

Easy Savings Co-operative Limited

Auditor's Report and Audited Financial Statements
For the year ended 30 June 2008

AUDITOR'S REPORT

To the Executive Committee of
Easy Savings Co-operative Limited

We have audited the accompanying Balance Sheet of *Easy Savings Co-operative Limited* (*Easy Saving*) as of 30 June 2008 and the related Profit and Loss Account and Cash Flow Statement for the year then ended. These Financial Statements are the responsibility of *Easy Savings* management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with Bangladesh 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, give a true and fair view of the state of affairs of *Easy Savings* as of 30 June 2008 and of the results of its operations and its cash flow for the year then ended in accordance with Bangladesh Accounting Standards and the Co-operative Societies Act & Rules and comply with other applicable laws and regulations.

We also report that:

- (a) we have obtained all the information and explanations which we required;
- (b) the Balance Sheet and the Profit and Loss account referred to in the report are drawn up in conformity with the law;
- (c) such Balance Sheet exhibits a true and fair view of the state of the co-operative society's affairs according to the best of our information and explanations given to us and as shown by the books of the Society;
- (d) the books of accounts have been kept by *Easy Savings* as required under the Act, the rules and the bye-laws;
- (e) there has been no material impropriety or irregularity in the expenditure or in the realisation of moneys due to *Easy Savings*.

Dhaka
12 January 2009

ACNABIN
Chartered Accountants

Easy Savings Co-operative Ltd.

Balance Sheet
As of 30 June 2008

	Note	30.06.08 Taka	30.06.07 Taka
ASSETS			
Cash in hand and at bank	3	4,206,161	3,048,892
Loan to beneficiaries	4	3,864,945	3,413,189
Less: Loan loss provision	5	319,192	317,074
		<u>3,545,753</u>	<u>3,096,115</u>
Total current assets		7,751,914	6,145,007
Fixed assets	6	179,343	138,998
Total		<u><u>7,931,257</u></u>	<u><u>6,284,005</u></u>
LIABILITIES, FUND AND EQUITY			
<u>Liabilities</u>			
Provision for audit fees		28,000	41,350
Client savings	7	3,317,054	2,115,467
Interest payable on client savings	8	24,673	16,609
Subscription payable to Co-operative Development Fund	9	31,875	33,245
Dividend payable		130	1,438
Total current liabilities		<u>3,401,732</u>	<u>2,208,109</u>
Borrowings	10	<u>566,749</u>	<u>527,356</u>
Total liabilities		<u>3,968,481</u>	<u>2,735,465</u>
<u>Fund and Equity</u>			
Donor grant	11	<u>2,601,592</u>	<u>2,601,592</u>
Proposed dividend		3,960	3,492
Accumulated profit		960,604	650,283
Statutory reserve		330,620	234,973
Member shares	12	<u>66,000</u>	<u>58,200</u>
Total equity		<u>1,361,184</u>	<u>946,948</u>
Total		<u><u>7,931,257</u></u>	<u><u>6,284,005</u></u>

The accompanying notes form an integral part of this Balance Sheet.

S.K. Sinha
Chairman

Nazmus Sakeba
Secretary

Kalim Ullah
Manager

This is the Balance Sheet referred to in our separate report of even date.

Dhaka
12 January 2009

ACNABIN
Chartered Accountants

Easy Savings Co-operative Ltd.

Profit and Loss Account
For the year ended 30 June 2008

	Note	2007-08 Taka	2006-07 Taka
Financial Income	13	1,596,764	1,532,050
Financial cost of lending funds			
Interest on savings		<u>147,612</u>	<u>114,928</u>
Gross financial margin		<u>1,449,152</u>	<u>1,417,122</u>
Loan loss provision		<u>208,598</u>	<u>199,080</u>
Net financial margin		<u>1,240,554</u>	<u>1,218,042</u>
Operating expenses	14	<u>823,554</u>	<u>879,018</u>
Net income from operations		<u>417,000</u>	<u>339,024</u>
Non-operating income			
Grant for MIS development		-	25,425
Guest house rent		-	2,400
Other income		<u>36,962</u>	<u>8,881</u>
Total non-operating income		<u>36,962</u>	<u>36,706</u>
Non-operating expenses		<u>24,903</u>	<u>4,780</u>
Net non operating income		<u>12,059</u>	<u>31,926</u>
Net profit		<u>429,059</u>	<u>370,950</u>
Appropriation of Net profit:			
Statutory reserve	15	95,649	85,505
Subscription payable to Co-operative Development Fund	15	19,130	17,101
Proposed dividend	15	3,960	3,492
Transfer to the accumulated profit		<u>310,321</u>	<u>264,853</u>
		<u>429,059</u>	<u>370,950</u>

The accompanying notes form an integral part of this Profit and Loss Account.

Easy Savings Co-operative Ltd.

Statement of changes in equity
For the year ended 30 June 2008

	Member shares	Statutory reserve	Proposed Dividend	Accumulated profit/(loss)	Total
Balance at 1 July 2007	58,200	234,972	3,492	650,283	946,947
Net profit as per Profit and Loss Account				429,059	429,059
Member shares	7,800				7,800
Statutory reserve @15% of current year's profit		95,649		(95,649)	
Subscription payable to Co-operative Development Fund @3% of current year's profit				(19,130)	(19,130)
Dividend paid for the year 2006-07*			(3,362)		(3,362)
Dividend payable for the year 2006-07*			(130)		(130)
Proposed Dividend for 2007-08 @Tk. 6 per Share			3,960	(3,960)	
Balance at 30 June 2008	Taka <u>66,000</u>	<u>330,620</u>	<u>3,960</u>	<u>960,604</u>	<u>1,361,184</u>
Balance at 1 July 2006	53,800	149,468	3,228	385,431	591,927
Net profit as per Profit and Loss Account				370,950	370,950
Member shares	4,400				4,400
Statutory reserve @15% of current year's profit		85,505		(85,505)	
Subscription payable to Co-operative Development Fund @3% of current year's profit				(17,101)	(17,101)
Dividend paid for the year 2005-06*			(2,400)		(2,400)
Dividend payable for the year 2005-06*			(828)		(828)
Proposed Dividend for 2006-07 @Tk. 6 per Share			3,492	(3,492)	
Balance at 30 June 2007	Taka <u>58,200</u>	<u>234,972</u>	<u>3,492</u>	<u>650,283</u>	<u>946,948</u>

* The Annual General Meeting has not been held after 31 October 2006. But the dividend has been paid for the year 2006-07 on the basis of the Annual General Meeting held on 31 October 2006 @ Tk.6 per share as per clause 20 and 23 of the By-laws. The dividend was paid in the form of shares. Dividend payable represents below Taka 100 which can not be converted to shares.

Easy Savings Co-operative Ltd.

Cash Flow Statement
For the year ended 30 June 2008

	2007-08 Taka	2006-07 Taka
<u>A. Cash Flows from Operating Activities</u>		
Net profit	429,059	370,950
Add : Amount considered as non-cash items:		
Loan loss provision	208,598	199,080
Interest expense	147,612	114,928
Depreciation for the year	59,781	46,333
Loss of asset	-	4,300
Loan disbursed to beneficiaries	(15,208,900)	(13,250,800)
Loan realised from beneficiaries	14,550,664	12,764,676
Savings received	9,170,534	7,668,587
Savings refund	(8,108,497)	(7,422,622)
Subscription paid to Co-operative Development Fund	(20,500)	(13,500)
Increase in Current liabilities	(73,957)	(31,620)
Net cash provided by operating activities	<u>1,154,394</u>	<u>450,312</u>
<u>B. Cash Flows from Investing Activities</u>		
Fixed assets purchased	(100,125)	(64,880)
Net cash used in investing activities	<u>(100,125)</u>	<u>(64,880)</u>
<u>C. Cash Flows from Financing Activities</u>		
Increase in long term borrowings	100,000	100,000
Proceeds from member shares	3,000	2,000
Net cash provided by financing activities	<u>103,000</u>	<u>102,000</u>
D. Net increase/decrease in cash (A+B+C)	1,157,269	487,432
Add : Cash and bank balance at the beginning of the year	3,048,892	2,561,460
Cash and bank balance at the end of the year	<u><u>4,206,161</u></u>	<u><u>3,048,892</u></u>

Easy Savings Co-operative Ltd.

Notes to the Financial Statements
For the year ended 30 June 2008

1. Introduction

Easy Savings Co-operative Ltd. is a savings based financial services provider for the rural poor. It is registered as a Co-operative Society under Co-operative Societies Act, 2001 with registration number Gazipur-07 dated 01 January 2005. Previously it was working under the name of Nirapad Shahaj Sanchay Prokalpo Bohumukhi Samabay Samity Ltd. Reg. # Gazipur-04 dated 20 February 2000. .

It began working on 25 April 2002 at Torgaon village under Kapasia Upazilla of Gazipur District. Easy Savings Co-operative has also applied for registration under Micro Credit Regulatory Authority Act 2006 on 24.02.2007

2. Significant Accounting Policies

- 2.1 Financial statements are prepared under historical cost convention and have been prepared in accordance with applicable accounting standards except interest income on loan which is presented on cash basis.
- 2.2 Loan loss provision for Products 5 and 7 is created every month on previous month's loan closing balance applying 0.50%. Loans are written off in the month following the expiry of loan period.
- 2.3 Product 9 is an experiment funded by borrowings from Mr. Stuart Rutherford. It has been incorporated in the accounts this year and previous year figures have been restated accordingly (Note-16)
- 2.4 Fixed assets are depreciated using the reducing balance method at a rate of 25%. A full year's depreciation, irrespective of the date of acquisition, is charged in the year of acquisition and none in the year of disposal.

3. Cash in hand and at bank

	30.06.08 Taka	30.06.07 Taka
Cash in hand	446,769	382,071
Cash at bank :		
Agrani Bank, Kapasia Branch, Gazipur. CD A/C # 820	10,952	11,077
Bangladesh Krishi Bank, Kapasia Branch, Gazipur. CD A/C #624	1,693	8,213
Grameen Bank, Torgaon branch, Kapasia SB A/c # 4625	3,746,747	2,647,531
	4,206,161	3,048,892

4. Loan to beneficiaries

Product-5,7 & 9

Opening balance	3,413,189	3,096,690
Add : disbursed	15,208,900	13,250,800
Less: recovered	14,550,664	12,764,676
Less: Write off	206,480	169,625
	3,864,945	3,413,189
	3,864,945	3,413,189

Product-5 loans are given for minimum period of two months and maximum for twelve months and is repayable on any day for any amount. Cost of the loan is 3% per month payable for the full loan period at the time of taking of the loan.

Product-7 loans are given for a period of twelve months and is repayable on any day for any amount. Cost of the loan is 3% per month payable on the closing balance of the loan.

Product-9 is a Pilot Product for which interest is neither charged on disbursed loan nor interest paid on deposits of the clients but 1% Service Charge is levied on disbursed loan. Clients need to keep 1/3 amount as Saving from loan sanctioned to them.

Details of Product 5, 7 and 9 is shown below:

	30.06.08		30.06.07	
	Number of Clients	Taka	Number of Clients	Taka
Product -5	415	1,440,686	415	1,395,677
Product -7	420	1,961,791	413	1,944,391
Product -9	150	462,468	33	73,121
		<u>3,864,945</u>		<u>3,413,189</u>

	30.06.08 Taka	30.06.07 Taka
5. <u>Loan Loss Provision</u>		
Opening balance	317,074	287,619
Add: Provision made during the year	208,598	199,080
	<u>525,672</u>	<u>486,699</u>
Less: Bad loan written off	206,480	169,625
Closing balance	<u>319,192</u>	<u>317,074</u>

	Office Equipment	Furniture and fittings	30.06.08 Total	30.06.07 Total
6. <u>Fixed assets</u>				
<u>Cost :</u>				
Opening balance	215,624	95,205	310,829	250,249
Addition	96,875	3,250	100,125	64,880
Less: Disposal for loss	-	-	-	4,300
Closing balance	<u>312,499</u>	<u>98,455</u>	<u>410,954</u>	<u>310,829</u>
<u>Depreciation:</u>				
Opening balance	110,721	61,110	171,831	125,498
Addition	50,445	9,336	59,781	46,333
Closing balance	<u>161,166</u>	<u>70,446</u>	<u>231,612</u>	<u>171,831</u>
Written down value	<u>151,334</u>	<u>28,009</u>	<u>179,343</u>	<u>138,998</u>

7. <u>Client savings</u>				
Opening balance			2,115,467	1,759,219
Add: Received			9,170,534	7,668,587
Add: Interest transferred			139,548	110,283
Less: Withdrawn			8,108,495	7,422,622
Closing balance			<u>3,317,054</u>	<u>2,115,467</u>

Product-wise analysis of the closing balance is shown below:

	30.06.08		30.06.07	
	Number of Clients	Taka	Number of Clients	Taka
Product -5	692	2,022,572	655	1,429,780
Product -7	455	878,296	518	636,379
Product -9	150	416,186	33	49,308
		<u>3,317,054</u>		<u>2,115,467</u>

Product-5 savings can be withdrawn and deposited any time for any amount even if there is a loan. Interest is paid quarterly at the rate of 0.8% per month if the monthly minimum savings remain above Taka 500.

Product-7 savings can be withdrawn at any time for any amount when there is no loan. If there is a loan, then only the rest of the amount of savings after deduction of loan outstanding amount can be withdrawn. Interest is paid quarterly @3% to 7% depending on savings balance.

	30.06.08 Taka	30.06.07 Taka
8. <u>Interest payable on client savings</u>		
Opening balance	16,609	11,964
Add: Current year interest	147,612	114,928
	<u>164,221</u>	<u>126,892</u>
Less: Interest transferred to savings	139,548	110,283
Closing balance	<u><u>24,673</u></u>	<u><u>16,609</u></u>

9. <u>Subscription payable to Co-operative development fund</u>		
Opening balance	33,245	29,644
Add: Payable for the year - Note: 15	19,130	17,101
	<u>52,375</u>	<u>46,745</u>
Less: Paid during the year	20,500	13,500
Closing balance	<u><u>31,875</u></u>	<u><u>33,245</u></u>

10. <u>Borrowings</u>		
Opening Balance (Mr. Stuart Rutherford, Vice-Chairman)	527,356	538,776
Received during the year (Mr. Stuart Rutherford, Vice-Chairman)	100,000	-
Less: Loss from P-9 - Note:16	60,607	11,420
	<u><u>566,749</u></u>	<u><u>527,356</u></u>

Borrowings from the Vice-Chairman is interest free and include funds provided by CGAP, an institution based at the World Bank in Washington DC.

11. <u>Donor grant</u>		
Plan Bangladesh	2,601,592	2,601,592
	<u><u>2,601,592</u></u>	<u><u>2,601,592</u></u>

Plan Bangladesh has converted its loan to grant to allow Easy Savings Co-operative Limited (ESCL) to become a sustainable microfinance institution for providing financial service to the poor families on June 28, 2007 under the following conditions:

- i. ESCL shall continue to operate business within existing area and for further growth or opening of new branches shall consider Plan working areas.
- ii. Plan and ESCL will continue to work in close partnership to strengthen ESCL's service and for Plan's learning for other micro finance interventions.
- iii. ESCL shall acknowledge the support of Plan in all its events, publications to the effect that their project has been supported by Plan.
- iv. If Easy Savings would be dissolved or cease to offer micro financial services to poor people, then Easy savings must repay first client savings deposits along with any interest due thereon.

12. Member Shares

Face value of a share is Taka 100 and is held by the following members:

Name of the Member	Designation	30.06.08 Taka	30.06.07 Taka
1 S.K. Sinha	Chairman	5,800	5,400
2 Stuart Rutherford	Vice- Chairman	17,400	16,300
3 Nazmus Sakeba	Secretary	5,800	5,400
4 Dr. Moniruzzaman	EC Member	5,800	5,400
5 Feroza Begum	EC Member	5,800	5,400
6 Rabeya Islam	EC Member	5,600	5,300
7 Anwara Begum	Member	1,200	1,000
8 Bijoy Chandra Moni Das	Member	1,100	1,000
9 Javed Shakhwat	Member	1,000	1,000
10 Kalimullah	Member	1,100	1,000
11 Moazzem Hossain	Member	1,100	1,000
12 Mac Abbey	Member	1,100	1,000
13 Mark Staehle	Member	1,100	1,000
14 Nipun Sangma	Member	1,200	1,000
15 Nilufa Sultana	Member	1,100	1,000
16 Shabitry Rani	Member	1,200	1,000
17 Shabbyea Rani	Member	4,200	1,000
18 Shamim	Member	1,100	1,000
19 Shova Rani	Member	1,100	1,000
20 Zogendra Chandra	Member	2,200	2,000
		<u>66,000</u>	<u>58,200</u>
		<u>2007-08</u> Taka	<u>2006-07</u> Taka

13. Financial income

Fee from loans	1,188,133	1,148,382
Service Charge	54,795	56,434
Loan disbursement fee	106,000	86,600
Admission fee	5,350	4,550
Late loan repayment	27,670	55,314
Bank interest	214,816	180,770
	<u>1,596,764</u>	<u>1,532,050</u>

14. Operating expenses

Staff salary	415,747	400,512
Office rent	39,000	46,187
Travelling & conveyance	84,845	98,397
Communication	21,480	21,763
Printing & stationery	60,955	91,404
Entertainment	15,570	16,158
Audit fees	36,000	41,350
Office maintenance	18,310	21,120
MIS development	-	25,425
Depreciation	59,781	46,333
Electric equipment	-	11,774
Electric bill	8,100	-
Gas cylinder	12,162	16,215
Motivation	15,310	5,790
Repairs & maintenance	7,500	11,995
Software maintenance	-	250
Bank charges	295	110
Meeting expenses	18,499	1,155
Licence fee	-	2,250
Law charges	-	7,750
Loss of fixed asset	-	4,300
Others	10,000	8,780

		823,554	879,018
		30.06.08 Taka	30.06.07 Taka
15.	<u>Appropriation of Net profit</u>		
	Net profit as per Profit & Loss Account	429,059	370,950
	Add: Loan loss provision made during the year	208,598	199,080
	Profit as per Cooperative Act (Section 34) A	637,657	570,030
	Less: Statutory Reserve (15% of A, Section 34.1 Ka)	95,649	85,505
	Loan loss provision	208,598	199,080
	Subscription payable to Co-operative Development Fund (3% of A, Section 34.1 Ga)	19,130	17,101
		323,376	301,685
	Profit available for distribution	314,281	268,345
	Proposed dividend (At Tk.6 per share as per clause 20 and 23 of the By-laws)	3,960	3,492
16.	Product -9 details		
	Income		
	Loan disbursement fee	13,120	1,480
	Admission fee	11,700	3,300
	Service Charge	83	-
		24,903	4,780
	Expenses		
	Staff salary	73,510	12,000
	Office rent and overhead	12,000	4,200
		85,510	16,200
		(60,607)	(11,420)