

AUDITORS' REPORT TO THE MEMBERS

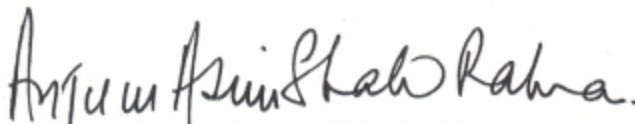
We have audited the annexed balance sheet of **ASASAH** as at June 30, 2007 and the related income statement, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations 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;
 - 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, 2007 and of the deficit, its cash flow and 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).

Without qualifying our opinion we draw your attention to the accumulated deficit amounting to Rs.21,774,326 (2006:17,667,061)

**CHARTERED ACCOUNTANTS**

Place: Lahore

Date: September 24, 2007

ASASAH

BALANCE SHEET

AS AT JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank	3	51,832,372	79,271,916
Micro- credit loan portfolio	4	217,889,028	108,072,132
Advances, deposits, prepayments and other receivables	5	7,734,474	30,057,423
Advances for joint venture operations	6	34,596,338	-
Taxation	27	1,611,409	98,826
Stores and spares		1,506,096	811,292
		315,169,717	218,311,590
NON CURRENT ASSETS			
Long term portion of micro- credit loan portfolio	7	112,663	138,576
Operating fixed assets - tangible	8	7,438,539	5,359,422
Assets subject to finance lease	9	-	103,293
Capital work- in- progress	10	443,800	-
Long term deposits	11	252,190	440,670
		8,247,192	6,041,961
		323,416,908	224,353,551
LIABILITIES & EQUITY			
CURRENT LIABILITIES			
Short term running finances	12	281,886,434	217,681,716
Current portion of long term loans and lease liability	13	1,029,232	993,951
Members' saving account	14	4,810,185	2,481,120
Accrued and other liabilities	15	10,714,493	5,204,505
		298,440,344	226,361,292
NON CURRENT LIABILITIES			
Long term loans	16	30,443,074	3,701,236
Long term loan from director and staff- unsecured	17	261,363	317,302
		30,704,437	4,018,538
		329,144,781	230,379,830
NET ASSETS			
		(5,727,873)	(6,026,280)
REPRESENTED BY:			
Deferred grant	19	7,597,352	9,256,782
Revolving loan fund		8,449,100	2,384,000
Accumulated deficit		(21,774,326)	(17,667,061)
		(5,727,873)	(6,026,279)
CONTINGENCIES AND COMMITMENTS			
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The annexed notes from 1 to 31 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

AASR

ASASAH

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
Interest / mark- up earned and fee on micro- credit loans	21	61,552,875	25,563,649
Interest / mark-up expense	22	27,354,713	12,295,660
Net mark-up / interest income		34,198,163	13,267,989
Provision for loan losses	4	2,240,632	1,234,847
Net interest income after provision for loan losses		31,957,531	12,033,142
Other income	23	2,640,104	2,250,467
Non- interest expenses			
Salaries and benefits		37,703,205	20,547,368
Administrative and general	24	26,481,316	12,478,036
Depreciation	8 & 9	1,032,535	586,410
Training-staff	25	2,226,539	1,694,474
Enterprise development	26	754,025	1,049,820
		68,197,621	36,356,108
Net operational deficit		(33,599,986)	(22,072,499)
Grant income	19.2	29,492,722	12,814,621
Net deficit after grants and before taxation		(4,107,265)	(9,257,878)
Taxation	27	-	142,516
Deficit after taxation		(4,107,265)	(9,400,394)

The annexed notes from 1 to 31 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



ASASAH

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	(109,395,079)	(73,638,511)
Financial charges paid		(25,972,276)	(11,384,067)
Income taxes paid / deducted		(1,512,583)	(327,401)
Long term deposits		188,480	(229,390)
		(27,296,378)	(11,940,858)
Net cash outflow from operating activities		(136,691,458)	(85,579,369)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditures		(3,452,159)	(5,327,838)
Investment in HY Marketing	5.3	22,473,423	(21,916,877)
Advance for joint venture	6	(34,596,338)	-
Net cash used in investing activities		(15,575,073)	(27,244,715)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term running finances		64,204,718	160,670,738
Long term loans		26,912,374	145,469
Lease rentals paid		(124,830)	(71,515)
Long term loan from director and staff		(73,043)	25,035
Grants received during the year		33,898,392	24,455,403
Net cash generated from financing activities		124,817,611	185,225,130
Effect of exchange rate on cash and cash equivalents	23	9,375	35,568
Net increase in cash and cash equivalents		(27,439,545)	72,436,614
Cash and cash equivalents at the beginning of the year		79,271,917	6,835,303
Cash and cash equivalents at the end of the year	3	51,832,372	79,271,917

The annexed notes from 1 to 31 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

AASOR

ASASAH

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007

	Note	Revolving loan	Accumulated	Total
		fund	deficit	
Rupees				
Balance as at June 30, 2005		-	(8,266,667)	(8,266,667)
Grants capitalized on account of loan portfolio		2,384,000	-	2,384,000
Loss for the year		-	(9,400,394)	(9,400,394)
Balance as at June 30, 2006		2,384,000	(17,667,061)	(15,283,061)
Balance as at June 30, 2006		2,384,000	(17,667,061)	(15,283,061)
Grants capitalized on account of loan portfolio	19.3	6,065,100	-	6,065,100
Loss for the year		-	(4,107,265)	(4,107,265)
Balance as at June 30, 2007		8,449,100	(21,774,326)	(13,325,226)

The annexed notes from 1 to 31 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

AASR