

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 Entity), which comprise the statement of financial position as at June 30, 2020, 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 Entity's affairs as at June 30, 2020 and of the surplus and other comprehensive income, 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 Entity 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 entity 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.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Entity'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 Entity'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 Entity'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions

415



are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity 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 Entity as required by the Companies Act, 2017 (XIX of 2017);
- b) 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 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 Entity'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: September 22, 2020

DAMEN SUPPORT PROGRAMME
STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

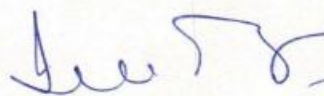
	Note	June 30, 2020 Rupees	June 30, 2019 Rupees
NON CURRENT ASSETS			
Microcredit loan portfolio - non current portion		15,971,705	37,260,897
Property, plant and equipment	6	85,808,141	80,534,094
Right-of-use asset	7	83,664,866	-
Capital work in progress	8	60,969,443	-
Long term deposits and prepayments	9	2,923,000	8,998,799
		249,337,155	126,793,790
CURRENT ASSETS			
Short term investment	10	151,463,099	141,235,216
Microcredit loan portfolio - current portion	11	2,969,476,679	3,268,340,647
Advances, prepayments and other receivables	12	58,426,416	52,395,629
Cash and bank balances	13	609,632,624	640,950,101
Advance to DAMEN Employees' Provident Fund	14	11,684	3,548
Derivative financial asset	15	76,032,552	142,316,071
		3,865,043,054	4,245,241,212
CURRENT LIABILITIES			
Current portion of long term loans	16	1,605,234,792	2,248,320,626
Current portion of lease liabilities against right-of-use asset	17	41,251,731	-
Short term borrowing	18	100,023,935	-
Trade and other payables	19	26,591,629	117,361,816
		1,773,102,087	2,365,682,442
NET WORKING CAPITAL			
		2,091,940,967	1,879,558,770
		2,341,278,122	2,006,352,560
NON CURRENT LIABILITIES			
Long term loans	16	1,290,581,932	1,086,037,500
Long term lease liabilities against right-of-use asset	17	44,471,913	-
NET ASSETS			
		1,006,224,277	920,315,060
REPRESENTED BY:			
Endowment fund - Pakistan Poverty Alleviation Fund	20	31,800,000	31,800,000
Endowment fund - DAMEN Society	21	88,354,229	88,354,229
Accumulated surplus	22	167,535,134	155,507,843
Microcredit loan revolving fund	23	602,785,151	551,239,621
		890,474,514	826,901,693
Disaster relief reserve	24	8,281,528	7,851,982
Staff health reserve	25	5,600,140	5,170,594
Transformation and expansion reserve	26	101,868,095	80,390,791
		115,749,763	93,413,367
		1,006,224,277	920,315,060

CONTINGENCIES AND COMMITMENTS

27

The annexed notes 1 to 46 form an integral part of these financial statements.


Chief Executive


Director


Director

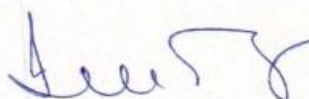
DAMEN SUPPORT PROGRAMME

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020 Rupees	June 30, 2019 Rupees
INCOME			
Service charge on microcredit loans		1,075,968,994	1,072,920,305
Return on investments and bank deposits	28	112,496,337	54,277,071
Other income	29	164,729,835	67,917,240
		1,353,195,166	1,195,114,616
EXPENDITURE			
Finance cost	30	481,056,126	395,477,661
Branchless banking charges		56,361,218	62,941,463
Provision against non-performing loans - net	11.3	69,542,140	70,144,381
Salaries, wages, stipends and other benefits		358,450,323	298,059,008
Direct operational costs	31	110,720,245	152,191,732
Training expenses		13,565,207	10,224,808
Other expenses	32	91,619,577	-
		1,181,314,836	989,039,053
General administrative and management expenses	33	85,971,113	70,486,481
SURPLUS FOR THE YEAR		<u>85,909,217</u>	<u>135,589,082</u>
Transferred to loan revolving fund	23	(51,545,530)	(81,353,449)
Transferred to disaster relief reserve	24	(429,546)	(677,945)
Transferred to staff health reserve	25	(429,546)	(677,945)
Transferred to transformation and expansion reserve	26	(21,477,304)	(33,897,270)
		(73,881,926)	(116,606,609)
SURPLUS AFTER APPROPRIATIONS		<u>12,027,291</u>	<u>18,982,473</u>
OTHER COMPREHENSIVE INCOME			
Gain on derivative financial asset	34	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>12,027,291</u></u>	<u><u>18,982,473</u></u>
Operational Self Sufficiency (OSS) ratio	36	<u><u>107%</u></u>	<u><u>113%</u></u>

The annexed notes 1 to 46 form an integral part of these financial statements.


Chief Executive


Director


Director

DAMEN SUPPORT PROGRAMME
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Endowment fund (Pakistan Poverty Alleviation Fund)	Endowment fund (DAMEN Society)	Microcredit loans revolving fund	Accumulated surplus	Disaster relief reserv/e	Staff health reserve	Transformation and expansion reserve	Total fun
Balance as at June 30, 2018	31,800,000	88,354,229	469,886,172	136,525,370	7,174,037	4,492,649	46,493,521	784,725
Surplus for the year	-	-	-	135,589,082	-	-	-	135,589
Transferred to reserves	-	-	81,353,449	(35,253,160)	677,945	677,945	33,897,270	81,353
Transferred to microcredit loans revolving fund	-	-	-	(81,353,449)	-	-	-	(81,353)
Transfers to other comprehensive income	-	-	-	-	-	-	-	-
Transfers to income and expenditure account	-	-	-	-	-	-	-	-
Balance as at June 30, 2019	31,800,000	88,354,229	551,239,621	155,507,843	7,851,982	5,170,594	80,390,791	920,315
Surplus for the year	-	-	-	85,909,217	-	-	-	85,909
Transferred to reserves	-	-	-	(22,336,396)	429,546	429,546	21,477,304	-
Transferred to microcredit loans revolving fund	-	-	51,545,530	(51,545,530)	-	-	-	-
Transferred to other comprehensive income	-	-	-	-	-	-	-	-
Transferred to income and expenditure account	-	-	-	-	-	-	-	-
Balance as at June 30, 2020	31,800,000	88,354,229	602,785,151	167,535,134	8,281,528	5,600,140	101,868,095	1,006,224

The annexed notes 1 to 46 form an integral part of these financial statements.


Chief Executive


Director


Director