



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, 2023, 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, 2023 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.

ya



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.

ya



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).

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 27, 2023

UDIN: AR2023100886CjL3GIYi

**DAMEN SUPPORT PROGRAMME
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023**

		2023	2022
	Note	Rupees	Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	109,404,674	128,500,359
Right-of-use asset	7	99,867,644	105,119,360
Deferred asset	8	13,876,738	-
Long term advances	9	91,072,752	81,083,797
Long term deposits	10	15,483,340	15,381,815
Microcredit loan portfolio	11	167,310,190	84,710,183
		497,015,338	414,795,514
CURRENT ASSETS			
Deferred asset	8	20,804,851	-
Microcredit loan portfolio	11	4,107,790,664	4,187,811,184
Derivative financial instrument	12	571,293,618	259,937,229
Advances, prepayments and other receivables	13	118,365,393	102,927,430
Advance to DAMEN Employees' Provident Fund	14	-	-
Short term investments	15	89,310,529	142,118,428
Cash and bank balances	16	314,603,697	369,344,968
		5,222,168,752	5,062,139,239
TOTAL ASSETS		5,719,184,090	5,476,934,753
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term loans	17	2,108,593,671	2,038,233,334
Lease liabilities	18	62,181,680	79,585,054
Deferred income	19	23,081,140	-
		2,193,856,491	2,117,818,388
CURRENT LIABILITIES			
Trade and other payables	20	123,351,470	117,343,857
Short term borrowings	21	-	552,873,395
Current portion of non-current liabilities	22	2,238,753,976	1,586,994,326
		2,362,105,446	2,257,211,578
TOTAL LIABILITIES		4,555,961,937	4,375,029,966
NET ASSETS		1,163,222,153	1,101,904,787
CONTINGENCIES AND COMMITMENTS			
REPRESENTED BY:			
Endowment fund - Pakistan Poverty Alleviation Fund	24	31,800,000	31,800,000
Endowment fund - DAMEN Society	25	88,354,229	88,354,229
Accumulated surplus	26	196,082,488	190,204,976
Microcredit loan revolving fund	27	660,274,850	623,484,430
Disaster relief reserve	28	8,760,609	8,454,022
Staff health reserve	29	6,079,221	5,772,634
Transformation and expansion reserve	30	117,490,007	102,160,665
Special reserve fund	31	4,311,909	1,246,041
Surplus on revaluation of property and equipment	32	50,068,840	50,427,790
		1,163,222,153	1,101,904,787

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Executive Officer

Director

Director

41x

DAMEN SUPPORT PROGRAMME
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

		2023	2022
	Note	Rupees	Rupees
Income			
Service charges on microcredit loans	33	1,513,898,879	1,233,243,130
Return on investments and bank deposits	34	44,293,623	35,084,726
Other income	35	627,022,205	417,226,626
		2,185,214,707	1,685,554,482
Expenditure			
Finance cost	36	734,322,333	420,587,415
Net impairment against non-performing loans	11.2	116,805,380	299,996,383
Exchange loss		451,162,500	236,724,597
		1,302,290,213	957,308,395
Direct operational costs			
Branchless banking charges		74,691,680	62,071,241
Salaries, wages, stipends and other benefits		469,495,141	404,718,680
Training expenses		4,369,759	3,944,366
Other operational costs	37	200,019,275	161,618,547
		748,575,855	632,352,834
General administrative and management expenses	38	73,031,273	70,972,430
Surplus for the year		61,317,366	24,920,823
Other comprehensive income:			
<i>Items that may be reclassified subsequently to income and expenditure</i>		-	-
<i>Items that will not be reclassified to income and expenditure</i>		-	-
Other comprehensive income		-	-
Total comprehensive income		61,317,366	24,920,823
Operational self sufficiency (OSS) ratio	39	103%	102%

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Executive Officer

Director

Director

YK

**DAMEN SUPPORT PROGRAMME
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	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
Balance as at July 1, 2021	31,800,000	88,354,229	168,876,050	608,531,936	8,329,418	5,648,030	104,262,590	-	61,181,711	1,076,983,964
Surplus for the year	-	-	24,920,823	-	-	-	-	-	-	24,920,823
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	24,920,823	-	-	-	-	-	-	24,920,823
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	-	-	8,332,131	-	-	-	(8,332,131)	-	-	-
Transfer from surplus on revaluation of property and equipment	-	-	10,753,921	-	-	-	-	-	(10,753,921)	-
Balance as at June 30, 2022	31,800,000	88,354,229	190,204,976	623,484,430	8,454,022	5,772,634	102,160,665	1,246,041	50,427,790	1,101,904,787
Surplus for the year	-	-	61,317,366	-	-	-	-	-	-	61,317,366
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	61,317,366	-	-	-	-	-	-	61,317,366
Transfer to reserves	26.1	-	(55,798,804)	36,790,420	306,587	306,587	15,329,342	3,065,868	-	-
Transfer of surplus on revaluation of property and equipment on account of disposal	-	-	358,950	-	-	-	-	-	(358,950)	-
Balance as at June 30, 2023	31,800,000	88,354,229	196,082,488	660,274,850	8,760,609	6,079,221	117,490,007	4,311,909	50,068,840	1,163,222,153

The annexed notes 1 to 50 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, 2023**

	Note	2023 Rupees	2022 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		61,317,366	24,920,823
Adjustments for non-cash and other items			
Depreciation of property and equipment	6	25,832,525	27,248,486
Depreciation of right-of-use asset	7	47,402,928	46,954,061
Net impairment against non-performing loans	11.2	116,805,380	236,724,597
Exchange loss		451,162,500	236,724,597
Gain on derecognition of lease liabilities		(4,106,540)	-
Gain on disposal of operating fixed assets	31	(413,478)	(1,515,636)
Gain on derivative financial instrument	31	(428,209,245)	(241,762,799)
Finance cost	32	718,119,539	405,200,015
Return on investments and bank deposits	34	(44,293,623)	(35,084,726)
		882,299,986	674,488,595
		943,617,352	699,409,418
Changes in working capital			
Advances, prepayments and other receivables		(15,437,963)	(17,870,552)
Microcredit loan portfolio		(119,384,867)	(1,275,535,924)
Trade and other payables		6,007,613	42,031,681
		(128,815,217)	(1,251,374,795)
Cash flows from operating activities		814,802,135	(551,965,377)
Payments for:			
Taxation		(8,056,987)	(1,343,479)
Finance cost		(639,981,777)	(359,533,076)
Net cash generated from / (used in) operating activities		166,763,371	(912,841,932)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(7,059,856)	(40,517,686)
Proceeds from disposal of property and equipment		736,494	12,347,535
Income from short term investments and bank deposits		-	-
Net proceeds from short term investments		97,101,522	(17,109,268)
Long term advances and security deposits		(10,090,480)	(12,169,060)
Net cash generated from / (used in) investing activities		80,687,680	(57,448,479)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal element of lease payments	17	(60,719,143)	(58,512,046)
Proceeds from settlement of derivative financial instruments		148,875,000	-
Net (repayment) / proceeds from running finance		(549,975,901)	50,164,174
Repayment of long-term loans		(1,312,668,810)	(1,454,988,658)
Proceeds from long term loans		1,472,296,532	2,380,989,770
Net cash (used in) / generated from financing activities		(302,192,322)	917,653,240
NET DECREASE IN CASH AND CASH EQUIVALENTS		(54,741,271)	(52,637,171)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		369,344,968	421,982,139
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		314,603,697	369,344,968

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Executive Officer

Director

Director

YK