



INDEPENDENT AUDITORS' 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, 2022, 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, 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, 2022 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 comprises the information included in the Company's 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 opinion 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 controls 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 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to 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 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The annual financial statements of the Company for the year ended June 30, 2021 have been audited by another firm of chartered accountants who vide their report dated October 06, 2021 expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

Yousuf Adil
Chartered Accountants

Lahore

Date: September 29, 2022

UDIN: AR20221008811Lyb7XrHu

**DAMEN SUPPORT PROGRAMME
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022**

		2022	2021
	Note	(Rupees)	
NON CURRENT ASSETS			
Property and equipment	6	128,500,359	126,063,058
Right-of-use asset	7	105,119,360	83,704,621
Long term advances	8	81,083,797	69,888,154
Long term deposits	9	15,381,815	12,217,500
Microcredit loan portfolio - non current portion	12	84,710,183	73,159,587
		<u>414,795,514</u>	<u>365,032,920</u>
CURRENT ASSETS			
Cash and bank balances	10	369,344,968	421,982,139
Short term investments	11	142,118,428	89,924,434
Microcredit loan portfolio - current portion	12	4,187,811,184	3,162,065,622
Advances, prepayments and other receivables	13	102,927,430	83,317,070
Advance to DAMEN Employees' Provident Fund	14	-	396,329
Derivative financial instrument	15	259,937,229	9,436,282
		<u>5,062,139,239</u>	<u>3,767,121,876</u>
TOTAL ASSETS		<u>5,476,934,753</u>	<u>4,132,154,796</u>
NON CURRENT LIABILITIES			
Long term loans	16	1,989,233,334	236,310,000
Lease liabilities	17	79,585,054	65,591,036
Derivative financial instrument	15	-	2,090,798
		<u>2,068,818,388</u>	<u>303,991,834</u>
CURRENT LIABILITIES			
Current portion of long term loans	16	1,586,435,879	2,125,665,494
Current portion of lease liabilities	17	49,558,447	39,069,036
Short term borrowings	18	552,873,395	511,132,294
Trade and other payables	19	117,343,857	75,312,176
		<u>2,306,211,578</u>	<u>2,751,179,000</u>
CONTINGENCIES AND COMMITMENTS	20	-	-
TOTAL LIABILITIES		<u>4,375,029,966</u>	<u>3,055,170,834</u>
NET ASSETS		<u>1,101,904,787</u>	<u>1,076,983,962</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	190,204,976	168,876,050
Microcredit loan revolving fund	24	623,484,430	608,531,935
Disaster relief reserve	25	8,454,022	8,329,418
Staff health reserve	26	5,772,634	5,648,030
Transformation and expansion reserve	27	102,160,665	104,262,589
Special reserve fund	28	1,246,041	-
Surplus on revaluation of property and equipment	29	50,427,790	61,181,711
		<u>1,101,904,787</u>	<u>1,076,983,962</u>

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer

Director

Director

DAMEN SUPPORT PROGRAMME
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

		2022	2021
	Note	(Rupees)	
INCOME			
Service charges on microcredit loans	29	1,233,243,130	934,241,238
Return on investments and bank deposits	30	35,084,726	34,913,141
Other income	31	417,226,626	127,930,712
		<u>1,685,554,482</u>	<u>1,097,085,091</u>
EXPENDITURE			
Finance cost	32	420,587,415	293,963,009
Net impairment against non-performing loans	12.11	299,996,383	153,313,341
Other expenses	35	236,724,597	62,366,971
		<u>957,308,395</u>	<u>509,643,321</u>
Direct operational costs			
Branchless banking charges		62,071,241	50,801,713
Salaries, wages, stipends and other benefits		404,718,680	353,219,159
Training expenses		3,944,366	2,304,138
Other operational costs	33	161,618,547	123,400,150
		<u>632,352,834</u>	<u>529,725,160</u>
General administrative and management expenses	34	70,972,430	48,138,636
Surplus for the year		<u>24,920,823</u>	<u>9,577,974</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 property and equipment	23	-	61,181,711
Total comprehensive income for the year		<u>24,920,823</u>	<u>70,759,685</u>
Operational self sufficiency (OSS) ratio			
Operational self sufficiency (OSS) ratio	36	102%	101%

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The annexed notes 1 to 47 form an integral part of these financial statements.


Chief Executive Officer


Director


Director

**DAMEN SUPPORT PROGRAMME
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

		2022	2021
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Surplus for the year		24,920,823	9,577,974
Adjustments for non cash items:			
Depreciation on property and equipment	6	27,248,486	20,508,381
Depreciation on right-of-use asset	7	46,954,061	41,167,570
Net impairment against non-performing loans	12.3	236,724,597	153,313,341
Return on investments and bank deposits	30	(35,084,726)	(34,913,141)
Exchange loss / (gain)	31	236,724,597	(33,425,353)
Finance cost	32	405,200,015	293,963,009
(Gain) / loss on disposal of operating fixed assets	33	(1,515,636)	18,630
(Gain) / loss on derivative financial instrument	33	(241,762,799)	62,348,341
		<u>674,488,595</u>	<u>502,980,778</u>
Operating surplus before working capital changes		<u>699,409,418</u>	<u>512,558,752</u>
(Increase) in operating assets			
Advances, prepayments and other receivables		(19,214,031)	(25,275,299)
Microcredit loan portfolio		(1,275,535,924)	(403,090,166)
(Decrease) in operating liabilities			
Trade and other payables		42,031,681	48,720,547
		<u>(1,252,718,274)</u>	<u>(379,644,918)</u>
Cash flows from operating activities		<u>(553,308,856)</u>	<u>132,913,834</u>
Finance cost paid		<u>(359,533,076)</u>	<u>(285,460,768)</u>
Net cash (used in) operating activities		<u>(912,841,932)</u>	<u>(152,546,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(40,517,686)	(9,703,164)
Proceeds from disposal of property and equipment		12,347,535	1,184,236
Income from short term investments and bank deposits		-	38,351,806
Net proceeds from short term investments		(17,109,268)	58,100,000
Long term advances and security deposits		(12,169,060)	459,000
Net cash (used in) / generated from investing activities		<u>(57,448,479)</u>	<u>88,391,878</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal element of lease payments	17	(58,512,046)	(48,131,822)
Proceeds from settlement of derivative financial instruments		-	33,000,000
Net proceeds from running finance		50,164,174	400,160,243
Repayment of long-term loans		(1,454,988,658)	(943,523,850)
Proceeds from long term loans		2,380,989,770	435,000,000
Net cash generated from / (used in) financing activities		<u>917,653,240</u>	<u>(123,495,429)</u>
Net decrease in cash and cash equivalents		<u>(52,637,171)</u>	<u>(187,650,485)</u>
Cash and cash equivalents at the beginning of year		<u>421,982,139</u>	<u>609,632,624</u>
Cash and cash equivalents at the end of year	10	<u><u>369,344,968</u></u>	<u><u>421,982,139</u></u>

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer


Director

Director

DAMEN SUPPORT PROGRAMME
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Endowment fund (Pakistan Poverty Alleviation Fund)	Endowment fund (DAMEN Society)	Accumulated surplus	Microcredit loans revolving fund	Disaster relief fund	Staff health reserve	Transformation and expansion reserve	Special reserve fund	Surplus on revaluation of property and equipment	Total
Rupees-----										
Balance as at July 1, 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
Other comprehensive income	-	-	-	-	-	-	-	-	-	61,181,711
Total comprehensive income	-	-	9,577,974	-	-	-	-	-	-	61,181,711
Transfer to reserves	-	-	(8,237,058)	5,746,784	47,890	47,890	2,394,494	-	-	70,759,685
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
Surplus for the year	-	-	24,920,823	-	-	-	-	-	-	24,920,822
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	24,920,823	-	-	-	-	-	-	24,920,822
Transfer to reserves	-	-	(22,677,949)	14,952,494	124,604	124,604	6,230,206	1,246,041	-	-
Transfer from transformation and expansion reserve to accumulated surplus	-	-	-	-	-	-	(8,332,131)	-	-	-
Transfer of surplus on revaluation of property and equipment on account of disposal	-	-	8,332,131	-	-	-	-	-	-	-
	-	-	10,753,921	-	-	-	-	-	(10,753,921)	-
Balance as at June 30, 2022	31,800,000	88,354,229	190,204,976	623,484,429	8,454,022	5,772,634	102,160,664	1,246,041	50,427,790	1,101,904,787

The annexed notes 1 to 44 form an integral part of these financial statements.


Chief Executive Officer


Director


Director

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