



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAMEN SUPPORT PROGRAMME

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Damen Support Programme (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of income and expenditure and other comprehensive income, the statement of changes in funds, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of income and expenditure and other comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the surplus, the changes in funds and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial statements of the company and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the

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financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, and the statement of income and expenditure and other comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.

Chartered Accountants

Lahore

Date: December 3, 2019



# DAMEN SUPPORT PROGRAMME

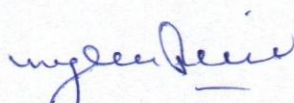
## STATEMENT OF FINANCIAL POSITION

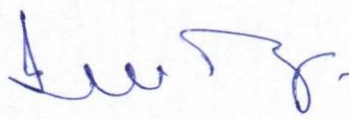
AS AT JUNE 30, 2019

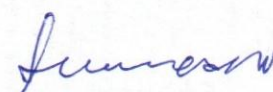
	Note	June 30, 2019 Rupees	Restated June 30, 2018 Rupees
<b>NON CURRENT ASSETS</b>			
Microcredit loan portfolio - non current portion		37,260,897	97,453,260
Property, plant and equipment	6	80,534,094	75,975,517
Long term deposits and prepayments	8	8,998,799	7,535,448
		126,793,790	180,964,225
<b>CURRENT ASSETS</b>			
Short term investment	7	141,235,216	140,992,754
Microcredit loan portfolio - current portion	9	3,268,340,647	2,532,160,216
Advances, prepayments and other receivables	10	52,395,629	41,172,570
Cash and bank balances	11	640,950,101	290,349,390
Advance to DAMEN Employees' Provident Fund	15	3,548	-
Derivative Financial Asset	16	142,316,071	-
		4,245,241,212	3,004,674,930
<b>CURRENT LIABILITIES</b>			
Current portion of long term loans	12	2,248,320,626	724,018,734
Short term borrowing	13	-	49,999,732
Trade and other payables	14	117,361,816	59,144,710
		2,365,682,442	833,163,176
<b>NET WORKING CAPITAL</b>		1,879,558,770	2,171,511,754
		2,006,352,560	2,352,475,979
<b>NON CURRENT LIABILITIES</b>			
Long term loans	12	1,086,037,500	1,567,750,001
<b>NET ASSETS</b>		920,315,060	784,725,978
<b>REPRESENTED BY:</b>			
Endowment fund - Pakistan Poverty Alleviation Fund	17	31,800,000	31,800,000
Endowment fund - DAMEN Society	18	88,354,229	88,354,229
Accumulated surplus	19	155,507,843	136,525,370
Microcredit loan revolving fund	20	551,239,621	469,886,172
		826,901,693	726,565,771
Disaster relief reserve	21	7,851,982	7,174,037
Staff health reserve	22	5,170,594	4,492,649
Transformation and expansion reserve	23	80,390,791	46,493,521
		93,413,367	58,160,207
		920,315,060	784,725,978
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 42 form an integral part of these financial statements.

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Chief Executive

  
Director

  
Director



# DAMEN SUPPORT PROGRAMME

## STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
<b>INCOME</b>			
Service charge on microcredit loans		1,072,920,305	736,783,429
Return on investments and bank deposits	25	54,277,071	32,126,477
Other income	26	67,917,240	53,030,623
		1,195,114,616	821,940,529
<b>EXPENDITURE</b>			
Finance cost	27	395,477,661	185,178,294
Branchless banking charges		62,941,463	42,543,606
Provision against non-performing loans - net	9.3	70,144,381	50,285,173
Salaries, wages, stipends and other benefits		298,059,008	219,867,337
Direct operational costs	29	152,191,732	53,016,494
Livestock vaccination project		-	328,500
Training expenses		10,224,808	8,923,993
		989,039,053	560,143,397
General administrative and management expenses	30	70,486,481	75,823,046
<b>SURPLUS FOR THE YEAR</b>		135,589,082	185,974,086
Transferred to disaster relief reserve	21	(677,945)	(929,870)
Transferred to staff health reserve	22	(677,945)	(929,870)
Transferred to loan revolving fund	20	(81,353,449)	(111,584,451)
Transferred to transformation and expansion reserve	23	(33,897,270)	(46,493,521)
		(116,606,609)	(159,937,712)
<b>SURPLUS AFTER APPROPRIATIONS</b>		18,982,473	26,036,374
<b>OTHER COMPREHENSIVE INCOME</b>			
Gain on Derivative Financial Asset	28	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		18,982,473	26,036,374
Operational Self Sufficiency (OSS) ratio	33	113%	129%

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive

Director

Director



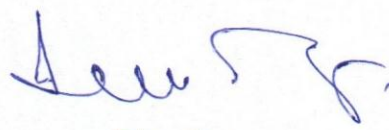
**DAMEN SUPPORT PROGRAMME**  
**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

		June 30, 2019 Rupees	June 30, 2018 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Surplus for the year</b>		135,589,082	185,974,086
Adjustments for non cash items			
Depreciation	6	16,024,750	9,256,758
Write off of fixed assets and capital work in progress		-	981,183
Amortization of deferred grants		-	(12,988)
- relating to fixed assets			
Finance cost	27	395,477,661	185,178,294
Branchless banking cost		62,941,463	42,543,606
Gain on disposal of operating fixed assets	26	(2,794,573)	(12,236)
Derivative financial asset		(142,316,071)	-
Provision against non-performing loans	9.3	70,144,381	50,285,173
		<u>399,477,611</u>	<u>288,219,790</u>
<b>Operating surplus before working capital changes</b>		535,066,693	474,193,876
<b>Increase in operating assets</b>			
Advances, prepayments and other receivables		(14,679,271)	(19,246,568)
Microcredit loan portfolio		(742,922,247)	(934,371,709)
Long term deposits and prepayments		(1,463,351)	(5,708,945)
<b>Increase in operating liabilities</b>			
Trade and other payables		97,796,880	37,514,590
		<u>(661,267,989)</u>	<u>(921,812,632)</u>
<b>Operating deficit after working capital changes</b>		(126,201,296)	(447,618,756)
Finance cost paid		(458,419,124)	(227,721,900)
<b>Net cash utilized from operating activities</b>		<u>(584,620,420)</u>	<u>(675,340,656)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Addition in fixed assets		(21,077,951)	(36,520,129)
Proceeds from disposal of operating fixed assets		3,289,197	243,310
(Increase)/ decrease in net investments in short term securities		-	(10,000,000)
<b>Net cash used in investing activities</b>		<u>(17,788,754)</u>	<u>(46,276,819)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (payment to)/ proceeds from running finance facility	13	(49,999,732)	10,030,417
Distribution of staff retiring benefit out of staff health reserve		-	(600,000)
Net proceeds from long term loans		1,003,009,617	632,485,434
<b>Net cash from financing activities</b>		953,009,885	641,915,851
<b>Net change in cash and cash equivalents</b>		350,600,711	(79,701,624)
<b>Cash and cash equivalents at the beginning of year</b>		290,349,390	370,051,014
<b>Cash and cash equivalents at the end of year</b>	35	<u>640,950,101</u>	<u>290,349,390</u>

The annexed notes 1 to 42 form an integral part of these financial statements.

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**Chief Executive**

  
**Director**

  
**Director**



**DAMEN SUPPORT PROGRAMME**  
**STATEMENT OF CHANGES IN FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Endowment fund (Pakistan Poverty Alleviation Fund)	Endowment fund (DAMEN Society)	Microcredit loans revolving fund	Accumulated surplus	Disaster relief reserve	Staff health reserve	Transformation & Expansion Reserve	Total funds
	Rupees -----							
<b>Balance as at June 30, 2017</b>	31,800,000	88,354,229	358,301,721	110,488,996	6,244,167	4,162,779	-	599,351,892
Surplus for the year	-	-	-	185,974,086	-	-	-	185,974,086
Transferred to reserves	-	-	111,584,451	(48,353,261)	929,870	329,870	46,493,521	110,984,451
Transferred to microcredit loans revolving fund	-	-	-	(111,584,451)	-	-	-	(111,584,451)
<b>Balance as at June 30, 2018</b>	31,800,000	88,354,229	469,886,172	136,525,370	7,174,037	4,492,649	46,493,521	784,725,978
Surplus for the year	-	-	-	135,589,082	-	-	-	135,589,082
Transferred to reserves	-	-	81,353,449	(35,253,160)	677,945	677,945	33,897,270	81,353,449
Transferred to microcredit loans revolving fund	-	-	-	(81,353,449)	-	-	-	(81,353,449)
<b>Balance as at June 30, 2019</b>	31,800,000	88,354,229	551,239,621	155,507,843	7,851,982	5,170,594	80,390,791	920,315,060

The annexed notes 1 to 42 form an integral part of these financial statements.

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Walter Reed

**Chief Executive**

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## Director

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## Director