

**DEVELOPMENT ACTION FOR MOBILIZATION  
AND EMANCIPATION**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**



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### AUDITORS' REPORT TO THE GENERAL BODY

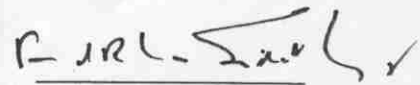
We have audited the annexed balance sheet of the **Development Action for Mobilization and Emancipation** - as at **December 31, 2007**, and the related income and expenditure account and cash flow statement together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the year then ended.

It is the responsibility of the management of the division 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 **December 31, 2007** 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 16, 2008


  
Chartered Accountants

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
BALANCE SHEET AS AT DECEMBER 31, 2007

ASSETS	Note	2007 Rupees	2006 Rupees
<b>Current assets</b>			
Cash and bank balances	5	87,354,322	62,805,287
Micro credit loan portfolio	6	242,642,647	162,442,299
Advances, prepayments and other receivables	7	6,102,240	3,396,798
<b>Total current assets</b>		<b>336,099,209</b>	<b>228,644,384</b>
<b>Non-current assets</b>			
Operating fixed assets	8	18,854,187	13,832,351
Security deposits		287,000	302,000
Total non-current assets		19,141,187	14,134,351
<b>Total assets</b>		<b>355,240,396</b>	<b>242,778,735</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	9	3,815,262	758,208
Current portion of long term loan	10	265,726,255	185,959,575
<b>Total current liabilities</b>		<b>269,541,517</b>	<b>186,717,783</b>
<b>Non-current liabilities</b>			
Long term loan	10	30,908,475	20,279,489
Deferred grants	11	9,507,103	10,641,492
Total non-current liabilities		40,415,578	30,920,981
Total liabilities		309,957,095	217,638,764
<b>Net assets</b>		<b>45,283,301</b>	<b>25,139,971</b>
<b>Represented by:</b>			
General funds	12	42,750,237	22,606,907
Donated funds	13	1,000,000	1,000,000
Reserves	14	1,533,064	1,533,064
		<u>45,283,301</u>	<u>25,139,971</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	15	<u>-</u>	<u>-</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

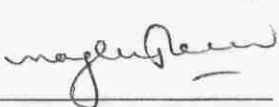
  
EXECUTIVE DIRECTOR

  
TREASURER

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
 INCOME AND EXPENDITURE ACCOUNT  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 Rupees	2006 Rupees
<b>Operating Income</b>			
<b>Micro-finance sector</b>			
Service charges on micro credit loans		65,446,859	37,703,553
Loan processing fees		7,572,460	4,850,500
Profit on bank deposits and investment		5,364,873	2,774,425
		78,384,192	45,328,478
Financial charges		18,634,377	11,256,191
Net financial margin		59,749,815	34,072,287
Provision against non-performing loans		5,023,731	7,405,164
Operating income after provision		54,726,084	26,667,123
<b>Social sector program</b>			
Income from health centers		117,762	10,075
Membership fee and other income		11,000	90,242
Donations		118,000	-
		246,762	100,317
		54,972,846	26,767,440
<b>Expenditure</b>			
<b>Micro-finance program</b>			
Salaries, wages and other benefits		32,092,954	24,301,112
General and administrative expenses	16.1	14,936,619	11,250,458
Training expenses		1,426,740	514,953
Loss on disposal of fixed assets		-	6,090
		48,456,313	36,072,613
<b>Social sector program</b>			
Salaries, wages, stipend and other benefits		6,567,057	4,016,083
General and administrative expenses	16.2	2,020,123	1,525,413
Training expenses		270,293	122,840
Loss on disposal of fixed assets		-	1,075
		8,857,473	5,665,411
		57,313,786	41,738,024
Net operating loss		(2,340,940)	(14,970,584)
Deferred grants amortized / utilized during the year			
- relating to fixed assets	11	707,800	946,314
- relating to capacity building	11	21,776,470	20,855,729
		22,484,270	21,802,043
<b>Net surplus for the year</b>		<u>20,143,330</u>	<u>6,831,459</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

  
 EXECUTIVE DIRECTOR

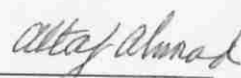
  
 TREASURER

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	2007 Rupees	2006 Rupees
Net surplus for the year	20,143,330	6,831,459
Adjustment for non cash items :		
Depreciation	3,092,790	2,357,043
Amortization of deferred grants relating to fixed assets	(707,800)	(946,314)
Amortization of deferred grants relating to capacity building	(21,776,470)	(20,855,729)
Financial charges	19,442,463	11,256,191
Loss on disposal of fixed assets	-	7,165
Provision against non-performing loans	5,023,731	7,405,164
Written off loan portfolio	(4,127,766)	(3,306,703)
	946,948	(4,083,183)
Operating surplus before working capital changes	21,090,278	2,748,276
(Increase) / decrease in :		
Advances, prepayments and other receivables	(2,705,442)	(1,391,436)
Micro credit loan portfolio	(81,096,313)	(76,293,133)
Security deposits	15,000	(139,000)
Increase / (decrease) in creditors, accrued and other liabilities	638,754	(61,581)
	(83,148,001)	(77,885,150)
<b>Cash used in operations</b>	(62,057,723)	(75,136,874)
Financial charges paid	(17,024,163)	(11,256,191)
Net cash used in operations	(79,081,886)	(86,393,065)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(8,114,626)	(5,559,537)
Proceeds from sale of fixed assets	-	5,000
Net cash used in investing activities	(8,114,626)	(5,554,537)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Grants (related to fixed assets) received during the year	2,503,900	788,243
Capacity building grants received during the year	18,845,981	21,996,793
Net proceeds from long term loan	90,395,666	106,822,555
Net cash flows from financing activities	111,745,547	129,607,591
<b>Increase in cash and cash equivalents</b>	24,549,035	37,659,989
<b>Cash and cash equivalents at beginning of year</b>	62,805,287	25,145,298
<b>Cash and cash equivalents at end of year</b>	87,354,322	62,805,287

The annexed notes from 1 to 20 form an integral part of these financial statements.

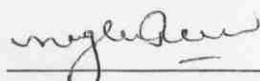
  
EXECUTIVE DIRECTOR


  
TREASURER

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
 STATEMENT OF CHANGES IN FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	General Funds	Donated Funds	Reserves	Total
	-----Rupees-----			
Balance as at January 1,2006	15,775,448	1,000,000	1,533,064	18,308,512
Transfer from income and expenditure account	6,831,459	-	-	6,831,459
Balance as at December 31,2006	<u>22,606,907</u>	<u>1,000,000</u>	<u>1,533,064</u>	<u>25,139,971</u>
Transfer from income and expenditure account	20,143,330	-	-	20,143,330
Balance as at December 31,2007	<u><u>42,750,237</u></u>	<u><u>1,000,000</u></u>	<u><u>1,533,064</u></u>	<u><u>45,283,301</u></u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

  
 EXECUTIVE DIRECTOR

  
 TREASURER

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**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**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, 100 schools and 15 health centers 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 recommended 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 the 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 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.

Depreciation is charged on number of days asset is used 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.

All amounts incurred in connection with acquisition or development of a tangible asset which has an economic useful life of more than one accounting period and the purchase cost thereof is not less than Rs. 5,000

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 as the proceeds received. Finance charges are charged to income and expenditure account on accrual basis and are included in creditors, accrued and other liabilities to the extent of the amount payable as on balance sheet date.

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## 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 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 .
- 4.4.4 Income from health center is recognized on receipt basis and considered as other income.
- 4.4.5 Donations in kind are recognized at fair market value as and when donated items are received.
- 4.4.6 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 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 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	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%

**4.6.3 Write-off**

All non-performing loans are written off after 365 days from the expiry of loan term. However, the Society, continues its efforts for recovery of the written-off loans.

**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. 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 Cost allocation**

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

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5. CASH AND BANK BALANCES	Note	2007 Rupees	2006 Rupees
Cash in hand		168,422	34,858
Cash with bank			
In current account - local currency		36,163,766	11,046,811
In deposit account			
- local currency		35,822,299	32,526,772
- foreign currency		199,835	196,846
		36,022,134	32,723,618
Term deposits	5.1	15,000,000	19,000,000
		<u>87,354,322</u>	<u>62,805,287</u>

5.1 This represents the term deposits receipts (TDRs) which earn profit at the rate of 9 % per annum (2006: 6 % to 8.50%).

6. MICRO CREDIT LOAN PORTFOLIO	Note	2007		2006	
		Numbers	Rupees	Numbers	Rupees
Considered good		31,592	245,240,843	23,182	158,025,621
Considered doubtful	6.1	1,031	5,187,392	2,296	11,306,301
		<u>32,623</u>	<u>250,428,235</u>	<u>25,478</u>	<u>169,331,922</u>
Less: Specific provision	6.2		2,833,696		3,574,473
General provision	6.2		4,951,892		3,315,150
			7,785,588		6,889,623
			<u>242,642,647</u>		<u>162,442,299</u>

All the loans are secured by social guarantees.

#### 6.1 Particulars of non-performing loans

Loans include Rs. 5,248,418 which, as detailed below, have been placed under non-performing status:

Classification	Amount outstanding Rupees	Percentage	Provision required Rupees	Provision held Rupees
Sub-standard	865,345	20%	173,069	173,069
Doubtful	1,700,644	50%	850,322	850,322
Loss	1,810,305	100%	1,810,305	1,810,305
	<u>5,187,392</u>		<u>2,833,696</u>	<u>2,833,696</u>

#### 6.2 Movement of provision against Non Performing Loan is as under:

	2007			2006		
	Specific	General	Total	Specific	General	Total
Opening balance	3,574,473	3,315,150	6,889,623	-	2,791,162	2,791,162
Charge for the year	3,386,989	1,636,742	5,023,731	6,881,176	523,988	7,405,164
Amounts written off	(4,127,766)	-	(4,127,766)	(3,306,703)	-	(3,306,703)
Closing balance	<u>2,833,696</u>	<u>4,951,892</u>	<u>7,785,588</u>	<u>3,574,473</u>	<u>3,315,150</u>	<u>6,889,623</u>

6.3 Particulars of amount written off	2007 Rupees	2006 Rupees
Against provision	<u>4,127,766</u>	<u>3,306,703</u>

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

#### 6.4 Portfolio by segment

Loan type:	2007 Rupees	2006 Rupees
Trade & Business	116,218,166	78,915,696
Tailoring Center	52,536,069	35,115,128
Livestock	36,747,633	24,436,946
Handcraft & Embroidery	44,987,393	30,864,152
	<u>250,489,261</u>	<u>169,331,922</u>

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## 6.5 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 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.

	2007		2006	
	Rupees	Percentage	Rupees	Percentage
Loan portfolio				
Current and up to 30 days late	245,240,843	97.9%	158,025,621	93%
31 - 60 days late	474,323	0.2%	2,065,058	1%
61 - 90 days late	336,775	0.1%	1,353,931	1%
More than 90 days late	4,376,294	1.7%	7,887,312	5%
	250,428,235	100%	169,331,922	100%

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.

## 6.6 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	
	2007	2006
1st Quarter	88	87
2nd Quarter	91	94
3rd Quarter	97	93
4th Quarter	97	87
For the year	93	93

Annual loss rate (Loans written off during the year divided by average loan portfolio outstanding) comes to 1.03% (2006: 1.95%) for the year.

## 7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2007 Rupees	2006 Rupees
Accrued service charges on micro credit loans	4,778,898	2,783,024
Advance tax	608,582	234,183
Accrued income on investments and bank deposits	566,305	360,691
Prepayments	3,000	-
Other receivables	145,455	18,900
	6,102,240	3,396,798

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

8. OPERATING FIXED ASSETS

DESCRIPTION	COST			DEPRECIATION			BOOK VALUE AS AT Dec. 31	RATE %	
	As at Jan. 01	Additions/ (deletions) during the year	As at Dec. 31	As at Jan. 01	Adjustment	For the year			As at Dec. 31
Office equipment	1,957,164	1,368,100	3,325,264	706,218	-	362,271	1,068,489	2,256,775	20
Furniture and Fixtures	2,469,182	1,128,356	3,597,538	419,816	-	302,422	722,238	2,875,300	10
Computer Equipments	4,022,282	145,575	4,167,857	2,073,855	-	1,067,179	3,141,034	1,026,823	33
Vehicles	5,839,033	1,130,035	6,969,068	1,958,218	-	1,188,508	3,146,726	3,822,342	20
Building	3,179,761	476,360	3,656,121	476,964	-	172,410	649,374	3,006,747	5
Land	2,000,000	3,866,200	5,866,200	-	-	-	-	5,866,200	-
<b>Rupees - 2007:</b>	<b>19,467,422</b>	<b>8,114,626</b>	<b>27,582,048</b>	<b>5,635,071</b>	<b>-</b>	<b>3,092,790</b>	<b>8,727,861</b>	<b>18,854,187</b>	
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	1,958,218	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	-
<b>Rupees - 2006:</b>	<b>13,934,885</b>	<b>5,559,537</b> (27,000)	<b>19,467,422</b>	<b>3,292,863</b>	<b>(14,835)</b>	<b>2,357,043</b>	<b>5,635,071</b>	<b>13,832,351</b>	

8.1 The depreciation charge for the year has been allocated as follows:

Micro finance program  
Social sector program

Note	2007 Rupees	2006 Rupees
	16.1	2,806,811
	16.2	285,979
		168,985
		2,357,043

2,806,811

285,979

168,985

2,357,043

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**

9. CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	2007 Rupees	2006 Rupees
Creditors		491,530	-
Accrued expenses		876,061	752,977
Financial charges payable		2,418,300	-
Provident fund payable		-	5,231
Withholding tax deducted at source		29,371	-
		<u>3,815,262</u>	<u>758,208</u>
<b>10. LONG TERM LOAN - secured</b>			
Opening balance		206,239,064	99,416,509
Addition during the year		359,415,000	261,630,000
		<u>565,654,064</u>	<u>361,046,509</u>
Repayment during the year		269,019,334	154,807,445
	10.1	<u>296,634,730</u>	<u>206,239,064</u>
Less: Current maturity		265,726,255	185,959,575
Closing balance		<u>30,908,475</u>	<u>20,279,489</u>

**10.1** This loan has been obtained from "Pakistan Poverty Alleviation Fund" (PPAF) with financing limit of Rs. 300 million (2006: Rs. 350 million) at annual service charge of 8% (2006: 6%) per annum. This is used for on-lending to micro credit loan to clients. This loan is secured against micro credit sub loans created/ financed from the proceeds of the loan. PPAF maintains a first charge on all book debts, sub loans and receivables created out of PPAF financing until the full repayment of principal, service charges and other monies due and payable to PPAF. The loan is repayable in quarterly installments.

**10.2** The quarterly balance of loan outstanding at each quarter end is as follows:

	1st quarter	2nd quarter	3rd quarter	4th quarter
<b>2007</b>	----- Rupees -----			
Opening balance	206,239,064	211,403,209	232,719,019	251,056,871
Additions	64,270,000	85,445,000	88,785,000	120,915,000
Repayment	59,105,855	64,129,190	70,447,148	75,337,141
Closing balance	<u>211,403,209</u>	<u>232,719,019</u>	<u>251,056,871</u>	<u>296,634,730</u>
<b>2006</b>	<u>117,117,146</u>	<u>133,630,814</u>	<u>152,257,738</u>	<u>206,239,064</u>

**11. DEFERRED GRANTS**

Grants related to fixed assets - Pakistan Poverty Alleviation Fund	11.1	5,017,863	3,221,763
Capacity building grants	11.2	4,489,240	7,419,729
		<u>9,507,103</u>	<u>10,641,492</u>

**11.1 Grants related to fixed assets**

Opening balance	3,221,763	3,379,834
Funds received during the year	2,503,900	788,243
	<u>5,725,663</u>	<u>4,168,077</u>
Less: Amortization	707,800	946,314
	<u>5,017,863</u>	<u>3,221,763</u>

**DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION**

	Note	2007 Rupees	2006 Rupees
<b>11.2 Capacity building grants</b>			
Opening balance		7,419,729	6,278,665
Grants received during the year		18,845,981	21,996,793
		<u>26,265,710</u>	<u>28,275,458</u>
Less: Grants utilized during the year		21,776,470	20,855,729
		<u>4,489,240</u>	<u>7,419,729</u>
<b>12. GENERAL FUNDS</b>			
Opening balance		22,606,907	15,775,448
Surplus for year		20,143,330	6,831,459
		<u>42,750,237</u>	<u>22,606,907</u>
<b>13. DONATED FUNDS</b>			
This represents funds received from Trust for Voluntary Organization against financing of lending operations.			
<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>
<b>15. CONTINGENCIES AND COMMITMENTS</b>			
Contingencies as on balance sheet date were Rs. Nil (2006: Rs. Nil).			
Capital commitments as on balance sheet date were Rs. Nil (2006: Rs. 881,403).			
<b>16. GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Total expenditures		16,956,742	12,775,871
Less: expenditures allocated to social sector program	16.2	2,020,123	1,525,413
Micro finance program	16.1	<u>14,936,619</u>	<u>11,250,458</u>
<b>16.1 Micro finance program</b>			
Rent, rates and taxes		1,505,282	1,216,595
Electricity, water and gas		1,061,090	693,597
Repair and maintenance		1,024,418	920,824
Vehicle running and maintenance		1,419,291	1,131,903
Communications		852,691	672,057
Legal and professional		215,611	331,694
Fee and subscription		98,175	34,000
Printing and stationary		1,013,974	810,843
Office supplies		909,620	850,062
Traveling and conveyance		1,049,822	518,690
Bank charges		716,067	257,837
Auditors remuneration		148,750	85,000
Insurance		2,109,859	1,526,360
Depreciation	8.1	2,806,811	2,188,058
Other expenses		5,158	12,938
		<u>14,936,619</u>	<u>11,250,458</u>

16.2 Social sector program	Note	2007 Rupees	2006 Rupees
Rent, rates and taxes		328,214	231,177
Electricity, water and gas		123,910	82,347
Repair and maintenance		216,303	213,741
Vehicle running and maintenance		184,637	149,980
Communications		109,147	86,778
Legal and professional		38,043	58,534
Fee and subscription		17,325	6,000
Printing and stationary		124,874	104,920
Office supplies		109,598	101,002
Traveling and conveyance		120,341	58,018
Bank charges		92,019	31,493
Auditors remuneration		26,250	15,000
Insurance		242,570	215,155
Depreciation	8.1	285,979	168,985
Other expenses		913	2,283
		<u>2,020,123</u>	<u>1,525,413</u>

16.2.1 The society is supporting 100 home schools and 15 health centers (average cost for running each home school and health center is Rs. 5,700 and Rs. 11,200 per month respectively) which are owned by local community women. A major portion of funds are being generated through the 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.

## 17. 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 Federal Board of Revenue (FBR).

## 18. NO. OF EMPLOYEES

The Society employed 99 loan officers (2006: 100) and 99 other employees (2006: 99) as at the year end.

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DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION

19. FINANCIAL INSTRUMENTS

19.1

	Interest / mark-up bearing		Maturity after one year but less than five years		Non interest / mark-up bearing		Maturity after one year but less than five years		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>Financial assets</b>	----- ( R u p e e s ) -----									
Long term deposits	-	-	-	-	-	-	287,000	302,000	287,000	302,000
Micro credit loan portfolio	242,642,647	162,442,299	-	-	-	-	-	-	242,642,647	162,442,299
Advances and other receivables	-	-	-	-	6,099,240	3,396,798	-	-	6,099,240	3,396,798
Cash and Bank Balances	51,022,134	51,723,618	-	-	168,422	34,858	-	-	51,190,556	51,758,476
<b>Total financial assets</b>	<u>293,664,781</u>	<u>214,165,917</u>	<u>-</u>	<u>-</u>	<u>6,267,662</u>	<u>3,431,656</u>	<u>287,000</u>	<u>302,000</u>	<u>300,219,443</u>	<u>217,899,573</u>
<b>Financial liabilities</b>										
Long term loans	265,726,255	185,959,575	30,908,475	20,279,489	-	-	-	-	296,634,730	206,239,064
Creditors, accrued and other liabilities	-	-	-	-	3,815,262	758,208	-	-	3,815,262	758,208
<b>Total financial liabilities</b>	<u>265,726,255</u>	<u>185,959,575</u>	<u>30,908,475</u>	<u>20,279,489</u>	<u>3,815,262</u>	<u>758,208</u>	<u>-</u>	<u>-</u>	<u>300,449,992</u>	<u>206,997,272</u>

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

## 19.2 Financial risk management Objectives

The societies 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 foundation'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 societies credit risk is primarily attributable to its advances and its balances at banks. The risk on liquid fund 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 receivable and payable in foreign currency. 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 not expose to the 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 the sufficient liquidity at field office level to meet anticipated funding requirements.

## 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.

  
EXECUTIVE DIRECTOR

  
TREASURER

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 Rupees	2006 Rupees
Opening Balance	22,606,907	15,775,448
Amortization of grants	22,484,270	21,802,042
Service charges	65,446,859	37,703,553
Loan processing fees	7,572,460	4,850,500
Income from investments	4,606,963	2,196,300
Income on bank deposits	757,910	578,125
Other income	246,762	100,317
	<u>101,115,224</u>	<u>67,230,837</u>
	123,722,131	83,006,285
<b>EXPENDITURE</b>		
Salaries & Benefits	38,660,011	28,317,195
Rent Rates and Taxes	1,833,496	1,447,772
Electricity, water and gas	1,185,000	775,944
Repair and Maintenance	1,240,721	1,134,565
Vehicle running and Maintenance	1,603,928	1,281,883
Communications	961,838	758,835
Legal and Professional	253,654	390,228
Fee and subscription	115,500	40,000
Printing and stationary	1,138,848	915,763
Office Supplies	1,019,218	951,064
Provision for bad debts	5,023,731	7,405,164
Travel and conveyance	1,170,163	576,708
Service charges	18,634,377	11,256,191
Bank Charges	808,086	289,330
Audit fee	175,000	100,000
Insurance	2,352,429	1,741,515
Depreciation	3,092,790	2,357,043
Staff & Community Trainings	1,697,033	637,793
Other expenses	6,071	22,386
	<u>80,971,894</u>	<u>60,399,379</u>
Net surplus for the year	20,143,330	6,831,459
Closing balance	<u>42,750,237</u>	<u>22,606,907</u>

  
EXECUTIVE DIRECTOR

  
TREASURER

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
 BALANCE SHEET - SOCIAL SECTOR PROGRAM  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 Rupees	2006 Rupees
<b>ASSETS</b>		
<b>Non-current assets</b>		
Operating fixed assets	<u>5,247,093</u>	<u>1,285,952</u>
<b>Represented by:</b>		
<b>General fund</b>		
Balance as January 01	963,606	-
Surplus for the year	3,961,141	1,285,952
Less: transferred to reserve	-	(322,346)
General funds	4,924,747	963,606
Reserves	<u>322,346</u>	<u>322,346</u>
	<u>5,247,093</u>	<u>1,285,952</u>

  
 Executive Director

  
 Treasurer

## ANNEXURE "C"

DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION  
 STATEMENT OF INCOME AND EXPENDITURE - SOCIAL SECTOR PROGRAM  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 Rupees	2006 Rupees
<b>Income</b>		
Income from health centers	117,762	10,075
Membership fee and other income	11,000	90,242
Donations	118,000	-
	<u>246,762</u>	<u>100,317</u>
<b>Expenditure</b>		
Salaries, wages, stipend and other benefits	6,567,057	4,016,083
General and administrative expenses	2,020,123	1,525,413
Training expenses	270,293	122,840
Loss on disposal of fixed assets	-	1,075
<b>Total expenditure</b>	<u>8,857,473</u>	<u>5,665,411</u>
Net operating loss	(8,610,711)	(5,565,094)
Financial assistance from microfinance program	12,571,852	6,851,046
<b>Excess of income over expenditure</b>	<u><u>3,961,141</u></u>	<u><u>1,285,952</u></u>

  
 Executive Director

  
 Treasurer