

Dakahlia Businessmen Association for Community Development “Small and Micro Enterprise Project”

Financial Statements and Auditor's Report
December 31st, 2009

Contents

	Page
Independent Auditors' Report	2
Statement of financial position	5
Income statement	6
Cash flow statement	7
Statement of changes in owner Equity	8
Notes on the financial statements	9



Independent Auditors' Report

To: Board of Directors
Dakahlia Businessmen Association for Community Development
Dakahlia, Egypt

Financial statement report

We have audited the accompanying statement of financial position of Dakahlia Businessmen Association for Community Development “Small and Microenterprise Project” as of December 31, 2009, the related statements of Revenues and Expenditures, cash flows for the Year then Ended December 31, 2009 and summary of major accounting policies and disclosures.

Management’s responsibility

The financial statements are the responsibility of the Dakahlia Businessmen Association for Community Development Management. Management has the responsibility to prepare and present the financial statements fairly and clearly according to the International Auditing Standards and Egyptian Auditing Standards within the view of the current Egyptian laws and regulations, also management’s responsibility include designing, implementing and maintain internal controls regarding preparing and presenting financial statement fairly and clearly free of any material misstatements either resulted from errors or fraud. The management’s responsibility also includes selection and implementation of appropriate accounting policies and estimates.

Our responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Auditing Standards within the view of the current Egyptian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements of the Dakahlia Businessmen Association for Community Development “Small and Micro Enterprise project” for the year ended December 31, 2008 were audited by another auditor who expressed an unqualified opinion on those statements on 14 April, 2009

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 statement presentation.

We believe that our audit provide a reasonable basis for our opinion.

Our Opinion

In our opinion, the financial statements referred to above and the accompanying notes present fairly, in all material respects, the financial position of the Dakahlia Businessmen Association for Community Development “Small and Micro Enterprise project” as of December 31, 2009 and the results of its operations, cash flows for the year then ended in conformity with the Egyptian accounting standards within the view of the Egyptian laws and regulations.



Grant Thornton Mohamed Hilal

March 21, 2010

Dakahlia Businessmen Association For Community Development Statement of Financial Position As of December 31, 2009

		Dec. 31, 2009	Dec. 31, 2008
		in L.E.	in L.E.
Assets			
Cash and Due from Bank	4	339,889	223,444
Tade Investments(Deposits)	5	60,622,412	51,849,262
Net Loan Portfolio	8	127,787,673	107,232,755
Gross loan Portfolio	9	131,694,096	109,831,320
Impairment loss Allowance	10	3,906,423	2,598,565
Account Receivables	12	571,294	880,025
Net Fixed Assets	3	6,057,377	5,679,624
Fixed Assets		11,179,954	10,369,177
Accumulated Depreciation		<u>5,122,577</u>	<u>4,689,553</u>
Total Assets		<u>195,378,645</u>	<u>165,865,110</u>
Liabilities and Net Equity			
Liabilities			
Credit Facilities	6	58,573,562	44,793,681
Accounts Payable and Other short term liabilities	11	2,435,901	1,787,347
Long Term Borrowings	7	<u>26,047,919</u>	<u>27,236,497</u>
Total Liabilities		<u>87,057,382</u>	<u>73,817,525</u>
Equity			
Donated Equity prior years		51,566,653	51,566,653
Retained earnings		40,279,125	26,526,106
Net Income of the current year		<u>16,475,485</u>	<u>13,954,826</u>
Total Equity		<u>108,321,263</u>	<u>92,047,585</u>
Total Liabilities and Net Equity		<u>195,378,645</u>	<u>165,865,110</u>

* The accompanying notes form an integral parts of these financial statements to be read therewith .

*Auditor's report attached

Executive Director

Financial Manager

Dakahlia Businessmen Association For Community Development Income Statement For the Year Ended December 31, 2009

	Notes	Year Ended	Year Ended
		31/12/2009	31/12/2009
		L.E.	L.E.
Financial Revenue		40,162,140.00	32,161,100.00
Financial Revenue from Loan Portfolio		39,757,922.00	30,730,805.00
Interest on loan portfolio	13	39,141,485	30,226,014
fees and commissions on loan portfolio		616,437	504,791
Financial Revenue from Investments		403,802.00	1,400,353.00
other revenue related to financial services		416.00	29,942.00
Financial Expenses	14	9,468,631.00	6,759,430.00
Net Financial Income		30,693,509.00	25,401,670.00
Impairment Losses on loans		1,329,139	1,000,756
Operating Expenses		12,800,715.00	10,456,860.00
Personnel Expenses	15	11,362,877.00	9,224,651
Adminstration Expenses	16	1,437,838.00	1,232,209.00
Rent & Utilities		206,715	0
Depreciation		371,080	332,772
Other Adminstration Expenses		860,043	899,437
Net Operating Income		16,563,655.00	13,944,054.00
Net Non Operating Income/ Expenses		-88,170.00	10,772.00
Non Operating Revenue	18	330,599	369,671
Non Operating Expenses	17	418,769	358,899
Net Income Before Taxes & Donations		16,475,485.00	13,954,826.00
Taxes & Donations		0	0
Net Income After Taxes & Donations		16,475,485.00	13,954,826.00

*The accompanying notes form an integral of these financial statements and to be read therewith

Dakahlia Businessmen Association For Community Development

Statement of Cash Flows

for the Year ended December 31, 2009

	Year Ended 31/12/2009	Year Ended 31/12/2008
	LE	LE
Cash Flows from Operating Activities		
Net Income (Before Taxes & Donations)	16,475,485	13,954,826
Depreciation and Amortization	433,023	393,709
Impairment losses on loans	1,307,858	976,518
Increase in Gross loan portfolio	(21,862,776)	(23,623,212)
Increase/Dcrease Trade Investments	(8,773,150)	(6,100,823)
Increase/Dcrease in Receivables & other assets	308,731	14,924
Increase/Dcrease in payables & other liabilities	648,554	271,607
Net Cash (Used by) Operating Activities	(11,462,275)	(14,112,451)
Cash Flows from Investing Activities		
Acquisition of Fixed Assets	(810,777)	(767,894)
Net Cash (used by) investing Activities	(810,777)	(767,894)
Cash Flows from financing Activities		
Short term /Long term liabilities	13,779,881	15,031,121
Long term Borrowings	(1,188,578)	0
Dividends paid	(25,740)	(178,004)
Net Cash Provided from Financing Activities	12,565,563	14,853,117
Net Cash Received/Paid for Non-Operating Activities	0	0
Net Change in Cash and Due from Banks	292,512	(27,228)
Cash and Due from Banks at The Beginning of the period	223,444	286,399
Effect of Exchange Ratye changes on cash and cash Equivalents	(176,067)	(35,727)
Cash and Cash Equivalents at the End of the Year	339,889	223,444

Dakahlia Businessmen Association For Community Development
Statement of Changes in Net Assets / Equity
For the Year Ended December 31, 2009

		L.E.
Donated Equity		51,566,653
Retained earnings beginning of the period	26,526,106	
Net Income of the prior year	13,954,826	
Donations	(25,740)	
Foreign currency Exchange Adj.	(176,067)	
Retained earnings end of the period		40,279,125
Net Income of the current year		<u>16,475,485</u>
Balance as of December 31,2009		<u>108,321,263</u>

Notes on the Financial Statements

December 31st, 2009

1 Introduction

Background

The Dakahlyia Businessmen' Association for Community Development (DBACD) was founded as an NGO in March 1995 and registered with the Ministry of Social Solidarity (MOSS), under Egyptian Law number 84 for the year 2002.

Program's Main Activities

- Conduct development programs in Dakahlia Governorate.
- Provide small and micro loans and other related credit activities for operating projects.
- Work to enhance the Poor family income.
- Providing financial and non financial services to low income families in a sustainable and better quality manner to contribute in improving their standard of living.

Objectives

- Contribute in providing more jobs through developing the performance of small businesses and motivate the market

2 Significant Accounting Policies

2.1 Basis of accounting

Financial statements are prepared on an accrual basis. Under this basis, transactions are recognized when they occur, not when cash is received or paid. As a conservative exception, interest income on loans is recorded on a cash basis—that is, when it is received in cash.

2.2 Preparing Financial Statements

The financial statements have been prepared in accordance with the applicable Egyptian Laws and Regulations as well as the Egyptian Accounting Standards based on historical cost.

The Egyptian Accounting Standards ("EAS") require referral to International Financial Reporting Standards ("IFRS")

The preparation of financial position in conformity with EAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial position and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The financial statements Presentation comply with CGAP's Disclosure Guidelines for Financial Reporting by Microfinance Institutions. These guidelines are voluntary norms recommended by a consultative group of international donors. Thus an association's failure to comply with the CGAP guidelines would not necessarily imply that the institution or its financial statements are in violation of any legal or other authoritative accounting or reporting standard

2.3 Funds Recognition

Grants and donations for operations and for loan funds to be used in the current operating period are recorded in the income statement, below the net income from operations. Grants and donations for periods beyond the current operating period are recorded under liabilities as deferred grants (IAS 20)

2.4 Foreign Currency Transactions

The Association records all transactions in Egyptian pound. Foreign currency transactions are evaluated based on the exchange rate declared at the date of transaction.

2.5 Cash and Cash Equivalents

For the purpose of preparing the cash flow statement, cash and cash equivalents includes cash on hand, cash in banks.

2.6 Fixed Assets

Fixed Assets are recorded at their historical cost inclusive of all other related costs needed for making the asset ready for its intended use. Fixed assets are depreciated on the basis of their estimated useful lives using the straight-line method at the following annual depreciation rates.

Asset Description	Depreciation Rate
Buildings	2%
Equipments	20%
Photocopiers	20%
Office supplies	20%
Furniture	10%
Software	33%

- Depreciation of electronic equipment, furniture and fixtures is calculated based on their estimated useful life using the straight line method of depreciation in accordance with usage rate.
- Depreciation of additions is calculated starting from the date of recording in accounting records

2.7 Tax Liabilities

- Starting April, 2006, the Association withholds and/or adds taxes in connection with transactions with third parties in accordance with applicable Egyptian tax Laws 91 year 2005. The company records and remits withheld taxes to the designated tax authorities on schedule.
- The Association is not subject to the Egyptian corporate income tax laws, however the Association is responsible as employer to calculate, deduct and forward to tax authority the association's employee income tax.

3. Fixed Assets

Analysis of Fixed Assets

As of December 31, 2009

	Cost			Accumulated Depreciation			Net as of 31/12/2009	Net as of 31/12/2008
	Opening Balance	Additions	Closing Balance	Opening Balance	Period Depreciation	Ending Balance		
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Buildings	5,300,989	0	5,300,989	750,000	106,020	856,020	4,444,969	4,550,988
Office Equipments	2,804,632	172,104	2,976,736	2,228,081	154,610	2,382,691	594,045	576,551
Furniture	1,108,427	338,707	1,447,134	646,060	114,046	760,106	687,028	462,367
Photocopiers	271,811	0	271,811	266,542	5,259	271,801	10	5,269
Equipments	568,315	281,967	850,282	483,870	50,088	533,958	316,324	84,445
Software	143,811	18,000	161,811	143,810	3,000	146,810	15,001	1
Vehicles	171,191		171,191	171,190		171,190	1	1
Total	10,369,177	810,777	11,179,954	4,689,553	433,023	5,122,576	6,057,378	5,679,623

4 Cash and Bank Balances

Description	31/12/2009	31/ 12/2008
Cash On Hand – Local Currency	175,172	74,170
Banks Current Account – NSGB-Local Currency	3,093	3,252
Banks Current Account(3)- United Bank -Local Currency	933	992
Banks Current Account- BNP Paribas–Local Currency	2,225	3,013
Banks Current Account- Misr Bank / AGA-Local Currency	25,758	31,504
Banks Current Account- Misr Bank/Senbalouen -Local Currency	12,595	57,999
Banks Current Account(2)-United Bank-Local Currency	120,114	52,511
Total	339,890	223,444

5 Trade Investments “Deposits”

Description	31/12/2009	31/ 12/2008
National Bank Of Egypt	16,927,919	16,815,715
Bank of Alexandria	7,157,844	7,128,049
United Bank	10,567,891	10,505,475
United National Bank	12,962,595	10,822,181
BNP Paribas	12,065,383	5,643,486
Bloom Misr Bank	940,780	934,356
Total	60,622,412	51,849,262

The applied U.S. \$ exchange rate as of the date of the financial statements is L.E 5.48 for USD 1.

6 Credit Facilities

Description	31/12/2009	31/ 12/2008
National Bank Of Egypt	8,886,054	13,306,364
Bank of Alexandria	6,535,227	4,648,696
United Bank	14,590,262	8,820,637
United National Bank	12,334,345	8,685,309
BNP Paribas	15,334,073	8,455,087
Bloom Misr Bank	893,600	873,188
Misr Bank	0	4,400
Total	58,573,562	44,793,681

7 Long Term Loans

Description	31/12/2009	31/ 12/2008
Long term loan –Bank L.E.-BNP	12,905,454	22,566,667
Spain Agency for Development	13,142,465	4,669,830
Total	26,074,919	27,236,497

- “Grameen-Gameel” Foundation provide the association letter of Guarantee by \$ 1,500,000 to cover up to 200 % credit limit from BNP in a form of a loan equal L.E. 15,900,000, thus the balance due as of issuance this report is L.E. 12,905,454
- The Spain agency for Development provided the association by \$ 2,398,260 as long term loan at 16 september,2008 Equivalent to L.E.13,142,465 to be repaid over 12 years

8 Loan Portfolio Analysis

Description	31/12/2009	31/ 12/2008
Individuals Loans Borrowers	109,451,857	91276,408
Group lending Borrowers	22,242,239	18,554,912
Impairment Loss Allowance	-3,096,423	-2,598,565
Total	127,787,673	107,232,755

9 Loan Portfolio Report

Description	From 1/1/2009 to 31/12/2009		From 1/1/2008 to 31/12/2008	
	No. of loans	Value of portfolio	No. of loans	Value of portfolio
Loans Disbursed(SME)	41,386	145,761,500	34,753	119,178,000
Loans Disbursed(Groups)	115,595	86,353,350	109,130	71,721,250
Total		232,114,850		190,889,250
Loans Outstanding(SME)	51,395	109,451,857	42,688	91,276,408
Loans Outstanding(Groups)	52,780	22,242,239	50,845	18,554,912
Total		131,694,096		109,831,320

10 Impairment Loss Allowance

Description	31/12/2009	31/ 12/2008
Impairment Loss Allowance 31/12/2008	2,598,564	1,622,047
Provision for loan impairment	1,329,138	1,000,755
Loans Written off	-21,281	-24,238
Impairment Loss Allowance 31/12/2009	3,906,423	2,598,564

11 Other Credit Balance:

Description	31/12/2009	31/ 12/2008
Deposits from suppliers	153,948	49,124
Creditors	509,233	382,751
Accrued Expenses	556,341	464,820
Employee end of services provision	1,184,955	775,578
Withhold taxes	2,914	1,270
Salary taxes	28,509	76,279
Social insurance	0	37,575
Total	2,435,901	1,787,347

12 Account Receivables:

Description	31/12/2009	31/ 12/2008
Prepaid Expenses	192,254	348,157
Accrued Interest	13,227	151,112
Accrued Revenue	2,400	1,200
Staff Advances	211,223	247,500
Security deposit rent	8,000	6,000
Mobile phone bills	66,999	28,293
Al Khartoum NGO	0	30,622
Other debit balances	77,189	67,139
Total	571,294	880,025

13 Interest on Loan Portfolio

Description	31/12/2009	31/ 12/2008
SME – Interest received	30,332,921	23,104,014
Group Loans –Interest received	9,425,001	7,626,791
Total	39,757,922	30,730,805

14 Financial Expenses:

Description	31/12/2009	31/ 12/2008
loans interest-SME	7,027,596	5,318,979
loans interest-Group lending	1,334,911	1,074,852
Donors fees and other bank charges	1,106,124	365,598
Total	9,468,631	6,759,430

15 Personnel Expenses:

Description	31/12/2009	31/ 12/2008
Salaries and allowances	10,775,461	8,751,038
Fringe benefits	587,415	473,612
Total	11,362,876	9,224,651

16 General and Administration Expenses:

Description	31/12/2009	31/ 12/2008
General Expenses	366,921	323,845
Communication Expenses	79,996	68,790
Utility Expenses	82,487	66,093
Professional expenses	124,228	78,629
Public relation	30,525	27,543
Depreciation	371,080	332,722
Misc. Expenses	338,183	335,080
General training	44,417	63,905
Total	1,437,838	1,232,209

17 Non Operational Expenses

Description	31/12/2009	31/ 12/2008
Client training expenses	132,303	141,787
Depreciation	61,943	60,937
Salaries	154,802	91,725
General expenses	69,721	64,449
Total	418,769	358,899

18 Non Operational Revenues

Description	31/12/2009	31/ 12/2008
Training course-revenue	296,138	322,270
Other income-clients	34,460	47,401
Total	330,599	369,671

19 Comparative Figures:

Comparative figures have been reclassified to match current year classification.



Grant Thornton

www.gtegypt.org

Grant Thornton Mohamed Hilal, Public Accountants is a member firm within Grant Thornton International Ltd.

Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.