



**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, 2021, 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, 2021 and of the surplus and other comprehensive income, the changes in funds and its cash flows for the year then ended.

Basis for Opinion

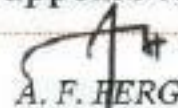
We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 comprises the information included in the annual report, but does not include the financial statements 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 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



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 Asad Aleem Mirza.

Chartered Accountants
Lahore

Date: October 06, 2021

DAMEN SUPPORT PROGRAMME
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 (Rupees)	2020
NON CURRENT ASSETS			
Property and equipment	6	126,063,058	85,808,141
Right-of-use asset	7	83,704,621	83,664,866
Long term advance	8	69,888,154	60,969,443
Long term deposits	9	12,217,500	2,923,000
Microcredit loan portfolio - non current portion	12	73,159,587	15,971,705
		<u>365,032,920</u>	<u>249,337,155</u>
CURRENT ASSETS			
Cash and bank balances	10	421,982,139	609,632,624
Short term investments	11	89,924,434	151,463,099
Microcredit loan portfolio - current portion	12	3,162,065,822	2,969,476,679
Advances, prepayments and other receivables	13	83,317,070	58,426,416
Advance to DAMEN Employees' Provident Fund	14	396,329	11,684
Derivative financial instrument	15	9,436,282	76,032,552
		<u>3,767,121,876</u>	<u>3,865,043,054</u>
TOTAL ASSETS		<u>4,132,154,796</u>	<u>4,114,380,209</u>
NON CURRENT LIABILITIES			
Long term loans	16	236,310,000	1,290,581,932
Lease liabilities	17	66,591,036	44,471,913
Derivative financial instrument	15	2,090,798	-
		<u>303,991,834</u>	<u>1,335,053,845</u>
CURRENT LIABILITIES			
Current portion of long term loans	16	2,125,665,494	1,605,234,792
Current portion of lease liabilities	17	39,069,036	41,251,731
Short term borrowings	18	511,132,294	100,023,935
Trade and other payables	19	75,312,176	26,591,629
		<u>2,751,179,000</u>	<u>1,773,102,087</u>
CONTINGENCIES AND COMMITMENTS	20	-	-
TOTAL LIABILITIES		<u>3,055,170,834</u>	<u>3,108,155,932</u>
NET ASSETS		<u>1,076,983,962</u>	<u>1,006,224,277</u>
REPRESENTED BY:			
Endowment fund - Pakistan Poverty Alleviation Fund	21	31,800,000	31,800,000
Endowment fund - DAMEN Society	22	88,354,229	88,354,229
Accumulated surplus	23	168,876,050	167,535,134
Microcredit loan revolving fund	24	608,531,935	602,785,151
Disaster relief reserve	25	8,329,418	8,281,528
Staff health reserve	26	5,648,030	5,600,140
Transformation and expansion reserve	27	104,262,589	101,868,095
Surplus on revaluation of fixed assets	28	61,181,711	-
		<u>1,076,983,962</u>	<u>1,006,224,277</u>

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, 2021

		2021	2020 (Restated)
	Note	(Rupees)	
INCOME			
Service charge on microcredit loans	29	934,241,238	1,075,968,994
Return on investments and bank deposits	30	34,913,141	112,496,337
Other income	31	127,930,712	161,109,106
		<u>1,097,085,091</u>	<u>1,349,574,437</u>
EXPENDITURE			
Finance cost	32	293,963,009	481,056,125
Net impairment against non-performing loans	12.4	153,313,341	69,542,140
Other expenses	33	62,366,971	91,619,577
		<u>509,643,321</u>	<u>642,217,842</u>
Direct operational costs			
Branchless banking charges		50,801,713	56,361,218
Salaries, wages, stipends and other benefits		353,219,159	358,450,323
Training expenses		2,304,138	13,565,207
Other operational costs	34	123,400,150	121,868,044
		<u>529,725,160</u>	<u>550,244,792</u>
General administrative and management expenses	35	48,138,636	71,202,585
Surplus for the year		<u>9,577,974</u>	<u>85,909,218</u>
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to income and expenditure</i>			
<i>Items that are not to be reclassified subsequently to income and expenditure</i>			
Surplus on revaluation of fixed assets	28	61,181,711	-
		<u>70,759,685</u>	<u>85,909,218</u>
Operational Self Sufficiency (OSS) ratio	36	101%	107%

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, 2021

	Endowment fund (Pakistan Poverty Alleviation Fund)	Endowment fund (DAMEN Society)	Accumulated surplus	Microcredit loans revolving fund	Disaster relief reserve	Staff health reserve	Transformation and expansion reserve	Surplus on revaluation of fixed assets	Total
Balance as at July 1, 2019	31,800,000	88,354,229	155,507,843	551,239,621	7,851,982	5,170,594	80,390,791	-	920,315,060
Surplus for the year	-	-	85,909,218	-	-	-	-	-	85,909,218
Transfer to reserves	-	-	(73,881,926)	51,545,530	429,546	429,546	21,477,304	-	-
Balance as at June 30, 2020	31,800,000	88,354,229	167,535,134	602,785,151	8,281,528	5,600,140	101,868,095	-	1,006,224,277
Surplus for the year	-	-	9,577,974	-	-	-	-	-	9,577,974
Revaluation surplus on fixed assets	-	-	-	-	-	-	-	61,181,711	61,181,711
Transfer to reserves	-	-	(8,237,058)	5,746,784	47,890	47,890	2,394,494	-	-
Balance as at June 30, 2021	31,800,000	88,354,229	168,876,050	608,531,935	8,329,418	5,648,030	104,262,589	61,181,711	1,076,983,962

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


Chief Executive


Director


Director

DAMEN SUPPORT PROGRAMME
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2021 (Rupees)	2020
Surplus for the year		9,577,974	85,909,218
Adjustments for non cash items:			
Depreciation on property and equipment	6	20,508,381	19,885,801
Depreciation on right-of-use asset	7	41,167,570	39,100,657
Net impairment against non-performing loans	12.3	153,313,341	69,542,140
Return on investments and bank deposits	30	(34,913,141)	(112,496,337)
Exchange gain	31	(33,425,353)	(13,462,818)
Finance cost	32	293,963,009	481,056,126
Loss on disposal of operating fixed assets	33	18,630	414
Loss on derivative financial instrument	33	62,348,341	91,619,163
		<u>502,980,778</u>	<u>575,245,146</u>
Operating surplus before working capital changes		512,558,752	661,154,364
(Increase)/decrease in operating assets			
Advances, prepayments and other receivables		(25,275,299)	(71,817,740)
Microcredit loan portfolio		(403,090,166)	316,389,837
Increase/(decrease) in operating liabilities			
Trade and other payables		48,720,547	(90,806,161)
		<u>(379,644,918)</u>	<u>153,765,936</u>
Cash flows from operating activities		132,913,834	814,920,300
Finance cost paid		(285,460,768)	(552,702,227)
Net cash (used in) / generated from operating activities		(152,546,934)	262,218,073
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(9,703,164)	(86,844,732)
Proceeds from disposal of operating fixed assets		1,184,236	715,025
Income from short term investments and bank deposits		38,351,806	112,068,453
Net proceeds from short term investments		58,100,000	(9,800,000)
Long term security deposits - net		459,000	(3,677,700)
Net cash generated from investing activities		88,391,878	12,461,046
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal element of lease payments	17	(48,131,822)	(41,445,962)
Proceeds from settlement of derivative financial instruments		33,000,000	-
Net proceeds from running finance		400,160,243	100,000,000
Repayment of long-term loans		(943,523,850)	(2,139,550,634)
Proceeds from long term loans		435,000,000	1,775,000,000
Net cash used in financing activities		(123,495,429)	(305,996,596)
Net decrease in cash and cash equivalents		(187,650,485)	(31,317,477)
Cash and cash equivalents at the beginning of year		609,632,624	640,950,101
Cash and cash equivalents at the end of year	10	<u>421,982,139</u>	<u>609,632,624</u>

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


Chief Executive


Director


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