

**MOHAMED HASSAAN & Co.**

**Chartered Accountants**

*Sarwa ,St – Dakrori Buld – Mansoura*



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*Dakahlya Businessmen Association  
For Community Development (DBACD)  
Small and Micro Enterprise Project (SME)*

*Financial Position as of December 31, 2005  
As well as both Statements of Income and Cash Flow*

For the fiscal year ended



**Dakahlyia Businessmen Association for Community Development  
(DBACD)  
Small and Micro Enterprise Project (SME)**

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**Auditor's Report**

We have audited the accompany financial position of the Project of Small & Craft Enterprises Development, of Dakahlyia Business Association for Community Development (DBACD), register no. 777 dated 27/3/1995 with the Ministry of Social Affairs, Subject to the law no. 84/2002 of associations and special firms, as of December 31, 2005, and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Generally Accepted Egyptian & International Standards on Auditing and the current laws. 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. Auditing also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believed our audit provides a reasonable basis for our opinion.

The association keeps regular financial accounts that follow all the laws and the association system. The financial statements are typical to these accounts.

In our opinion, the financial statements give a true and fair view of the financial position of the association as of December 31, 2005 and of the results of its operating and its cash flows for the year then ended in accordance with International & Egyptian Accounting Standards. According to our audit and limited to the available information and disclosures, we conducted that there are no illegal items that would materially effect on the association activity and its financial position.

*Date: 28 / 2 / 2006*

*CHARTERED ACCOUNTANT*

Mohamed Mahmoud Hassan  
Diploma High Studies of Financial Accounting  
Accountants & Auditors Register no. 16695  
Member of Egyptian Chartered Accountants Association  
Member of General Union of Arab Accountants & Auditors

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**Dakahlyia Businessmen Association for Community Development  
(DBACD)  
Small and Micro Enterprise Project (SME)**

*Dakahlyia Businessmen Association for Community Development (DBACD)  
Small and Micro Enterprise Project (SME)  
Balance Sheet at December 31, 2005*

Description	Disclosures No	31/12/2005	31/12/2004
<b><u>Assets</u></b>			
Cash & Banks	(4)	64748	176349
Term Deposit		43356759	46966959
Net Loan portfolio ( After Loan Loss Reserve)	(5) (6)	50473845	38464067
Other Debit Accounts & Assets	(7)	721941	686675
Net Fixed Assets		6355381	6774530
<b>Total Assets</b>		<b>100972674</b>	<b>93068580</b>
<b><u>Liabilities &amp; Equity</u></b>			
<b><u>Liabilities</u></b>			
Credit Banks		39676939	34918020
Other Credit Accounts	(9)	769037	399524
<b>Total Liabilities</b>		<b>40445976</b>	<b>35317544</b>
<b><u>Equity</u></b>			
Grants for (Operating Expenses & Loans)		48758976	50487436
Interests on US\$ Deposits		5619265	4732922
Accumulated Surplus		2530678	1521944
<b>Total Equity</b>		<b>56908919</b>	<b>56742302</b>
Surplus of 2005		3617779	1008734
Total Equity & surplus of 2005		60526698	57751036
Total Liabilities & Equity		100972674	93068580

- ? The enclosed disclosures are integral part of these statements;
- ? Auditor's report is enclosed.

Chairman

Treasurer



**Dakahlya Businessmen Association for Community Development  
(DBACD)  
Small and Micro Enterprise Project (SME)**

*Dakahlya Businessmen Association  
For Community Development (DBACD)  
Small and Micro Enterprise Project (SME)  
Income Statement for the Fiscal year end Of December 31, 2005*

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	<b>Disclosures No.</b>	<b>31/12/2005</b>	<b>31/12/2004</b>
Financial Revenue from Loan Portfolio	(10)	13673317	8747694
<u>Less</u>			
Cost of fund	(11)	4105742	3280559
Financial Margin		9567575	5467135
Collected fees – Bad Debit		2959	6920
Net Operating Income		9570534	5474055
<u>Less</u>			
Administrative, General, & Depeciation Expenses	(12)	5607679	4297353
Provision for Doubtful debits		214940	(17613)
Net Operating Income		3747915	1194315
<u>Plus</u>			
Non – Operating Income		235473	215326
Other Income		17379	10644
<u>Minus</u>			
Non - Operating Expenses		382988	411551
Net Income		3617779	1008734



**Dakahlyia Businessmen Association for Community Development  
(DBACD)  
Small and Micro Enterprise Project (SME)**

*Dakahlyia Businessmen Association  
For Community Development (DBACD)  
Small and Micro Enterprise Project (SME)  
Cash Flow Statement for the Fiscal year  
Ended on December 31, 2005*

Explanation	Disclosures No	31/12/2005	31/12/2004
<b><u>Cash Flow of Operating Activities</u></b>			
Net profits before tax and extraordinary items		3617779	1008734
Adjustment to reconcile net profits			
Depreciation		720723	708608
Exclusions from Depreciation Accumulation		(6046)	(9750)
Net provision (created during the year)		214940	(17613)
Profit (Loss) of Operating before Changes of working capital		4547396	1689979
<b><u>Net Increase (Decrease) in Assets</u></b>			
Deposit accounts		3610200	(5989013)
Clients Loans (After deducting loan loss provision)		(12224718)	(15031229)
(Increase) Decrease in other debit balance.		(35266)	263566
<b><u>Net Increase (Decrease) in Liabilities</u></b>			
Credit Balance		369513	150457
Credit Banks		4758919	6713454
<b>Net cash resulting from (used in) Operating Activities</b>		<b>1026044</b>	<b>(12202786)</b>
<b><u>Cash Flow from Investing Activities</u></b>			
Payment for acquisition of fixed assets & Long Term Assets		(303473)	(752912)
Receiving Payment for vending of fixed assets		7945	22500
Net Cash (used by) investment Activities		(295528)	(730412)
<b><u>Cash Flow from Financing Activities</u></b>			
Receipts from Long term Finance (Grants)		(1728460)	12123911
Collected Interest		886343	361536
<b>Net Cash Flow from Financing Activities</b>		<b>(842117)</b>	<b>12485447</b>
Net increase (decrease) in Cash		(111601)	(447751)
Cash at the beginning of the year		176349	624100
Cash at year end	(4)	64748	176349



**Dakahlyia Businessmen Association for Community Development  
(DBACD)  
Small and Micro Enterprise Project (SME)**

Alteration in equity statement at December 31, 2005

Description	Operating expenses	Interest on US Dollars	Growth of revenue	Total
	& loans grants	Collateral fund	over expenditures	
Balance at December 31, 2002	27,462,348	3,032,740	1,221,473	31,716,561
Growth of revenue over expenditures through year 2003	-	-	313,971	313,971
Operating expenses grant	1,965,165-	-	-	1,965,165
Loans grant	-	8,936,012	-	8,936,012
Collected interest on US Dollars collateral fund for the year 2003	-	1,338,645-	-	1,338,645
Outlaid donation	-	-	(13,500)	(13,500)
Balance at December 31, 2003	29,427,513	13,307,397	1,521,944	44,256,855
Growth of revenue over expenditures through year 2004	-	-	1,008,734	1,008,734
Operating expenses grant	314,300-	-	-	314,300
Loans grant	-	11,809,611	-	11,809,611
Collected interest on US Dollars collateral fund for year 2004	-	361,536-	-	361,536
Balance at December 31, 2004	29,741,813	25,478,544	2,530,678	57,751,036
Growth of revenue over expenditures through year 2005	-	-	3,617,779	3,617,779
Operating expenses & loans grants	(1,728,460)-	-	-	(1,728,460)
Collected interest on US Dollars collateral fund for year 2005	-	886,343-	-	886,343
Balance at December 31, 2005	28,013,353	26,364,887	6,148,457	60,526,698

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**Dakahlyia Businessmen Association for Community Development  
(DBACD)  
Small and Micro Enterprise Project (SME)**

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*Dakahlyia Businessmen Association  
For Community Development (DBACD)  
Small and Micro Enterprise Project (SME)  
The Related Disclosures of Financial Statements  
For the fiscal year ended December 31, 2005*

(1) Overview of The Association

DBACD is established under register No. 777 dated 27/3/1995 with Ministry of Social Affairs; According to law No. 32/1964 which is replaced by the law no. 84/2002 & its amendments of associations and special organizations. Its most important aim is to help Dakahlyia small and Craft enterprises.

(2) Overview of the Project of Small & Craft Enterprises Development

The Association has signed an agreement with USAID dated October 31, 1997 to implement project of small & Craft Enterprises Development. The project aims to provide the following services:

- ? Providing loans to existing enterprise ranging between L.E 500 to L.E 50,000 in order to provide money to purchase raw materials or enlarge work.
- ? Providing technical and administrative services to project clients to improve its capabilities.

(3) Most Important Applied Accounting Policies

(I) Bases of Preparing Financial Statements

Financial Statements are prepared based on the Generally Accepted Accounting Principles and Egyptian & International Accounting Standards, under the Current Egyptian Laws and acts.

(II) Recording Foreign Currency Transactions

DBACD recorded all transaction in Egyptian Pounds. Foreign Transactions are recorded based on the exchange rate of Free market and reevaluated at year-end based on the declared exchange rate at the date of preparing the financial statement. The differences are capitalized on equity.

(III) Revenue Recognition

Interest revenue is recognized when collected from Clients.

(IV) Fixed Assets & Depreciation

Fixed assets are recorded at historical Costs. Depreciation of the fixed assets is Calculated on the basis of estimated useful life using the Straightline method depreciation, according to the following rates:



**Dakahlyia Businessmen Association for Community Development  
(DBACD)  
Small and Micro Enterprise Project (SME)**

Asset	Presumed aging - year	Depreciation Rate
Building & real estate	5 0	2%
Fixtures & Fittings	5	20%
Photo Copy Machines	5	20%
Equipment & Stationery	5	20%
Furniture	1 0	10%
Computer Software	3	33.33%

Depreciation of new and non-used assets is calculated on 50% of the depreciation value of the asset.

*4) Cash on hand and banks*

Description	31/12/2004 L.E	31/12/2005 L.E
Cash on hand	9018.35	7488.31
Bank – Current Accounts (EGY)	66813.64	30813.13
Bank – Current Accounts (US\$)	100517.13	26447.06
<b>Total</b>	<b>176349.12</b>	<b>64748.50</b>

*5 Clients Loans*

Advances to Clients – Principle

Description	2004 L.E	2005 L.E
Clients Loans - Individuals	35981742.50	43667605.50
Clients Loans – Group Lending	2501510.50	7037197.50
Loans In Suspense – Principle - Individuals	214193.50	217361.50
<b>Minus</b>		
Loan loss provision	233379.75	448319.89
<b>Net Portfolio</b>	<b>38464066.75</b>	<b>50473844.61</b>

*6 Loan Loss Reserve*

2004 L.E	Description	2005		
		General	fixed	Total
250991.85	Beginning Balance	--	233379.75	233379.75
16679.00	During the year	229366.64	250.00	229616.64
34291.50	Utilized during the year	--	-14676.50	-14676.50
233379.75	<b>Total</b>	<b>298494.68</b>	<b>218953.25</b>	<b>448319.89</b>



Dakahlya Businessmen Association for Community Development  
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Small and Micro Enterprise Project (SME)

*7) Debit Accounts and Other Assets*

Description	2004 L.E	2005 L.E
Inventory (Stationeries)	60626.39	80482.00
Prepaid Expenses	93881.88	101273.36
Other Debit Accounts	4250.00	7018.00
Insurance (Rent)	2375.00	2000.00
Accrued Interest On USAID Colt. Fund	130900.45	193253.45
Employees Advances	178723.02	315413.65
Advanced payments	215918.10	22500.00
Total	686674.84	721940.46





8) Fixes Assets

*Dakahlyia Businessmen Association for Community Development (DBACD)  
Small and Micro Enterprise Project (SME)  
Analysis of Fixed Assets & its Depreciation for the Fiscal year ended December 31, 2005*

Asset	Rate %	Costs of 1/1/2005	Additions during the year	Exclusions during the year	Costs of 31/12/2005	Accumulated Depreciation as of 1/1/2005	Depreciation 2005	Exclusions of Accumulated Depreciation	Accumulated Depreciation of 31/12/2005
1 Building	2	5277956.45	23032.25	--	5300988.70	329212.05	102729.05	--	431941.10
2 Equipment	20	2113590.93	42220.0	4050	2151760.93	1210476.34	375281.67	3126.83	1582728.04
3 Furniture	10	829837.76	185645.75	3896.16	1011588.35	256414.06	88829.64	2919.33	345313.75
4 Photocopier Machines	20	271811.00	--	--	271811.00	177074.90	35356.31	--	212458.69
5 Fixtures & Fittings	20	443472.31	52575.00	--	496047.31	278850.54	79287.66	--	358142.18
6 Computer Software	33.33	143811.00	--	--	143811.00	133811.02	5000.04	--	138811.06
7 Vehicles	20	171191.40	--	--	171191.40	91302.08	34238.28	--	125953.12
<b>Total</b>		<b>9251670.85</b>	<b>303473.00</b>	<b>7945.16</b>	<b>9547198.69</b>	<b>2477140.99</b>	<b>720722.65</b>	<b>6046.16</b>	<b>3191311.80</b>

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8) Fixed Assets

*Dakahlyia Businessmen Association for Community Development (DBACD)  
Small and Micro Enterprise Project (SME)  
Analysis of Fixed Assets & its Depreciation for the Fiscal year ended December 31, 2005*

Asset	Building	Equipment	Furniture	Photocopier Machines	Fixtures & Fittings	Computer Software
Cost of 1/1/2005	5277956.45	2113590.93	829837.76	271811.00	443472.31	143811.00
Additions during the year	23032.25	42220.0	185645.75	--	52575.00	--
Exclusions during the year	--	4050.00	3896.16	--	--	--
Cost of 31/12/2005	5300988.70	2151760.93	1011588.35	271811.00	496047.31	143811.00
Accumulated Depreciation – 2005	329212.05	1210476.34	256414.06	177074.90	278850.54	133811.02
Depreciation - 2005	102729.05	375281.67	88829.64	35356.31	79287.66	5000.04
Exclusions of Accumulated Depreciation	--	3126.83	2919.33	--	--	--
Accumulated Depreciation as of 31/12/2004	431941.10	1582631.18	342324.37	212431.21	358138.20	138811.06
L.E Balance as of 31/12/2005	4869047.60	569129.75	669263.98	59379.79	137909.11	4999.94
L.E Balance as of 31/12/2004	4948744.40	903114.59	573423.70	94736.10	164621.77	9999.98

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Dakahlya Businessmen Association for Community Development  
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Small and Medium Enterprise Project (SME)

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**Dakahlyia Businessmen Association for Community Development  
(DBACD)  
Small and Medium Enterprise Project (SME)**

*9 Other Credit Accounts*

Description	31/12/2005	31/12/2004
Payment vouchers	332064.78	00
Taxes Organization	10933.52	19556.06
Trusteeship to Others	57619.41	47129.27
Insurance to Others	20602.75	18771.50
Due Expenses	23023.85	177079.21
Various Creditors	324792.72	136987.65
Total	769037.03	399523.69

*10 Revenue from Loans*

Description	2004	2005
Interest received from- Individuals Loans	7860612.00	11538679.5
Delinquent received fines- Individuals Loans	122186.75	137026.10
Interest received from- Group Lending loans	764245.50	1997611.25
Delinquent received fines- Group Lending loans	650.00	--
Total	8747694.25	13673316.85

*11 Cost of Fund*

Description	31/12/2004	31/12/2005
Cost of Fund- Individuals Loans	3127422.11	3726657.18
Cost of Fund- Group Lending Loans	153136.59	379085.07
Total	3280558.70	4105742.25

*12 General & Administrative Expenses*

2004 L.E	Description	31/12/2005			
		H.O L.E	GL L.E	SME L.E	Total L.E
3271821.90	Salaries & Wages	960162.65	856072.47	2675060.18	4491295.30
20286.55	Training Expenses	23924.05	12614.60	1242.50	37781.15
536998.97	Depreciation	223865.24	25362.02	298383.92	547611.18
468245.56	Other Administrative Expenses	240252.46	51087.68	239651.63	583556.77
4297352.98	Total	1448204.40	945136.77	3214338.23	5607679.40

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