

Anjum Asim Shahid Rahman
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ASASAH** as at June 30, 2006 and the related income statement, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as mentioned in note 2.3 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income statement, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2006 and of the loss, its cash flows and statement of changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



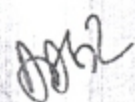
CHARTERED ACCOUNTANTS

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Date: October 07, 2006

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ASASAH
BALANCE SHEET
AS AT JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank	3	79,271,914	6,835,303
Micro- credit loan portfolio	4	108,072,132	87,602,560
Advances, deposits, prepayments and other receivables	5	30,036,145	2,135,636
Income tax receivable	25	93,828	-
Inventories		601,292	-
		218,993,311	96,568,119
NON CURRENT ASSETS			
Long term portion of micro- credit loan portfolio	6	138,376	101,048
Operating fixed assets - tangible	7	5,358,422	381,568
Assets subject to finance lease	8	103,293	136,339
Long term deposits	9	440,670	211,380
		6,041,961	1,830,635
		<u>224,935,272</u>	<u>57,602,734</u>
LIABILITIES & EQUITY			
CURRENT LIABILITIES			
Short term running finances	10	217,681,714	57,010,978
Current portion of long term loans and lease liability	11	993,951	153,654
Members' saving account	12	2,481,130	1,499,325
Accrued and other liabilities	13	5,204,505	2,580,818
Income tax payable	25	-	86,058
		216,361,200	61,130,833
NON CURRENT AND DEFERRED LIABILITIES			
Long term loans	14	3,781,236	4,267,814
Long term loan from director and staff	15	286,024	382,603
Liabilities against assets subject to finance lease	16	-	118,551
Deferred grant	17	6,236,782	-
		10,304,042	4,768,968
		<u>226,665,242</u>	<u>65,899,801</u>
EQUITY			
Accumulated donations		2,384,000	-
Retained earnings		(17,667,662)	(8,266,667)
		(15,283,662)	(8,266,667)
CONTINGENCIES AND COMMITMENTS			
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		<u>224,331,572</u>	<u>57,602,734</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



ASASAH
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
Interest / mark-up earned and fee on micro credit loans	19	34,864,922	13,725,200
Interest / mark-up expense	20	32,298,660	8,178,000
Provision for loan losses	4	1,234,847	498,408
Net interest income after provision for loan losses		10,331,415	5,048,792
Other income	21	3,589,194	154,473
Non-interest expenses			
Salaries and benefits		20,547,368	6,713,273
Administrative and general	22	12,490,536	3,943,982
Association	6 & 7	586,410	124,623
Training-staff	23	1,681,974	375,406
Enterprise development	24	1,049,820	-
		36,356,108	11,157,284
Net operational loss		(22,872,498)	(5,954,344)
Grant income	17.3	32,814,621	1,327,806
Net loss after grants and before taxation		(9,387,878)	(4,626,718)
Taxation	25	142,516	68,626
Loss after taxation		(9,430,394)	(4,695,344)

The accompanying notes form 1 to 25 form an integral part of these financial statements.

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 CHIEF EXECUTIVE


 DIRECTOR



ASASAH

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26	(73,483,988)	(19,009,726)
Financial charges paid		(11,384,067)	(8,129,946)
Income taxes paid		(307,481)	6,938
Long term deposits		(228,390)	(77,800)
		(11,941,858)	(8,159,078)
Net cash (outflow) from operating activities		88,424,843	(28,068,804)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditures		(5,327,838)	(255,625)
Lease rentals paid		(71,510)	(85,407)
Net cash used in investing activities		(5,399,358)	(321,032)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term running finances		160,670,758	27,638,591
Long term loans		185,469	1,058,561
Long term loan from director and staff		25,035	372,608
Accumulated donations received		2,384,000	-
Net cash generated from financing activities		188,225,242	29,069,760
Effect of exchange rate on cash and cash equivalents		35,568	(29,328)
Net increase in cash and cash equivalents		72,436,014	658,596
Cash and cash equivalents at the beginning of the year		6,835,303	6,184,707
Cash and cash equivalents at the end of the year	31	79,271,917	6,835,303

The annexed notes form 7 to 14 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR



ASASAH

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

	Note	Accumulated decretions	Retained earnings Reserve	Total
Balance as at June 30, 2004		-	(3,571,322)	(3,571,322)
Loss for the year		-	(4,695,344)	(4,695,344)
Balance as at June 30, 2005		-	(8,266,667)	(8,266,667)
Balance as at June 30, 2005		-	(8,266,667)	(8,266,667)
Donations capitalized on account of loan portfolio	35.1	2,384,000	-	2,384,000
Loss for the year		-	(9,430,395)	(9,430,395)
Balance as at June 30, 2006		2,384,000	(17,667,662)	(15,283,662)

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

ASASAH