



Grant Thornton

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DAMEN Support Programme** ("the Company") as at **June 30, 2015** and the related income and expenditure account and statement of changes in general fund together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - (i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account and statement of changes in general fund together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the surplus and statement of changes in general fund for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention towards note 25 to the financial statements which describes that the Company is in process of seeking approval under section 2 (36) of the Income Tax Ordinance, 2001 and accordingly, no provision of taxation has been made in these financial statements. Our opinion is not qualified in respect of this matter.

Grant Thornton Anjum Rahman
CHARTERED ACCOUNTANTS

Engagement Partner: Imran Afzal
Lahore

Dated: *October 1, 2015*

Chartered Accountants

Member of Grant Thornton International Ltd
Offices in Karachi & Islamabad

DAMEN SUPPORT PROGRAMME

(A company set up under section 42 of Companies Ordinance, 1984)

BALANCE SHEET**AS AT 30 JUNE 2015****ASSETS****Note****2015****Rupees****Non-current assets**

Micro credit loan portfolio-non current portion

8 51,501,083

Property, plant & equipment

4 12,806,808

Intangible assets

5 295,244

Security deposits

592,985

65,196,120

Current assets

Cash and bank balances

6 141,331,272

Short term investment

7 121,109,237

Micro credit loan portfolio

8 1,022,685,731

Advances, prepayments and other receivables

9 13,559,456

Advance tax

183,242

Accrued income on investments - TDRs

2,370,222

Accrued service charges on micro credit loans

17,517,580

1,318,756,740

1,383,952,860

Total assets**EQUITY & LIABILITIES****Equity (Funds)**

Endowment Fund-Pakistan Poverty Alleviation Fund

10 106,000,000

Endowment Fund-DAMEN-Society

11 139,315,087

Accumulated Surpluses

12 61,959,358

Transfer to Microcredit Loan Revolving Fund

(115,290,206)

85,984,239

Microcredit Loan Revolving Fund

13 115,290,206

307,274,445

Non-current liabilities

Long term loans

14 232,139,595

Deferred grant

15 1,276,559

Total non-current liabilities

233,416,154

Current liabilities

Current portion of long term loans

14 818,290,051

Short term borrowing

16 15,497,383

Trade and other payables

17 9,322,496

Mark up payable

152,331

Total current liabilities

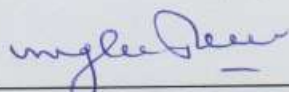
843,262,261

Total liabilities

1,383,952,860

CONTINGENCIES AND COMMITMENTS

18 -

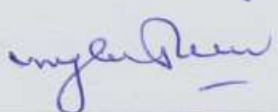
*The annexed notes 1 to 33 form an integral part of these financial statements.**GA***CHIEF EXECUTIVE OFFICER**
DIRECTOR 01.10.2015

DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****INCOME AND EXPENDITURE ACCOUNT****FOR THE YEAR ENDED 30 JUNE 2015**

		2015
	Note	Rupees
Service charges on micro credit loans		180,898,507
Return on investments and bank deposits	19	14,029,787
<u>Less:</u>		194,928,294
Finance cost	20	(56,435,711)
Branchless banking charges		(10,207,172)
		(66,642,883)
<u>Less:</u>		128,285,411
Provision against non-performing loans - net	8.3	(11,789,940)
		116,495,471
<u>Non Service charges Income</u>		
Documentation, insurance & other charges	21	25,995,300
		142,490,771
<u>Non Service charges Expenses</u>		
Salaries, wages, stipends and other benefits		(53,973,260)
General and administrative expenses	22	(27,520,646)
Training expenses		(1,011,079)
		(82,504,985)
		59,985,786
<u>Non Operating Income</u>		
Other Income	23	552,593
Start up donation by members	24	800,000
Deferred grants amortized / utilized:		
- relating to fixed assets	15.1	286,516
- relating to capacity building	15.2	334,463
		620,979
		1,973,572
Net surplus for the year		61,959,358
Provision for taxation	25	-
Net surplus for the year after tax		61,959,358
Operational Self sufficiency (OSS) Ratio	26	138%

The annexed notes 1 to 33 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

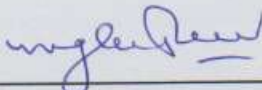

DIRECTOR 1.10.2015

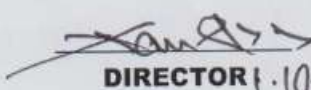
DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****CASH FLOW STATEMENT****FOR THE YEAR ENDED 30 JUNE 2015**

		2015
	Note	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year		61,959,358
Adjustments for non cash items :		
Depreciation	4	2,211,919
Amortisation on intangible assets	5	88,573
Amortization of deferred grants:		
- relating to fixed assets	15.1	(286,516)
- relating to capacity building	15.2	(334,463)
Finance cost	20	56,435,711
Branchless banking costs		10,207,172
Gain on disposal of operating fixed assets		(46,194)
Provision against non-performing loans	8.3	11,789,940
		80,066,142
Operating surplus before working capital changes		142,025,500
(Increase) /decrease in:		
Advances, prepayments and other receivables		(9,787,006)
Micro credit loan portfolio		(132,974,821)
Security deposits		73,112
Increase/(decrease) in:		
Trade and other payables		2,969,035
		(139,719,680)
Operating deficit after working capital changes		2,305,820
Finance cost paid		(64,963,169)
Net cash used in operating activities		(62,657,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in fixed assets		(1,818,119)
Proceeds from disposal of operating fixed assets		231,845
Net cash used in investing activities		(1,586,274)
CASH FLOWS FROM FINANCING ACTIVITIES		
DAMEN Society - Cash balances		334,675,988
Grant received relating to capacity building		334,463
Net proceeds from Running Finance Facility		(128,159)
Net proceeds from long term loans		(8,198,160)
Net cash from financing activities		326,684,132
Net change in cash and cash equivalents		262,440,509
Cash and cash equivalents at the beginning of year		-
Cash and cash equivalents at the end of year	27	262,440,509

The annexed notes 1 to 33 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER


DIRECTOR 1.10.2015

DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****STATEMENT OF CHANGES IN EQUITY (FUNDS)****FOR THE YEAR ENDED 30 JUNE 2015**

	Endowment Fund-(PPAF)	Endowment Fund- (DAMEN Society)	Micro Credit Loans revolving Fund	Accumulated Surplus (General Fund)	Total Funds
Opening balance as on 10 October , 2014	-	-	-	-	-
Transferred from DAMEN-Society	106,000,000	139,315,087	-	-	245,315,087
Net surplus for the period	-	-	-	61,959,358	61,959,358
Transferred to Micro Credit Loans Revolving Fund	-	(70,940,619)	115,290,206	(44,349,587)	-
Balance as at 30 June 2015	106,000,000	68,374,468	115,290,206	17,609,771	307,274,445

The annexed notes 1 to 33 form an integral part of these financial statements.

**Chief Executive Officer**
DIRECTOR 1.10.2015

DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2015****1 STATUS AND NATURE OF THE BUSINESS**

- 1.1** DAMEN Support Programme (the Company) was set up on 10th October 2014 as a non profit organization under section 42 of the Companies Ordinance 1984. Damen Support Programme has 25 field offices within vicinity of Lahore, Kasur, Sheikhpura & Nankana Districts.
- 1.2** The principal activity of DAMEN Support Programme is to provide cost effective micro finance services to poor in order to enhance their economic role. DAMEN Support Programme provides non financial services in the form of trainings both to its clients and staff.
- 1.3** Following assets, liabilities and accumulated surplus have been transferred to DAMEN Support Programme from Development Action for Mobilization and Emancipation" (DAMEN) society w.e.f 01-01-2015.

Description	Amount (Rupees)
Micro credit loan portfolio-non current portion	77,260,955
Micro credit loan portfolio-current portion	875,740,978
Property, plant & equipment	32,352,928
Property, plant & equipment-accumulated depreciation	(18,966,669)
Intangible assets	383,817
Security deposits	666,097
Cash and bank balances	186,027,388
Short term investment	148,648,600
Advances, prepayments and other receivables	23,843,494
Long term loans	(1,058,627,806)
Deferred grant	(1,563,075)
Short term borrowing	(15,625,542)
Trade and other payables	(4,826,078)
Endowment Fund-Pakistan Poverty Alleviation Fund	(106,000,000)
Endowment Fund-Society	(139,315,087)

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan and the requirement of Companies Ordinance 1984. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan. In case requirements differ, the requirements of the Companies Ordinance 1984 shall prevail.

3 BASIS OF PREPARATION

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

3.1 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.

3.2 Operating fixed assets**All operating assets except intangible asset**

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment loss, if any.

Depreciation on all operating fixed assets is charged to income on straight-line method so as to write off the historical cost of assets over estimated useful life at rates specified in the Note.

DAMEN SUPPORT PROGRAMME

(A company set up under section 42 of Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Full month's depreciation is charged on additions while no depreciation is charged in the month of disposals during the year. Impairment loss or its reversal, if any, is charged to income. Where an impairment loss is recognized, the depreciation charge is adjusted in the future years to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset is recognized as an income or expense.

The assets' residual values and estimated useful lives are reviewed at least at each balance sheet date and impact on depreciation is adjusted, if significant.

Intangible asset

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

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

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

3.3 Borrowings

Loans and borrowings are initially recorded at proceeds received which is considered to be equal to its fair value. Finance cost is accounted for on accrual basis and is included in creditors, accrued and other liabilities to the extent of the amount payable as on balance sheet date.

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

3.4 Income recognition

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

3.5 Functional and presentation currency

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

3.6 Recognition of grants

- Funds provided by donors to subsidize operating and administrative expenses are recognized as grant income as per term of agreement with donors.
- Funds utilized for acquiring fixed assets are taken to deferred grant and amortized over the useful life of the assets.
- Grants related to capacity building are taken to deferred grant and amortized as actual expenses incurred on account of capacity building.

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DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2015**

3.7 Micro credit loan portfolio

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

3.7.1 Loan loss provision

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

3.7.1.1 General provision

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

3.7.1.2 Specific provision

General provision, specific provision for potential loan losses is made for all non-performing loans as follows:

Category	Loans in arrears/ Instalment over due	Percentage of outstanding principal
Other Assets Especially Mentioned (OAFEM)	Loans in arrears (instalment overdue) for 30 days or more but less than 60 days.	-
Substandard	Loans in arrears (instalment overdue) for 61 days or more but less than 90 days.	25%
Doubtful	Loans in arrears (instalment overdue) for 91 days or more but less than 180 days.	50%
Loss	Loans in arrears (instalment overdue) for 181 days or more.	100%

3.7.2 Write-Off

All non-performing loans are written off after one month of classification as loss. However, the Company, continues its efforts for recovery of the written-off loans. Loans are classified as loss when instalment are overdue for 181 days or more.

3.8 Foreign currency translations

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rates. All non monetary items are translated into rupees at exchange rates prevailing on the dates of transactions or on dates when fair values are determined. Exchange differences are included in income currently.

3.9 Short term investments - Held to maturity

Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition these are measured at amortised cost using the effective interest method.

3.10 Employees retirement benefits

The Company operates a recognized provident fund for all its permanent employees. Equal monthly contributions are made to the fund both by the Company 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.

3.11 Taxation

Tax charge for current taxation is based on taxable income at the current rates of taxation after taking into account the applicable tax credits and tax rebates realized, if any.

DAMEN SUPPORT PROGRAMME

(A company set up under section 42 of Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

3.12 Provisions

Provisions are recognized when, and only when, the Company 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.

3.13 Use of Estimates

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

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

3.14 Advances, prepayments, deposits and other receivables

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

3.15 Trade and other payables

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

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DAMEN SUPPORT PROGRAMME
(A company set up under section 42 of Companies Ordinance, 1984)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

4 Property, plant & equipment

2015												
DESCRIPTION	COST				DEPRECIATION				BOOK	RATE %		
	As at 10 October, 2014	Addition during the period		Disposal	As at 30 June, 2015	As at 10 October, 2014	Adjustment		As at 30 June, 2015			
		Transferred from DAMEN-Society	Addition				Transferred from DAMEN-Society	On disposals			Charge for the period	
Furniture and fittings	-	4,227,199	152,198	(21,036)	4,358,361	-	2,467,379	(20,920)	179,109	2,625,568	1,732,793	10
Office equipment	-	4,330,877	285,444	-	4,616,321	-	2,978,210	-	209,745	3,187,955	1,428,366	20
Computer equipment	-	7,323,583	448,587	(196,009)	7,576,161	-	6,015,365	(187,550)	400,746	6,228,561	1,347,600	13
Vehicles	-	16,471,269	931,890	(1,062,666)	16,340,493	-	7,305,715	(885,592)	1,422,319	8,042,444	8,298,049	20
As at 30 June, 2015	-	32,352,928	1,818,119	(1,279,711)	32,891,336	-	18,966,669	(1,091,060)	2,211,919	20,084,528	12,806,808	

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DAMEN SUPPORT PROGRAMME

(A company set up under section 42 of Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 Rupees
5 INTANGIBLE ASSETS		
Computer software licenses		
Opening balance	5.1	-
Transfer from DAMEN-Society		383,817
Less: Amortization		(88,573)
Closing Balance		295,244
5.1 Licensed Software were acquired by DAMEN society in 2012 from Microsoft Corporation at a cost of Rs. 885,730 (US \$ 9,744), to comply with the legal requirement. As per terms of agreement with the vendor, the software will be updated annually at a nominal fee. These licenses do not have a finite useful life. Due to rapid developments in the IT sector, the management has decided to amortize their cost over a year of five years, using the straight line method.		
6 CASH AND BANK BALANCES		
Cash in hand		147,411
Cash with banks:		
In current accounts		22,211,157
In deposit accounts		118,972,704
	6.1	141,183,861
		141,331,272
6.1 Bank accounts having balances of Rs. 106.279 million are in the name of DAMEN society instead of company. Currently, the company is in the process of converting such accounts in the name of company.		
7 SHORT TERM INVESTMENTS		
Held to maturity		
Treasury Bill	7.1	36,460,637
Term Deposit Receipts (TDRs)	7.2 & 7.3	84,648,600
		121,109,237
7.1 This amounts represents investment in T bills for the period of 84 days starting from 25th June 2015 and mature on 17th September 2015 at the rate of 6.84 % through Bank AL Habib limited.		
7.2 These represent investments in Term Deposit Receipts with term of 1 month to 1 year. These investments carry mark up rate ranging from 6% to 9.6 % (2014 : 8.53 % to 10.15%).		
7.3 These include restricted TDRs amounting to Rs. 106.1 Million (2014: Rs.106.6 Million).		
8 MICRO-CREDIT LOAN PORTFOLIO		
Current portion		1,022,685,731
Non-current portion		51,501,083
	8.1	1,074,186,814
Notes	2015	
	Numbers	Rupees
8.1 MICRO CREDIT LOAN PORTFOLIO		PAR %age
Considered good	42,494	1,123,816,622
Considered doubtful (non-performing)	612	6,906,340
	43,106	1,130,722,962
Less: Specific provision	8.3	2,458,286
Less: General provision	8.3	54,077,862
		56,536,148
		1,074,186,814

All loans are secured by way of social guarantees.

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DAMEN SUPPORT PROGRAMME

(A company set up under section 42 of Companies Ordinance, 1984)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015****8.2 Particulars of non-performing loans**

Micro credit loan portfolio includes Rs. 6,906,340 which, as detailed below, have been placed under non-performing status:

Classification	2015			
	Amount	Percentage	Provision	Provision
	outstanding		required	held
	Rupees		Rupees	
QAEM	2,061,220	-	-	-
Sub-standard	1,436,486	25%	359,122	359,122
Doubtful	2,618,940	50%	1,309,470	1,309,470
Loss	789,694	100%	789,694	789,694
	6,906,340		2,458,286	2,458,286

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

Notes	2015		
	Rupees		
	Specific	General	Total
Opening balance	-	-	-
Transferred from DAMEN-Society	3,068,088	47,089,908	50,157,996
Charge for the period	4,801,987	6,987,954	11,789,941
Amounts written off during the period	(5,411,789)	-	(5,411,789)
Closing balance	2,458,286	54,077,862	56,536,148

8.4 Particulars of amount written off

Against provision	5,411,789
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This represents non performing loans overdue for more than 210 days.

8.5 Sources of funding used to finance Gross Loan Portfolio (GLP)

	2015	
	PKR	%age
Pakistan Poverty Alleviation Fund	1,019,176,489	90
Faysal Bank Limited	21,218,589	2
Loan Revolving Reserve of Damen Support Programme	90,327,884	8
	1,130,722,962	100

8.6 Portfolio by segment

Loan type:	
Trade and business	639,785,405
Tailoring centre	172,378,439
Livestock	262,878,419
Handcraft and embroidery	55,680,699
	1,130,722,962

8.7 Portfolio quality report

Company's main measure of loan delinquency is an aged portfolio-at-risk ratio. Loans are separated into classes depending on the number of days they are over-due. For each class of loan, the aged portfolio-at-risk ratio is calculated by dividing the outstanding principal balance of such class by outstanding principal balance of the gross loan portfolio.

Loans are considered overdue if any payment has fallen due and remained unpaid for more than 30 days. The number of days of delay is based on the difference between reporting date (cut off date) and the calculation of fully paid instalments subtracted from scheduled instalments, multiply by the repayment cycle (30 days) and adding the resulting days in the date of disbursement of loan.

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DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2015**

	2015	
	Rupees	Percentage
Loan portfolio		
Current and up to 30 days late	1,123,816,622	99.4%
31 - 60 days late	2,061,220	0.2%
61 - 90 days late	1,436,486	0.1%
More than 90 days late	3,408,634	0.3%
	<u>1,130,722,962</u>	<u>100%</u>

The company does not allow rescheduling or restructuring of loans.

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

2015

Rupees

8.8 Movement of loan portfolio

Opening balance as on 10 October 2014	
Transferred from DAMEN-Society at carrying amount	1,003,159,929
Disbursements made during the period	866,510,000
Recoveries made during the period	(733,535,178)
Loans written off during the period	(5,411,789)
Closing balance as on 30 June 2015	<u>1,130,722,962</u>

9 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to staff-considered good	367,098
Advances to supplier-considered good	695,000
Prepaid insurance	6,181,578
Prepaid mark-up	2,210,825
Other receivables	9.1 4,104,955
	<u>13,559,456</u>

9.1 This includes an amount of Rs. 2,937,725 from DAMEN Society.

Note

2015

Rupees

10 ENDOWMENT FUND- PPAF

Funds received from Pakistan Poverty Alleviation Fund (PPAF)	<u>106,000,000</u>
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As part of the assets and liabilities transferred by Development Action for Mobilization and Emancipation (DAMEN-Society) to Damen Support Programme with effect from 1st January 2015, the Endowment Fund created by Pakistan Poverty Alleviation Fund (PPAF) was also transferred. The fund is meant to strengthen the financial position of the company as a Micro Finance Institution, under their PRISM program. The terms and conditions associated with the Endowment Fund will remain applicable till three years from the date of receipt of the funds by DAMEN-Society. As per these terms, 50 % of the funds could be used as guarantee money for obtaining secured loans from commercial banks & the remaining 50% could be deposited with commercial banks rated AA, with competitive terms & conditions. The income from the investment may be utilized either for operational expenses or increasing the loan portfolio.

11 ENDOWMENT FUND -DAMEN Society139,315,087

This fund is created by "Development Action for Mobilization and Emancipation" (DAMEN) registered as a Society under the Societies Registration Act of 1860. With effect from 1st January 2015, the Society transferred its endowment fund related to Micro Finance Operations at carrying values to Damen Support Programme.

12 ACCUMULATED SURPLUSES (General fund)

Opening balance	
Surplus for the period	61,959,358
	<u>61,959,358</u>

GTR

DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2015****13 Microcredit Loan Revolving Fund**

Opening balance		
Transferred from Endowment fund- Damen Society		70,940,619
Transferred from surpluses for the period		44,349,587
Closing balance	13.1	<u>115,290,206</u>

In order to reduce reliance on external funding sources to finance the Micro Credit Loan Portfolio, the BOD has given approval to create a loan revolving reserve with an amount equal to 70% of Damen Support Programme's Cash reserves at the balance sheet date. The asset side of this reserve will be represented by Micro Credit Loan portfolio (Net of provisioning) financed through Damen Support Programmes own funds. Any difference will be adjusted through disbursement/recovery in the next quarter.

13.1 Calculation of Loan Revolving Fund Reserve

Total equity as on balance sheet date	307,274,445
Less: Endowment fund from PPAF (restricted)	106,000,000
Un restricted equity funds	201,274,445

Advances, prepayments and other receivables	10,621,731
Advance tax	3,383,451
Accrued income on investments - TDRs	2,370,222
Accrued service charges on micro credit loans	17,517,580
Property, plant & equipment	12,806,808
Intangible assets	295,244
Security deposits	592,985
Trade and other payables	(9,584,980)
Mark up payable	(152,331)
Deferred grant	(1,276,559)
Net asset (excluding OLP & cash & cash equivalents)	36,574,151
Cash & Cash equivalents as on balance sheet date	164,700,294
70 % of above	<u>115,290,206</u>

14 LONG TERM LOANS

	Note	2015 Rupees
Pakistan Poverty Alleviation Fund (PPAF)	14.1	991,527,663
Faysal Bank Limited(FBL)	14.2	9,901,983
DAMEN-Society	14.3	49,000,000
		<u>1,050,429,646</u>
Less: Current maturity	10.1,10.2 & 10.3	(818,290,051)
Closing balance		<u>232,139,595</u>

GTR

DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2015****14.1 Pakistan Poverty Alleviation Fund (PPAF)**

Opening balance	-
Transferred from DAMEN-Society	1,039,408,962
Received during the period	309,000,000
	<u>1,348,408,962</u>
Repayments during the period	(356,881,299)
	<u>991,527,663</u>
Less: Current maturity	(808,388,068)
Closing balance	<u><u>183,139,595</u></u>

14.4**14.2 Faysal Bank Limited(FBL)**

Opening balance	-
Received during the period	14,214,495
	<u>14,214,495</u>
Repayments during the period	(4,312,512)
	<u>9,901,983</u>
Less: Current maturity	(9,901,983)
Closing balance	<u><u>-</u></u>

14.5**14.3 DAMEN-Society****14.6**49,000,000

14.4 Under the PPAF's Mark up policy, the 6 monthly KIBOR, prevailing on the first working day of January and July, apply to the company mark up for the subsequent half year, with a floor of 8%.

Principal and mark-up are payable on quarterly basis.

This loan is secured against:

- a first charge on micro credit sub loans created/financed from the proceeds of the loan.
- the promissory note executed by the Board Of Directors to pay on order the full amount of financing together with
- a first charge on all assets/capital items created out of PPAF financing agreement.

14.5 A demand finance loan obtained from Faysal Bank Limited to enhance the existing Micro Credit programme of the company under the PRISM Endowment fund programme of PPAF. The sanctioned limit is PKR 47 million, split off between two portion of PKR 37 million and PKR 10 million. This loan carries mark up @ 9.96 % per annum (1% p.a. over deposit rate of 8.96 % p.a).

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

-Tenure of the facility is 2.5 years.

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

-Minimum spread of 1% to be maintained at all times over and above the deposit rate.

This loan is secured against cash guarantee in shape of TDRs for Rs. 37 million of the company.

14.6 A demand finance loan obtained from Development Action for Mobilization and Emancipation (DAMEN) society to enhance the existing Micro Credit programme of the company. Mark up rate equal to the 6 monthly KIBOR, prevailing on the first working day of January and July, apply to the company for the subsequent half year, with a floor of 8%.

-The loan has a grace period of 5 years.

-Principal repayments will start from 30, September 2020.

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

-This loan is secured against hypothecation of receivables amounting to PKR 49 Million.

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DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2015**

		2015
		Rupees
15	DEFERRED GRANT	
	Grants related to fixed assets	643,174
	Grants related to capacity building	633,385
		<u>1,276,559</u>
15.1	Grant related to fixed assets	
	Opening balance	-
	Funds received /capitalized during the period	929,690
		<u>929,690</u>
	Less: Amortization	(286,516)
		<u>643,174</u>
15.2	Grant related to capacity building	
	Opening balance	-
	Transferred from DAMEN Society	633,385
	Pakistan Microfinance Network (PMN)	334,463
		<u>967,848</u>
	Less: Amortization	(334,463)
		<u>633,385</u>
16	Short term borrowing	
	Faysal Bank Limited	15,497,383
16.1	A Running Finance Facility has been obtained from Faysal Bank Limited with a limit of PKR 16 Million. The facility is secured against cash deposits of PKR 16 Million and Hypo charge on receivables amounting to PKR 2 Million out of the proceeds of this facility. The funds of this facility are used to enhance the existing Micro Finance Loan portfolio. The facility carries mark up @ 9.94 % while the profit rate on TDR is 9.04 %. The guarantee money for this facility is provided by PPAF under their PRISM-Endowment Fund initiative.	
17	TRADE AND OTHER PAYABLES	
	Branchless banking charges payable	1,666,254
	Accrued expenses	6,481,129
	DAMEN Relief Fund	375,113
	Other payables	800,000
		<u>9,322,496</u>
17.1	This includes an amount of Rs. 800,000 payable to Ms. Naghma Rashid (CEO of the company).	
18	CONTINGENCIES AND COMMITMENTS	
	There were no contingencies and commitments to report at the year end.	
19	PROFIT ON INVESTMENTS AND BANK DEPOSITS	
	Profit on Investments - TDRs	4,237,226
	Profit on bank deposits	9,792,561
		<u>14,029,787</u>

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DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015
		Rupees
20 FINANCE COST		
<i>Mark-up on long term loan:</i>		
Pakistan Poverty Alleviation Fund (PPAF)		54,616,522
Faysal Bank Limited (FBL)		751,787
DAMEN-Society		292,513
<i>Mark-up on short term borrowing:</i>		
Faysal Bank Limited (FBL)		774,889
		<u>56,435,711</u>
		2015
		Rupees
21 Documentation, insurance & other charges		
This represents the costs of documentation (both office and legal), insurance premium for life and health insurance of borrowers and their spouses, and the costs for collection of loan instalments through branchless banking networks, clients are charged @ 3% of the loan amount at the time of disbursement.		
		2015
		Rupees
22 GENERAL AND ADMINISTRATIVE EXPENSES		
Rent, rates and taxes		2,743,175
Electricity, water and gas		958,917
Repair and maintenance		2,278,361
Vehicle running and maintenance		2,561,190
Communications		1,289,497
Legal and professional charges		313,445
Stamp papers		1,056,535
Fee and subscription		150,000
Printing and stationary		1,316,581
Office supplies		1,613,780
Traveling and conveyance		2,115,171
Bank charges		572,154
Auditors' remuneration		412,500
Insurance		6,219,391
Depreciation		2,211,919
Amortisation on intangible assets		88,573
Networking and linkages /institutional assessments		928,874
E-CIB Charges		549,376
Cable TV advertisement		110,600
Other expenses		30,607
<i>OTM</i>		<u>27,520,646</u>

DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2015**

		2015
		Rupees
23	OTHER INCOME	
	Income from financial asset	
	Bad debts (written off) recovered	463,955
	Income from non-financial asset	
	Gain on disposal of operating fixed assets	46,194
	Staff advances	8,265
	Other income	34,179
		88,638
		552,593
24	START UP DONATION	
	The represents the start up donation by four members who subscribed their names to the Memorandum and Articles of Association of Damen Support Programme.	
25	Taxation	
	The company is in the process of getting itself approved under section 2 (36) of the Income Tax Ordinance, 2001 for getting entitlement of tax relaxation of section 100C (100% credit of tax liability). The company has not made any provision for taxation as its management and tax advisor are confident of getting such approval for tax year 2015 as well.	
26	Operational Self Sufficiency (OSS) Ratio	
	Total financial income	206,893,807
	Profit on investments and bank deposits	14,029,787
	Other income	1,352,593
	Total income	222,276,187
	Finance cost & Branchless banking costs	(66,642,883)
	Provision against non-performing loans - net	(11,789,940)
	Administrative expenses	(82,504,985)
	Total expenditure	(160,937,808)
	Operational Self Sufficiency (OSS) Ratio	138%
		2015
		Rupees
27	CASH AND CASH EQUIVALENTS	
	Cash and bank balances	6 141,331,272
	Short term investments	7 121,109,237
		262,440,509

GTR

DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2015****28 REMUNERATION OF CHIEF EXECUTIVE OFFICER**

	Note	Chief Executive Officer
		Rupees
Basic pay		1,590,998
House allowance		514,404
Utilities allowance		128,598
Medical allowance		6,000
POL allowance		48,000
Communication allowance		30,000
		<u>2,318,000</u>

CEO is also provided with company maintained car along with driver. She is entitled to claim upto Rs. 10,000 of medical expenses for a month.

29 NUMBER OF EMPLOYEES

The company employed 100 loan officers and 124 other employees as at the period end.

30 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include key management personnel.

Related parties comprise directors, their close family members, members of the company, Provident Fund, DAMEN society and programs run by the society. Balances with related parties are disclosed in relevant notes. Transactions with related parties during the period, other than disclosed else where in financial statements, are as follows:

	Note	2015
		Rupees
Transactions with related parties		
Loan obtained from DAMEN-society		49,000,000
Interest on loan from DAMEN-society		292,513
Contribution received from members		800,000
Rent paid to DAMEN-society		1,590,000
Salaries of son of director	30.1	420,510

- 30.1** Mr. Hamza Hussain employed as Development Coordinator and son of Mr. Adnan Afaq, member and director of the company.

31 DISCLOSURE OF PROVIDENT FUND

	Note	2015
		Rupees

The following information is based on latest un-audited financial statements of the Fund:

Size of the fund - Total assets		27,433,796
Cost of investments made		25,925,486
Percentage of investments made		95%
Fair value of investments	31.1	23,576,676

GPM

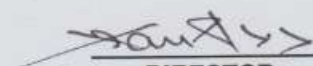
DAMEN SUPPORT PROGRAMME**(A company set up under section 42 of Companies Ordinance, 1984)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2015**

31.1 The break-up of fair value of investments is:

	2015	
	Rupees	%
Bank balances	18,876,676	80.07%
Defence saving certificates (held to maturity)	4,700,000	19.93%
Total	23,576,676	100%

31.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.**32 GENERAL****32.1** Figures have been rounded off to nearest rupees.**32.2** Corresponding figures has not been reproduced as it is first year after incorporation of the company.**33 DATE OF AUTHORIZATION**

These financial statements have been approved by the Board of Directors and authorised for issue on 01-Oct-2015,
2015


CHIEF EXECUTIVE OFFICER
DIRECTOR