year		788,243	4,143,933
Capacity building grants received during the year		21,996,793	15,844,256
Net proceeds from long term loan		<u>106,822,555</u>	<u>67,123,486</u>
Net cash flows from financing activities		<u>129,607,591</u>	<u>87,111,675</u>
Increase in cash and cash equivalents		37,659,989	13,210,344
Cash and cash equivalents at beginning of year		<u>25,145,298</u>	<u>11,934,954</u>
Cash and cash equivalents at end of year	17	<u>62,805,287</u>	<u>25,145,298</u>

The annexed notes 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  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**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, pertaining to the microfinance operations of the Society only as a distinct activity, 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**

**4.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the 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 amounts 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 the straight-line method so as to write off the historical cost of assets over estimated useful life at the rates specified in Note 8.

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 at the proceeds received. Finance charges are accounted for on an accrual basis and are included in creditors and accruals to the extent of the amount remaining.

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

4.4 Income recognition

- 4.4.1 Service charges and income on loan portfolio are accounted for on accrual bases and collected with loan installments.
- 4.4.2 Service charges on loans are calculated by using declining interest method at the rate of 0.90/day/1,000 rupees on outstanding loan balance.
- 4.4.3 Donations in kind are recognized at fair market value as and when donated items are received.
- 4.4.4 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 utilized for financing of lending operations are recognized as donated fund.

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 as classified as non-performing.

4.6.1 General provision

A general provision is made @ 2% of the net outstanding loan balances after netting of any loan balance requiring specific

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 90 days.	-
Substandard:	Loans in arrears (installment overdue) for 90 days or more but less than 180 days.	20%
Doubtful:	Loans in arrears (installment overdue) for 180 days or more but less than 365 days	50%
Loss:	Loans in arrears (installment overdue) for 365 days or more.	100%

4.

**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. Transaction in foreign currencies are translated into rupees at the spot rate. All non monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange difference are included in income currently.

**4.8 Investment**

Investments are stated at cost.

**4.9 Employees retirement benefits**

The Society operates a recognized provident fund for all its permanent employees. Equal monthly contributions are made to the fund both by the Society and the employees at the rate of 10 percent of the basic salary. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

**4.10 Taxation**

The Society income is exempt from tax under the provision of Income Tax Ordinance, 2001. However, the Society has applied for grant of exemption to the concerned taxation authorities which is still awaited. Hence, no provision has been made for the current and prior periods in these financial statements.

**4.11 Provisions**

A provision is 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 reflect the current best estimate.

**4.12 Financial instruments**

Financial assets and financial liabilities are recognized when the Society becomes a party to the contractual provisions of the instrument and de-recognized when the Society loses control of the 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 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.

**4.15 Cost allocation**

Cost not directly allocatable relating to the financial and non-financial services is allocated on proportionate basis. DAMEN is subsidizing the non financial sector for meeting the programme costs.

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

5. CASH AND BANK BALANCES	Note	2006 Rupees	2005 Rupees
Cash in hand			
Cash with bank		34,858	15,368
In current account - local currency		43,573,583	21,436,416
In current account - foreign currency		196,846	193,514
Term deposits- maturity within one year	5.1	43,770,429	21,629,930
		19,000,000	3,500,000
		<u>62,805,287</u>	<u>25,145,298</u>

5.1 This represents the term deposits receipts (TDRs) which earn profit at the rate of 6% to 8.50 % per annum (2005: 6.50%).

MICRO CREDIT LOAN PORTFOLIO		Note	2006		2005	
			Numbers	Rupees	Numbers	Rupees
6. Considered good	6.1	23,182		158,025,621	14,520	89,146,541
Considered doubtful	6.2	2,296		11,306,301	1,048	3,892,248
			<u>25,478</u>	<u>169,331,922</u>	<u>15,568</u>	<u>93,038,789</u>
Less: Specific provision	6.3			3,574,473		
General provision	6.3			3,315,150		2,791,162
				6,889,623		2,791,162
				<u>162,442,299</u>		<u>90,247,627</u>

All the loans are secured by personal guarantees.

6.1 Particulars of non-performing loans

6.2 Loans include Rs. 11,306,301 which, as detailed below, have been placed under non-performing status:

Classification	Amount outstanding		Provision required	Provision held
	Rupees	Percentage		
OAEM	3,418,989	-	-	-
Sub-standard	3,021,273	20%	604,255	604,255
Doubtful	3,791,643	50%	1,895,822	1,895,822
Loss	1,074,396	100%	1,074,396	1,074,396
	<u>11,306,301</u>		<u>3,574,473</u>	<u>3,574,473</u>

6.3 Movement of provision against Non Performing Loan is as under:

	2006			2005		
	Specific	General	Total	Specific	General	Total
Opening balance	-	2,791,162	2,791,162	-	1,425,446	1,425,446
Charge for the year	6,881,176	523,988	7,405,164	-	3,383,362	3,383,362
Amounts written off	(3,306,703)	-	(3,306,703)	-	(2,017,646)	(2,017,646)
Closing balance	<u>3,574,473</u>	<u>3,315,150</u>	<u>6,889,623</u>	<u>-</u>	<u>2,791,162</u>	<u>2,791,162</u>

6.4 Particulars of amount written off

	2006 Rupees	2005 Rupees
Against provision		
Written - off through income and expenditure account	3,306,703	2,017,646
	<u>3,306,703</u>	<u>2,017,646</u>

6.4.1 This represents non performing loans overdue for more than 365 days.

6.5 Portfolio by segment

Loan type:	2006	2005
Agri input		
Live stock		
Micro-enterprise		
Others	169,331,922	93,038,789
	<u>169,331,922</u>	<u>93,038,789</u>

6.5.1 The bifurcation into different industry segments has not been given as it is impracticable to extract the relevant information due to software limitations.



**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**

**6.6 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 being 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 due date of the earliest loan installment that has not been fully paid. The organization does not convert interest on late payment into principal.

	2006		2005	
	Rupees	Percentage	Rupees	Percentage
Loan portfolio				
Current and up to 30 days late	158,025,621	93%	87,649,505	94%
31 - 60 days late	2,065,058	1%	1,796,929	2%
61 - 90 days late	1,353,931	1%	668,975	1%
More than 90 days late	7,887,312	5%	2,923,380	3%
	<u>169,331,922</u>	<u>100%</u>	<u>93,038,789</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.

**6.7 Current Recovery Ratio**

Current recovery ratios are calculated and reported on a monthly basis. The numerator of this ratio is total cash payments of principal received during the reporting period. The denominator is the total loans falling due during the period along-with the payments in arrears at the start of the period. Penalty interest is not included in the numerator or the denominator of the ratio. Loan delinquency is measured using the Non Performing Loans (NPL) ratio.

Period	Current ratio in %age	
	2006	2005
1st Quarter	87	87
2nd Quarter	94	90
3rd Quarter	93	92
4th Quarter	87	87
For the year	<u>93</u>	<u>95</u>

Annual loss rate (Loans written off during the year divided by average loan portfolio outstanding) comes to 1.95% (2005: 2.17%) for the year.

7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	2006	2005
	Rupees	Rupees
Accrued service charges on micro credit loans	2,783,024	1,739,819
Accrued loan processing fees	-	15,520
Advances to staff	-	55,516
Advance tax	234,183	-
Accrued income on investments and bank deposits	360,691	-
Prepayments	-	194,507
Other receivables	18,900	-
	<u>3,396,798</u>	<u>2,005,362</u>

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

8. OPERATING FIXED ASSETS

DESCRIPTION	COST			DEPRECIATION			BOOK VALUE AS AT Dec. 31, 2006	RATE %	
	As at Jan. 01, 2005	Additions/ (deletions) during the year	As at Dec. 31, 2006	As at Jan. 01, 2006	Adjustment	For the year			As at Dec. 31, 2006
Office Equipment	1,349,722	634,442 (27,000)	1,957,164	402,185	(14,835)	318,868	706,218	1,250,946	20
Furniture and Fixtures	1,279,899	1,189,283	2,469,182	237,796	-	182,020	419,816	2,049,366	10
Computer Equipments	2,519,506	1,502,776	4,022,282	1,270,667	-	803,188	2,073,855	1,948,427	33
Vehicles	3,605,997	2,233,036	5,839,033	1,064,239	-	893,979	1,968,218	3,880,815	20
Building	3,179,761	-	3,179,761	317,976	-	158,988	476,964	2,702,797	5
Land	2,000,000	-	2,000,000	-	-	-	-	2,000,000	-
Rupees - 2006:	13,934,885	5,559,537 (27,000)	19,467,422	3,292,863	(14,835)	2,357,043	5,635,071	13,832,351	
Rupees - 2005:	8,256,915	6,175,190 (497,220)	13,934,885	1,748,323	(99,966)	1,644,506	3,292,863	10,642,022	

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**

9. CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	2006 Rupees	2005 Rupees	
Accrued expenses		752,977	540,860	
Other payable		-	98,805	
Provident fund payable		5,231	180,124	
		<u>758,208</u>	<u>819,789</u>	
<b>10. LONG TERM LOAN</b>				
Opening balance		99,416,509	32,293,023	
Addition during the year		261,630,000	141,110,000	
		<u>361,046,509</u>	<u>173,403,023</u>	
Repayment during the year		154,807,445	73,986,514	
		<u>206,239,064</u>	<u>99,416,509</u>	
Less: Current maturity		185,959,575	92,643,636	
Closing balance		<u>20,279,489</u>	<u>6,772,873</u>	
<b>10.1</b>	This loan has been obtained from "Pakistan Poverty Alleviation Fund" (PPAF) with financing limit of Rs. 350 million (2005: Rs. 350 million) at annual service charge of 6% (2005: 6%) per annum. This is used for on-lending to micro credit loan to clients.			
<b>10.2</b>	This loan is secured against micro credit sub loans created/ financed from the proceeds of the loan. PPAF maintains a first charge on all sub loans, assets and capital items created out of PPAF financing agreement for capacity building until the full repayment of principal, service charges and other monies due and payable to PPAF.			
	The loan is repayable in quarterly installments.			
<b>10.4</b>	The quarterly balance of loan outstanding at each quarter end is as follows:			
	1st quarter	2nd quarter	3rd quarter	4th quarter
<b>2006</b>	----- Rupees -----			
Opening balance	99,416,510	117,117,146	133,630,814	152,257,738
Additions	47,915,000	53,155,000	59,885,000	100,675,000
Repayment	30,214,364	36,641,332	41,258,076	46,693,674
Closing balance	<u>117,117,146</u>	<u>133,630,814</u>	<u>152,257,738</u>	<u>206,239,064</u>
<b>2005</b>	<u>45,348,823</u>	<u>66,749,218</u>	<u>84,811,875</u>	<u>99,416,509</u>
<b>11. DEFERRED GRANTS</b>				
Grants related to fixed assets - Pakistan Poverty Alleviation Fund	11.1	3,221,763	3,379,834	
Capacity building grants	11.2	7,419,729	6,278,665	
		<u>10,641,492</u>	<u>9,658,499</u>	
<b>11.1 Grants related to fixed assets</b>				
Opening balance		3,379,834	-	
Funds received during the year		788,243	4,143,933	
		<u>4,168,077</u>	<u>4,143,933</u>	
Less: Amortization		946,314	764,099	
		<u>3,221,763</u>	<u>3,379,834</u>	
<b>11.2 Capacity building grants</b>				
Opening balance		6,278,665	(162,409)	
Grants received during the year		21,996,793	15,844,256	
		<u>28,275,458</u>	<u>15,681,847</u>	
Less: Grants utilized during the year		20,855,729	9,403,182	
		<u>7,419,729</u>	<u>6,278,665</u>	
<b>12. GENERAL FUNDS</b>				
Opening balance		15,775,448	13,639,984	
Surplus for year		6,831,459	2,135,464	
		<u>22,606,907</u>	<u>15,775,448</u>	

**13. DONATED FUNDS**

This represents funds received from Trust for Voluntary Organization against financing of lending operations.

	Note	2006 Rupees	2005 Rupees
<b>14. RESERVES</b>			
Health centre ( Shahpur)		37,185	37,185
Health centre ( Chung)		15,761	15,761
Education reserves		269,400	269,400
Bonus reserves		1,063,968	1,063,968
Bad debts reserves		146,750	146,750
		<u>1,533,064</u>	<u>1,533,064</u>

**15. CONTINGENCIES AND COMMITMENTS**

Contingencies as on balance sheet date were Rs. Nil (2005: Rs. Nil).

Capital commitments as on balance sheet date were Rs. Nil (2005: Rs. 881,403).

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

Rent, rates and taxes		1,447,772	617,000
Electricity, water and gas		775,944	346,769
Repair and maintenance		1,134,565	669,841
Vehicle running and maintenance		1,281,883	691,825
Communications		758,835	411,129
Legal and professional		430,228	178,950
Printing and stationary		915,763	362,493
Office supplies		951,064	867,611
Traveling and conveyance		576,708	339,749
Bank charges		289,330	83,991
Audit fee		100,000	85,000
Insurance		1,741,515	1,026,203
Depreciation	8	2,357,043	1,644,506
Other expenses		15,221	95,528
Donation		-	25,000
		<u>12,775,871</u>	<u>7,445,595</u>
Less: cost allocated to non-micro finance sector		<u>1,525,413</u>	<u>921,520</u>
		<u>11,250,458</u>	<u>6,524,075</u>

**17. CASH AND CASH EQUIVALENTS**

Cash in hand		34,858	15,368
Cash with bank			
In current account - local currency		43,573,583	21,436,416
In current account - foreign currency		196,846	193,514
		43,770,429	21,629,930
Term deposit receipts (TDRs)		19,000,000	3,500,000
		<u>62,805,287</u>	<u>25,145,298</u>

**18. TAXATION**

The society is a "Non-profit Organization" as defined under section 2(36) of the Income Tax Ordinance 2001 and has applied for exemption from income tax under section 58(3) of Part I of Second Schedule to the said Ordinance to Central Board of Revenue (CBR) which is still awaited. The management and tax advisor are confident that exemption would be granted by CBR.

## 19. RELATED PARTIES TRANSACTIONS

Related parties comprise of directors key management personnel and Pakistan Poverty Alleviation Fund (PPAF). The Society enters into transactions with related parties in normal course of business at arm's length. Transactions with related parties other than remuneration and benefits to key management personnel under the term of employment are as follows:

<u>Name of related party</u>	<u>Nature of transactions</u>	2006 Rupees	2005 Rupees
PPAF	Loan received	261,630,000	141,110,000
	Loan repaid	154,807,445	73,986,514
	Interest paid	11,256,191	5,461,359
	<b>Grants received:</b>		
	Related to fixed assets	788,243	4,143,933
	Capacity building	21,996,793	15,844,256
		22,785,036	19,988,189
Total		<u>450,478,672</u>	<u>240,546,062</u>

## 20. GENERAL

Figures have been rounded off to the nearest rupee.

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 as following:

- A balance of Rs. 3,500,000 previously shown as investments has been included in cash and bank balances.
- A balance of Rs. 302,000 previously included in advances, deposits and prepayments has been shown as security deposits separately.

  
EXECUTIVE DIRECTOR

  
TREASURER

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006 Rupees	2005 Rupees
Opening Balance	15,775,448	13,639,984
Amortization of capital grants	21,802,043	764,099
Service charges	37,703,553	20,131,487
Loan processing fees	4,850,500	2,859,150
Income from investments	2,196,300	-
Income on bank deposits and investment	578,125	277,015
Other income	100,317	215,329
	<u>67,230,838</u>	<u>24,247,080</u>
	83,006,286	37,887,064
<b>EXPENDITURE</b>		
Salaries & Benefits	28,317,195	7,932,969
Rent Rates and Taxes	1,447,772	425,840
Electricity, water and gas	775,944	216,213
Repair and Maintenance	1,134,565	364,533
Vehicle running and Maintenance	1,281,883	325,735
Communications	758,835	191,383
Legal and Professional	430,228	148,950
Loss / (gain) on disposal of fixed assets	915,763	71,174
Office Supplies	951,064	360,778
Provision for bad debts	7,405,164	3,383,362
Travel and conveyance	576,708	246,262
Service charges	11,256,191	5,461,359
Bank Charges	289,330	83,991
Loss on disposal of fixed assets	100,000	115,000
Insurance	1,741,515	1,026,203
Depreciation	2,357,043	1,644,506
Community Trainings	637,793	45,305
Other expenses	22,386	43,053
Donation	-	25,000
	<u>60,399,379</u>	<u>22,111,616</u>
Net surplus for the year	6,831,459	2,135,464
Closing balance	<u>22,606,907</u>	<u>15,775,448</u>


  
EXECUTIVE DIRECTOR

  
TREASURER

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
STATEMENT OF INCOME AND EXPENDITURE - NON MICRO FINANCE SECTOR  
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006 Rupees	2006 Rupees
<b>Income</b>		
Service fees	10,075	66,215
<b>Expenditure</b>		
Salaries and benefits	905,558	627,200
General and administrative expenses	190,206	98,051
Training expenses	31,966	45,305
	1,127,730	770,556
<b>DAMEN overhad cost</b>		
Salaries and benefits	3,110,525	1,631,624
General and administrative expenses	1,335,207	823,469
Training expenses	90,874	77,135
Loss on disposal of fixed assets	1,075	-
	4,537,681	2,532,228
<b>Total expenditure</b>	5,665,411	3,302,784
<b>Excess of expenditure over income</b>	(5,655,336)	(3,236,569)

  
Executive Director

  
Treasurer