

## ASASAH

## Notes to the Accounts

For the year ended June 30, 2008

	Amounts in Rupees		
	Note	2008	2007
<b>25 Interest / mark- up earned and fee on micro- credit loans</b>			
Productive loan		85,213,517	55,513,761
Micro- leasing		42,256	84,332
Business loan		4,586,087	2,557,612
Live stock		388,122	275,257
Education loan		5,786	67
Loan processing fees		2,794,513	1,473,702
Upfront fees		1,505,605	1,648,144
		<u>94,535,886</u>	<u>61,552,875</u>
<b>26 Interest / mark- up expense</b>			
Interest on long term loans		3,371,452	2,227,445
Interest on directors and sponsors' loans		66,682	87,661
Interest on short term running finances		28,116,025	23,414,851
Bank charges		4,467,568	1,209,374
Others		990,092	415,382
		<u>37,011,819</u>	<u>27,354,713</u>
<b>27 Other income</b>			
Profit on saving/ bank deposits		966,294	389,319
Interest on deposits with HY Marketing		838,796	823,429
Income from joint venture		-	1,352,246
Income from Training		160,494	-
Non borrower's savings		-	64,450
Deferred gain amortized	23	3,695	-
Others		2,600	1,285
		<u>1,971,879</u>	<u>2,630,729</u>
<b>28 Exchange loss</b>			
Exchange loss		2,105,521	9,375
		<u>2,105,521</u>	<u>9,375</u>
<b>29 Administrative and general expenses</b>			
Rent, rate and taxes		✓ 6,903,839	5,645,930
Traveling and conveyance		✓ 6,765,899	5,478,113
Printing and stationery		✓ 1,733,056	3,730,768
Postage		935,901	742,591
Newspaper & books		✓ 87,695	45,654
Fee and subscription		63,494	40,000
Professional charges		5,258,225	1,396,370
Utilities		✓ 2,828,383	2,386,269
Office Supplies		✓ 4,244,624	990,480
Repair and maintenance		277,119	421,849
Security guard		193,136	169,000
Insurance		386,107	166,199
Interest on leases		-	6,679
Entertainment		1,363,169	1,536,663
Promotion and marketing		463,288	1,112,417
Audit fee		300,000	220,000
Vehicles running and maintenance		175,221	-
Credit rating		379,419	927,950
Cash theft loss		-	1,418,000
Miscellaneous		318,402	46,384
		<u>32,676,977</u>	<u>26,481,316</u>
<b>30 Training expenses- staff</b>			
Training and education		1,579,553	2,102,061
Exposure visits		1,004,227	124,478
		<u>2,583,780</u>	<u>2,226,539</u>
<b>31 Enterprise development</b>			
31.1 It pertains to expenses incurred to provide skills and market linkages to micro-entrepreneurs to sell their products on fair price and make reasonable negotiation with middlemen .		2,028,860	754,025

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Notes to the Accounts

For the year ended June 30, 2008

32 Contingencies and commitments

There are no known contingencies and commitments. (2007: Nil)

Amounts in Rupees

Note	2008	2007
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33 Taxation

Income tax receivable at the beginning of the year	1,611,409	98,826
Add: Tax deducted at source		
-Income tax paid during the year	242,148	1,512,583
Income tax (payable) / receivable at the end of year	<u>1,853,557</u>	<u>1,611,409</u>

33.1 Provision for tax has not been made due to registration of the company as Non Profit Organization (NPO) under the Income Tax Ordinance, 2001.

33.2 Company has paid withholding tax on cash withdrawals, bank profits and telephone and electricity bills. FECM also deduct withholding tax on the payment of commission to Asasah. This tax is receivable and will be claimed in subsequent tax year.

34 Cash flows from operating activities

Net deficit	(19,498,511)	(4,107,265)
Adjustments for:		
Depreciation on owned assets	1,555,814	1,032,535
Depreciation on leased assets	48,326	-
Grant recognized as income	24.2 (3,780,578)	(29,492,722)
Loan loss provision	66,352	2,240,632
Interest/ mark-up earned	(94,535,886)	-
Interest/ mark-up expense	26 37,011,819	27,354,713
Interest on leases	-	6,679
Other income	(1,971,879)	-
Exchange gain/loss	28 (2,105,521)	(9,375)
	<u>(63,711,553)</u>	<u>1,132,462</u>
Operating surplus before working capital changes	(83,210,064)	(2,974,803)
(Increase) / decrease in current assets		
Micro-credit loan portfolio	(3,317,520)	(112,031,615)
Advances, deposits, prepayments and other receivables	(24,172,655)	(150,474)
Inventories	(569,892)	(694,804)
Long term deposits	(420,885)	188,480
	<u>(28,480,952)</u>	<u>(112,688,413)</u>
Increase in current liabilities		
Accrued and other liabilities	1,407,571	4,127,551
Members' saving account	567,880	2,329,065
	<u>1,975,451</u>	<u>6,456,616</u>
Working capital changes	<u>(26,505,501)</u>	<u>(106,231,797)</u>
Cash generated from operations	<u>(109,715,565)</u>	<u>(109,206,599)</u>

35 Financial instruments

	Interest/ mark up bearing			Total	Non interest/ mark up bearing	2008	2007
	Maturity up to three months	Maturity after three months to	Maturity after one year				
Financial Assets							
On balance sheet							
Cash and bank balances	15,694,046	-	-	15,694,046	14,509,266	30,203,312	51,832,372
Micro-credit loan portfolio	-	225,768,225	-	225,768,225	-	225,768,225	222,450,705
Advances, deposits, prepayments and other receivables	-	-	-	-	32,901,928	32,901,928	5,978,640
Advances to HY Foundation	-	-	-	-	8,717,907	8,717,907	34,596,338
Long term deposits	-	-	-	-	673,075	673,075	252,190
	<u>15,694,046</u>	<u>225,768,225</u>	<u>-</u>	<u>241,462,271</u>	<u>56,802,176</u>	<u>298,264,447</u>	<u>315,110,245</u>
Off balance sheet	-	-	-	-	-	-	-
Total	<u>15,694,046</u>	<u>225,768,225</u>	<u>-</u>	<u>241,462,271</u>	<u>56,802,176</u>	<u>298,264,447</u>	<u>315,110,245</u>

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Notes to the Accounts

For the year ended June 30, 2008

	Interest/ mark up bearing			Total	Non interest/ mark up bearing	2008	2007
	Maturity up to three months	Maturity after three months to	Maturity after one year				
<b>Financial liabilities</b>							
<b>On balance sheet</b>							
Short term running finances	-	244,054,873	-	244,054,873	33,970,868	278,025,741	281,886,434
Members' saving account	-	-	-	-	5,378,065	5,378,065	4,810,185
Accrued and other liabilities	-	-	-	-	10,906,616	10,906,616	10,714,493
Long term loan	-	-	15,270,844	15,270,844	-	15,270,844	31,387,791
Sponsors' loan	-	-	-	-	-	-	345,878
	-	244,054,873	15,270,844	259,325,717	50,255,549	309,581,266	329,144,781
<b>Off balance sheet</b>							
Total	-	244,054,873	15,270,844	259,325,717	50,255,549	309,581,266	329,144,781
On balance sheet gap	15,694,046	(18,286,648)	(15,270,844)	(17,863,446)	6,546,627	(11,316,819)	(14,034,536)
Off balance sheet gap	-	-	-	-	-	-	-

The effective interest/ mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

35.1 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at each reporting date.

35.2 Financial risk management objectives

The company finances its operations through borrowings, donated funds and management of working capital with a view to maintaining a reasonable mix among the various sources of finance to minimize risk. Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

35.3 Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company's credit risk is primarily attributable to micro credit loan portfolio. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings. The company has no significant concentration of credit risk as exposure is spread over a large number of individuals in different districts of the Punjab with different product loans. Asasah manages the credit risk through area surveys, initiating pilot projects, credit appraisals, social collateral and voluntary savings from borrowers. Moreover, the company has an agreement with EFU General Insurance to cover the risk of delinquencies due to death and permanent disability of the members.

35.4 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company manages its exposure to interest rate risk by borrowing funds at fixed rates.

35.5 Currency risk

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivable and payables exist due to transactions with foreign donors and banks. The company is not exposed to any significant

35.6 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments. The company has adequate credit lines in place and support from donors to meet its funding requirements which minimizes its liquidity risk.

36 Capital management

The Board's policy is to establish a strong capital base so as to gain investor, creditor and market confidence and to sustain the planned future operations of the business.

The Company's objectives when managing capital will be:

- a) to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders; and
- b) to provide an adequate return to shareholders.

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Notes to the Accounts

For the year ended June 30, 2008

Amounts in Rupees

Note	2008	2007
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37 Related parties transactions

Related parties comprise directors, their close family members and their company. Associated company with whom such transactions have taken place include HY Foundation (Company of close relative). The company has a policy whereby all transactions with related parties are entered into arm's length basis. Transactions with related parties during the year are as follows:

Advances to HY Foundation

Advances paid during the year	10,260,895	64,305,075
Advances received during the year	36,978,122	31,060,983
Interest accrued	838,796	1,352,246

Directors and sponsors

Loan repaid during the year	186,165	73,043
Mark-up expensed	66,682	87,661

38 Date of authorization for issue

These financial statements were approved and authorized for issue by the board of directors on 02/02/2009

39 General

Figures have been rounded off to the nearest rupee.

ASAH

  
Chief Executive

  
Director