

AMEEN S.A.L.

Financial Statements

And

Independent Auditors' Reports

As of September 30, 2007

Talal Abu Ghazaleh & Co.

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**Independent Auditors' Report
On Internal Control**

**To the Shareholders of
AMEEN S.A.L.
Beirut - Lebanon**

We have audited the accompanying balance sheet of AMEEN S.A.L. as of September 30, 2007 and the related statements of income, changes in shareholders' equity and cash flow for the year then ended.

We conducted our audit in accordance with International Financial Reporting Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of AMEEN S.A.L. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with the basis of accounting described in Note (2) to the financial statements. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of AMEEN S.A.L. for the year ended September 30, 2007, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weakness under standards established by the U.S. Government. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the management of AMEEN S.A.L., and Cooperative Housing Foundation – Washington.

Talal Abu-Ghazaleh & Co.

Talal Abu-Ghazaleh & Co.

Beirut on October 23, 2007



**Independent Auditors' report
On Compliance**

**To the Shareholders of
AMEEN S.A.L
Beirut - Lebanon**

We have audited the accompanying balance sheet of AMEEN S.A.L. as of September 30, 2007 and the related statements of income, changes in shareholders' equity and cash flow for the year then ended.

We conducted our audit in accordance with International Financial Reporting Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with agreement terms and laws and regulations applicable to AMEEN S.A.L. is the responsibility of AMEEN S.A.L. management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of AMEEN S.A.L.'s compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, AMEEN S.A.L. complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that AMEEN S.A.L. had not complied, in all material respects, with those provisions.

This report is intended for the management of AMEEN S.A.L. and Cooperative Housing Foundation Lebanon – Washington.

Talal Abu-Ghazaleh & Co.

Talal Abu-Ghazaleh & Co.

Beirut on October 23, 2007



**Independent Auditors' Report
Opinion on the Basic Financial Statements**

**To the Shareholders of
AMEEN S.A.L
Beirut - Lebanon**

We have audited the accompanying financial statements of AMEEN S.A.L, which comprise the balance sheet as at September 30, 2007, and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of AMEEN S.A.L., and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Based on Extraordinary General Meeting of AMEEN S.A.L. dated January 23, 2007, the shareholders resolved to change the Company status into a financial institution. This resolution was approved by the Governor of Central Bank of Lebanon and published in the official gazette at September 25, 2007.

Talal Abu-Ghazaleh & Co.

Talal Abu-Ghazaleh & Co.

Beirut on October 23, 2007

AMEEN S.A.L.

Balance Sheet

As of September 30, 2007

(Amounts are in American Dollars)

<u>Description</u>	<u>Notes</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
<u>Assets</u>			
<u>Non - Current Assets</u>			
Property and Equipment	3	88,309	13,086
Intangible Assets	4	27,663	226
Total Non - Current Assets		115,972	13,312
<u>Current Assets</u>			
Cash and Banks	5	286,884	593,939
Loans Receivable (Net)	6	1,406,935	730,486
Other Receivables	7	7,285	3,746
Total Current Assets		1,701,104	1,328,171
Total Assets		1,817,076	1,341,483
<u>Shareholders' Equity & Liabilities</u>			
<u>Shareholders' Equity</u>			
Share Capital	8	1,329,643	1,329,643
Legal Reserve	9	15,416	555
Retained Earnings (Accumulated Losses)		106,768	(37,104)
Total Shareholders' Equity		1,451,827	1,293,094
<u>Liabilities</u>			
<u>Non - Current Liabilities</u>			
Provision for End of Service Indemnity	10	33,583	1,168
Total Non - Current Liabilities		33,583	1,168
<u>Current Liabilities</u>			
Accounts Payable		7,853	2,250
Other Payables and Accruals	11	73,813	44,971
Shareholders' Accounts Payable	12	250,000	-
Total Current Liabilities		331,666	47,221
Total Liabilities		365,249	48,389
Total Shareholders' Equity & Liabilities		1,817,076	1,341,483

The accompanying accounting policies and notes
Form an integral part of these financial statements

AMEEN S.A.L.
Income Statement
For the Year Ended September 30, 2007
(Amounts are in American Dollars)

<u>Description</u>	<u>Notes</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
<u>Revenues</u>			
AMEEN Service Fees		13,848	470,000
Commission Income		347,817	125,503
Interest Income		899,914	320,422
Penalty Income		40,660	12,988
Bank Interest LCB S.A.L.		1,293	5,314
Bank Interest JTB S.A.L.		17,629	2,235
Bank Interest CL S.A.L.		61	-
Other Revenues	13	25,296	-
Exceptional Revenues		7,238	7,178
Foreign Currency Exchange Differences		1,320	-
Total Revenue		<u>1,355,076</u>	<u>943,640</u>
<u>Expenses</u>			
General and Administrative Expenses	14	(165,377)	(156,957)
Salaries & Related Charges	15	(994,043)	(763,427)
Depreciation & Amortization		(3,395)	(1,777)
Taxes and Fees		(14,418)	(3,795)
Doubtful Loans Expenses		(16,683)	(32,051)
Foreign Currency Exchange Differences		-	(1,237)
Bank Charges and Fees		(2,427)	(3,644)
Total Expenses		<u>(1,196,343)</u>	<u>(962,888)</u>
Profit (Loss) for the Year		<u>158,733</u>	<u>(19,248)</u>

The accompanying accounting policies and notes
Form an integral part of these financial statements

AMEEN S.A.L.

Statement of Changes in Shareholders' Equity
For the Year Ended September 30, 2007
(Amounts are in American Dollars)

<u>Description</u>	<u>Capital</u>	<u>Legal</u>	<u>Retained</u>	<u>Total</u>
	<u>USD</u>	<u>Reserve</u>	<u>Earnings</u>	<u>USD</u>
			<u>(Accumulated Losses)</u>	
Balance as at 30/9/2005	520,040	-	(1,682)	518,358
Increase in Capital	809,603	-	-	809,603
Transfer to Reserves	-	555	-	555
Loss of the Year	-	-	(19,248)	(19,248)
Adjustments on Accumulated Losses	-	-	(16,174)	(16,174)
Balance as at 30/9/2006	1,329,643	555	(37,104)	1,293,094
Profit of the Year	-	-	158,733	158,733
Transfer to Reserves	-	14,861	-	14,861
Transfer from Profit to Legal Reserve	-	-	(14,861)	(14,861)
Balance as at 30/9/2007	1,329,643	15,416	106,768	1,451,827

The accompanying accounting policies and notes
Form an integral part of these financial statements

AMEEN S.A.L.
Statement of Cash Flows
For the Year Ended September 30, 2007
(Amounts are in American Dollars)

<u>Description</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
<u>Cash flow from Operating Activities</u>		
Profit (Loss) for the Year	158,733	(19,248)
<u>Adjustments:</u>		
Depreciation	2,558	1,356
Amortization	78	421
Adjustments on Accumulated Losses	-	(16,174)
Provision for End of Service Indemnity	32,415	373
Transfer from Profit to Legal Reserve	(14,861)	-
Operating Profit (Loss) Before changes in Working Capital	178,923	(33,272)
(Increase) in Loans Receivable	(676,449)	(455,360)
(Increase) Decrease in Other Receivables	(3,539)	208
Increase in Accounts Payable	5,603	2,050
Increase in Other Payables and Accruals	28,842	6,995
Net Cash Used in Operating Activities	(466,620)	(479,379)
<u>Cash Flows from Investing Activities</u>		
Purchase of Property and Equipment	(78,531)	(6,901)
Purchase of Intangible Assets	(26,765)	(647)
Net Cash Provided from (Used in) Investing Activities	(105,296)	(7,548)
<u>Cash Flows from Financing Activities</u>		
Receivables from Related Parties: CHF International (AMEEN)	-	150,558
Increase in Capital	-	809,603
Increase in Legal Reserve	14,861	555
Increase in Shareholders' Accounts Payable	250,000	-
Net Cash Provided from Financing Activities	264,861	960,716
Net (Decrease) Increase in Cash and Banks	(307,055)	473,789
Cash and Banks at the Beginning of the Year	593,939	120,150
Cash and Banks at the End of the Year	286,884	593,939

The accompanying accounting policies and notes
Form an integral part of these financial statements

AMEEN S.A.L.
Notes to the Financial Statements
For the Year ended September 30, 2007

1- **Formation and Objective of the Program:**

AMEEN S.A.L. is a Lebanese Company affiliated to CHF International. The objective of the Company is to provide management services to CHF International concerning AMEEN program. The program is designed to enhance the access to micro financial services for the low income group of the population; enhance the institutional capacity of private commercial banks to deliver micro financial products and create and support a financially sustainable organization by the end of the project, in addition to providing services in the field of development and related services.

2- **Significant Accounting Policies:**

The financial statements have been prepared in accordance with Accounting Standards accepted and applicable in Lebanon.

a- **Basis of preparation:**

The Company uses the accrual basis except for the loan portfolios which are measured/ revalued at a basis other than accrual basis.

b- **Foreign Currencies:**

The financial statements are presented in the U.S. Dollar currency of the primary economic environment in which the Company operates (its functional currency). In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in the income statement in the period in which they arise.

c- **Property and Equipment:**

Property and equipment are initially measured at their cost being purchase plus any other costs related to bringing the assets to their intended use.

The carrying accounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the recoverable amount, assets are written down to their recoverable amount in order to reflect the impairment loss.

Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the income statement.

After initial recognition, the property and equipment are carried in the balance sheet at their cost less accumulated depreciation and impairment loss. The depreciation is calculated on straight line method over the assets' estimated useful lives (depreciation rates) as follows:

Computer's Equipment	20 %
Motor Vehicles	12 %
Equipments	10 %
Lease Hold Improvements	10 %
Furniture & Fixture	7.5 %

d- Intangible Assets:

Intangible Assets are measured at purchase cost and are amortized on a straight-line basis over their estimated useful lives in accordance with the annual amortization rates as follow:

Trademark	6.7 %
Establishment Expense	20 %

e- Legal Reserve:

According to Article 165 of the Lebanese Code of Commerce, 10% of the annual net income is required to be transferred to legal reserve until this reserve equals one third of the Capital. This reserve is not available for dividend distribution.

f- Provision for End of Service Indemnity:

Amount recognized as indemnity provision is the best estimate of the expenditure required to settle the indemnity obligation in accordance with the Lebanese Labor Law and the applicable Regulations of the National Social Security Fund.

g- Income Tax:

Income Tax is determined and provided for in accordance with Tax Laws applicable in Lebanon.

h- Revenue Recognition:

Revenues from CHF International (AMEEN program) are recognized upon the performance of services.

Finance Revenues are recognized on an effective yield basis.

3 - Property and Equipment:

Property and Equipment as of September 30 comprise of the following:

	<u>Computer</u>	<u>Communication</u>	<u>Lease Hold</u>	<u>Furniture</u>	<u>Motor</u>	<u>Total</u>
	<u>And Office</u>	<u>Equipment</u>	<u>Improvements</u>	<u>& Fixture</u>	<u>Vehicles</u>	
<u>Cost</u>	<u>Equipment</u>	<u>Equipment</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Balance as at September 30, 2006	4,229	-	-	5,633	5,112	14,974
Additions	5,237	1,212	56,734	14,238	1,110	78,531
Balance as at September 30, 2007	9,466	1,212	56,734	19,871	6,222	93,505
<u>Depreciation</u>						
Balance as at September 30, 2006	1,418	-	-	862	358	2,638
Depreciation Expense	363	28	530	813	824	2,558
Balance as at September 30, 2007	1,781	28	530	1,675	1,182	5,196
<u>Net Book Value</u>						
Balance as at September 30, 2007	7,685	1,184	56,204	18,196	5,040	88,309
Balance as at September 30, 2006	2,811	-	-	4,771	4,754	12,336

4- Intangible Assets:

Intangible Assets as of September 30 comprise of the following:

<u>Description</u>	<u>Trademark</u>	<u>Establishment</u>	<u>Software</u>	<u>Total</u>
	<u>USD</u>	<u>Expense</u> <u>USD</u>	<u>Development</u> <u>Costs</u> <u>USD</u>	<u>License</u> <u>USD</u>
<u>Cost</u>				
Balance as at September 30, 2006	647	-	-	1,397
Additions	245	2,650	11,620	26,765
Balance as at September 30, 2007	892	2,650	11,620	28,162
<u>Amortization</u>				
Balance as at September 30, 2006	421	-	-	421
Amortization Expense	(204)	265	-	78
Balance as at September 30, 2007	217	265	-	499
Net Book Value	675	2,385	11,620	27,663

5- **Cash and Banks:**

Cash and Banks as of September 30 comprise of the following:

	<u>2 0 0 7</u>	<u>2 0 0 6</u>
	<u>USD</u>	<u>USD</u>
JTB S.A.L. AMEEN Time Deposits	51,896	402,067
JTB S.A.L. AMEEN Time Deposits (OPIC)	102,463	-
JTB S.A.L. AMEEN L/G	1,500	1,500
JTB S.A.L AMEEN Operations	54,718	32,784
JTB S.A.L AMEEN Capital Fund	20,003	13,847
JTB S.A.L AMEEN Commissions	981	8,055
JTB S.A.L AMEEN Repaid	3,999	8,336
JTB S.A.L AMEEN Interest Revenue	1,419	12,487
JTB S.A.L AMEEN Penalty	371	9,541
JTB S.A.L AMEEN Commissions - LBP	884	-
JTB S.A.L AMEEN Interest Revenue - LBP	1,713	-
JTB S.A.L AMEEN Penalty - LBP	110	-
LCB S.A.L AMEEN Capital fund	1,843	20,005
LCB S.A.L AMEEN Commissions	505	574
LCB S.A.L AMEEN Repaid	1,940	26,603
LCB S.A.L AMEEN Interest Revenue	260	9,738
LCB S.A.L AMEEN Penalty	38	693
LCB S.A.L AMEEN Operations	495	7,850
CL S.A.L AMEEN Interest Revenue LBP	4,266	1,677
CL S.A.L AMEEN interest Revenue USD	33,544	32,291
CL S.A.L AMEEN Commissions	802	773
CL S.A.LAMEEN Penalty	197	4,418
CL S.A.LAMEEN Safe Box Deposit	-	200
CL S.A.L AMEEN Commissions - LBP	232	-
Byblos Bank S.A.L AMEEN Operations	2,205	-
Petty Cash	500	500
Total	<u>286,884</u>	<u>593,939</u>

6- **Loans Receivable (Net):**

Loans Receivable as of September 30 comprise of the following:

	<u>2 0 0 7</u>	<u>2 0 0 6</u>
	<u>USD</u>	<u>USD</u>
Loans Receivable	1,422,419	761,156
Allowance for Doubtful Loans	(15,484)	(30,670)
Loans Receivable (Net)	<u>1,406,935</u>	<u>730,486</u>

7- **Other Receivables:**

Other Receivables as of September 30 comprise of the following:

	<u>2 0 0 7</u>	<u>2 0 0 6</u>
	<u>USD</u>	<u>USD</u>
Prepaid Expenses	647	3,746
Employees' Receivables	6,305	-
Deposits	333	-
Total	<u>7,285</u>	<u>3,746</u>

8- **Share Capital:**

The Company's Capital is comprised of 2,000,000 shares of nominal value 1,000 Lebanese Pound each distributed as follow:

<u>Description</u>	<u>No. of Share</u>	<u>% of Shares</u>	<u>Amount in USD</u>
Michael Doyle	10	0.0005	6.67
CHF International	1,999,960	99.998	1,329,616
Ziad Halaby	10	0.0005	6.67
Ayman Abdallah	10	0.0005	6.67
Michel Ferneini	10	0.0005	6.67
Total	<u>2,000,000</u>	<u>100</u>	<u>1,329,643</u>

9- **Legal Reserve:**

Legal reserve's movement during the year ended September 30 comprise of the following:

	<u>2 0 0 7</u>
	<u>USD</u>
Balance as of October 1, 2006	555
Transfer to Reserve	<u>14,861</u>
Balance as of September 30, 2007	<u>15,416</u>