

**CONSUMER UNITY AND TRUST SOCIETY (CUTS)
AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF THE SOCIETY**

We have audited the financial statements set out on pages 3 to 9

Respective responsibilities of the Board of Directors and Auditors:

As stated on page 1, these financial statements are the responsibility of the Board of Directors of the Consumer Unity And Trust Society (CUTS). Our responsibility is to report on these financial statements based on our audit.

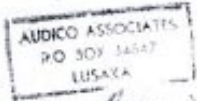
Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that, in all material respects, fair representation is achieved in the financial statements. An audit includes an evaluation of the appropriateness of the accounting policies, an examination, on a test basis, of evidence supporting the amounts and disclosures included in the financial statements, an assessment of the reasonableness of significant estimates and a consideration of the appropriateness of the overall financial statements presentation. We consider that our audit procedures were appropriate in the circumstances to express our opinion presented below.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Society's affairs as at 31 December 2005 and of its deficit and cashflows for the year then ended.

PLOT 27455, CHURCH ROAD
ESCO COMPLEX
LUSAKA


Audico Associates
AUDICO ASSOCIATES
CHARTERED ACCOUNTANTS OF ZAMBIA

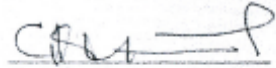
**CONSUMER UNITY AND TRUST SOCIETY (CUTS)
DETAILED INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005		2004	
	K	K	K	K
INCOME				
Balance brought forward		-		-
Cuts(India)		137,308,545		-
CIDA		146,092,500		-
MS - Zambia		38,346,770		-
Transfers from Hivos		54,000,000		225,618,800
Overseas Development Institute (ODI)		18,513,000		422,342
		<u>394,260,815</u>		<u>226,041,142</u>
EXPENDITURE				
1. ADMINISTRATIVE COSTS				
Audit fees	3,500,000		5,000,000	
Insurance	942,201		1,199,251	
NAPSA (Statutory contribution)	1,042,500		1,172,500	
Salaries and wages	132,877,540		114,068,106	
Bank charges and commissions	1,397,500		6,525,038	
Office expenses	17,728,280		13,618,560	
Printing and stationery	40,877,666		20,802,364	
Office rent	22,560,000		22,560,000	
Postages and telephones	26,036,796		22,802,517	
Photocopying	9,106,900		1,487,050	
	<u>256,069,383</u>		<u>209,235,386</u>	
2. TRAVELLING EXPENSES				
Board and lodging	86,037,800		9,409,587	
Air fares and transport	190,360,209		189,690,857	
	<u>276,398,009</u>		<u>199,100,444</u>	
3. OTHER COSTS				
Depreciation	7,521,087		16,104,281	
House rent	13,200,000		10,800,000	
Transfer to Kenya	-		21,654,827	
Trip to Brazil	-		4,770,500	
Trip to Geneva	-		6,345,940	
Trip to South Africa	-		1,236,100	
Trip to Kenya	-		10,748,900	
Trip to India	-		5,959,600	
	<u>20,721,087</u>		<u>77,620,148</u>	
TOTAL EXPENDITURE		<u>553,188,479</u>		<u>485,955,976</u>
EXCESS OF INCOME OVER EXPENDITURE		<u>(158,927,664)</u>		<u>(259,914,836)</u>

**CONSUMER UNITY AND TRUST SOCIETY (CUTS)
BALANCE SHEET AS AT 31 DECEMBER 2005**

	NOTES	2005 K	K	2004 K	K
FIXED ASSETS	1		4,275,000		6,096,087
Current Assets					
Debtors and prepayments	2	5,000,000		7,288,000	
Cash and Bank	3	<u>21,616,686</u>		<u>178,498,809</u>	
				<u>185,786,809</u>	
Current Liabilities					
Creditors and Accruals	4	<u>6,906,529</u>		<u>7,128,988</u>	
				<u>7,128,988</u>	
NET Current Assets			<u>19,710,157</u>		<u>178,637,821</u>
			<u>23,985,157</u>		<u>184,733,908</u>
REPRESENTED BY;					
Capital Donation fund	5		4,275,000		6,096,087
Accumulated Revenue fund	6		<u>19,710,157</u>		<u>178,637,821</u>
			<u>23,985,157</u>		<u>184,733,908</u>

The financial statements contained herein were approved by the board of directors on
and were signed on its behalf by:-


George R. Lipinile

Directors

04.04.06

Date