



Grant Thornton
Mohamed Hilal

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

Financial Statements and Auditor's Report
December 31st, 2011

Dakahlya Businessmen Association
for Community Development (DBACD)

Grant Thornton (TC) Inc.

DBACD

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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, 2011, the related statements of Revenues and Expenditures, cash flows for the Year then Ended December 31, 2011 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 Accounting Standards and Egyptian Accounting 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.

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, 2011 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
Cairo Egypt February 23, 2012

Grant Thornton - Mohamed Hilal

Public Accountants
The Egyptian Member Firm of
Grant Thornton International

Dakahlia Businessmen Association For Community Development Statement of Financial Position As of December 31, 2011

	Notes	Dec. 31, 2011	Dec. 31, 2010
		EGP	EGP
Assets			
Cash and Due from Bank	4	776,412	257,495
Trade Investments(Bank Deposits)	5	73,088,460	64,164,738
Net Loan Portfolio	6	146,068,443	145,979,149
Gross loan Portfolio	7	151,450,802	150,493,968
Impairment loss Allowance	8	(5,382,359)	(4,514,819)
Debtors and Other Debt Balance	9	2,429,353	461,913
Net Fixed Assets	3	6,543,785	6,035,383
Fixed Assets		11,626,549	11,473,709
Accumulated Depreciation		(5,082,764)	(5,438,326)
Total Assets		228,906,453	216,898,678
Liabilities and Net Equity			
Liabilities			
Credit Facilities	10	38,749,180	48,239,599
Accounts Payable and Other Credit balance	11	3,921,654	3,063,230
Long Term Borrowings	12	30,471,085	34,972,083
Total Liabilities		73,141,919	86,274,912
Equity			
Donated Equity prior years		51,566,653	51,566,653
Retained earnings		77,974,427	55,532,497
Net Income of the current year		26,223,454	23,524,616
Total Equity		155,764,534	130,623,766
Total Liabilities and Net Equity		228,906,453	216,898,678

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

*Auditor's report attached


Chairman


Treasurer

Dakahlia Businessmen Association For Community Development

Income Statement

For the Year Ended December 31, 2011

	Notes	Year Ended	Year Ended
		31/12/2011	31/12/2010
		EGP	EGP
Financial Revenue		51,601,215	45,814,236
Financial Revenue from Loan Portfolio	13	49,652,697	45,697,077
Interest on loan portfolio		49,067,666	45,070,054
fees and commissions on loan portfolio		585,031	627,023
Financial Revenue from Investments		1,539,296	117,159
other revenue related to financial services		409,222	-
Financial Expenses	14	(8,329,261)	(8,468,105)
Net Financial Income		43,271,954	37,346,131
Impairment Losses on loans		1,051,797	628,979
Operating Expenses		17,650,511	15,835,322
Personnel Expenses	15	15,208,843	13,773,894
Adminstration Expenses	16	2,441,668	2,061,428
Professional Fees & Office Utilities		436,715	218,248
Depreciation		624,133	488,302
Other Adminstration Expenses		1,380,820	1,354,878
Net Operating Income		24,569,646	20,881,830
Net Non Operating Income/ Expenses		1,653,808	2,642,786
Non Operating Revenue	17	2,010,954	3,031,745
Non Operating Expenses	18	357,146	388,959
Net Income Before Taxes & Donations		26,223,454	23,524,616
Taxes & Donations		-	-
Net Income After Taxes & Donations		26,223,454	23,524,616

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

Dakahlia Businessmen Association For Community Development

Statement of Cash Flow

for the Year ended December 31, 2011

	Year Ended 31/12/2011	Year Ended 31/12/2010
	EGP	EGP
Net Income (Before Taxes & Donations)	26,223,454	23,524,616
Cash Flows from Operating Activities		
Depreciation and Amortization	(355,562)	315,750
Impairment losses on loans	867,540	608,396
Increase in Gross loan portfolio	(956,834)	(18,799,872)
Increase/Dcrease Trade Investments	(8,923,722)	(3,542,326)
Increase/Dcrease in Receivables & other assets	(1,967,440)	109,381
Increase/Dcrease in payables & other liabilities	858,424	627,329
Net Cash (Used by) Operating Activities	15,745,860	2,843,274
Cash Flows from Investing Activities		
Acquisition of Fixed Assets	(152,840)	(293,756)
Net Cash (used by) investing Activities	(152,840)	(293,756)
Cash Flows from financing Activities		
Short term /Long term liabilities	(9,490,419)	(10,333,963)
Long term Borrowings	(4,500,998)	8,924,164
Dividends paid	(1,082,686)	(1,222,113)
Net Cash Provided from Financing Activities	(15,074,103)	(2,631,912)
Net Cash Received/Paid for Non-Operating Activities	-	-
Net Change in Cash and Due from Banks	518,917	(82,394)
Cash and Due from Banks at The Beginning of the period	257,495	339,889
Cash and Cash Equivalentents at the End of the Year	776,412	257,495

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

Dakahlia Businessmen Association For Community Development

Statement of Changes in Net Assets / Equity

For the Year Ended December 31, 2011

		EGP
Donated Equity		51,566,653
Retained earnings beginning of the period	55,532,497	
Net Income of the prior year	23,524,616	
Donations	(1,082,686)	
Retained earnings end of the period		77,974,427
Net Income of the current year		<u>26,223,454</u>
Balance as of December 31,2011		<u>155,764,534</u>

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

Notes on the Financial Statements

December 31st, 2011

1 Introduction

Background

The Dakahlia 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 Dakahlya 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.

The association maintains an electronic accounting system is in conformity with the international financial and reporting standards and also maintains operational software for adequate management of the microcredit portfolio.

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 Revenue Recognition

Interest is considered earned and revenue is recorded when interest is due and collected from client.

2.5 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.

2.6 Cash and Cash Equivalents

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

2.7 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

2.8 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, 2011

	Cost			Accumulated Depreciation				Net as of	Net as of	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Period Depreciation	Disposals	Ending Balance	31/12/2011	31/12/2010
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Buildings	5,300,989	-	-	5,300,989	962,040	106,383	-	1,068,423	4,232,566	4,338,949
Office Equipments	3,016,068	214,833	(633,274)	2,597,627	2,397,217	204,697	(633,274)	1,968,640	628,987	618,851
Furniture	1,469,016	330,573	(7,088)	1,792,501	897,241	113,868	(7,088)	1,004,021	788,480	571,775
Photocopiers	271,811	-	(216,811)	55,000	271,801	9	(216,811)	54,999	1	10
Equipments	851,177	306,977	(3,129)	1,155,025	612,526	76,691	(3,129)	686,088	468,937	238,651
Software	393,457	-	-	393,457	126,311	113,197	-	239,508	153,949	267,146
Vehicles	171,191	331,950	(171,191)	331,950	171,190	61,086	(171,191)	61,085	270,865	1
Total	11,473,709	1,184,333	(1,031,493)	11,626,549	5,438,326	675,931	(1,031,493)	5,082,764	6,543,785	6,035,383

4 Cash and Bank Balances

Description	31/12/2011	31/12/2010
Cash On Hand – Local Currency	49,886	59,423
Banks Current Account – NSGB-Local Currency	2,786	3,015
Banks Current Account- NSGB-Foreign Currency	5,733	16,796
Banks Current Account- BNP Paribas–Local Currency	937	3,893
Banks Current Account- BNP Paribas–Foreign Currency	307,291	-
Banks Current Account- Ahly United –Foreign Currency	34,790	7,774
Banks Current Account- Misr Bank -Local Currency	135,575	74,235
Banks Current Account-United Bank-Local Currency	239,414	92,359
Total	776,412	257,495

5 Trade Investments “Bank Deposits”

Description	31/12/2011	31/12/2010
National Bank Of Egypt-Foreign Currency	966,599	20,316,926
National Bank Of Egypt-Local Currency	20,000,000	-
Bank of Alexandria-Foreign Currency	7,894,643	7,577,381
Bank of Alexandria-Local Currency	6,500,000	-
United Bank - Foreign Currency	11,342,518	10,873,112
United National Bank - Foreign Currency	13,192,667	12,662,078
BNP Paribas - Foreign Currency	7,567,033	12,735,241
BNP Paribas - Local Currency	5,625,000	-
Total	73,088,460	64,164,738

The applied USD exchange rate as of the date of the financial statements is L.E 6.02 for USD 1.

6 Loan Portfolio Analysis

Description	31/12/2011	31/12/2010
Individuals Loans Borrowers	124,994,821	126,521,621
Group lending Borrowers	26,455,981	23,972,347
Impairment Loss Allowance	(5,382,359)	(4,514,819)
Total	146,068,443	145,979,149

7 Loan Portfolio Report

Description	From 1/1/2011 to 31/12/2011		From 1/1/2010 to 31/12/2010	
	No. of loans	Value of portfolio	No. of loans	Value of portfolio
Loans Disbursed(SME)	38,296	151,699,500	42,301	161,796,500
Loans Disbursed(Groups)	112,219	105,267,300	111,165	93,244,300
Total		256,966,800		255,040,800
Loans Outstanding(SME)	53,623	124,994,821	54,784	126,521,620
Loans Outstanding(Groups)	50,630	26,455,981	50,907	23,972,348
Total		151,450,802		150,493,968

8 Impairment Loss Allowance

Description	31/12/2011	31/12/2010
Impairment Loss Allowance 31/12/2010	4,514,819	3,906,421
Provision for loan impairment	1,051,797	628,979
Loans Written off	(184,257)	(20,581)
Impairment Loss Allowance 31/12/2011	5,382,359	4,514,819

9 Debtors and Other Debt Balance:

Description	31/12/2011	31/12/2010
Prepaid Expenses	139,600	205,632
Accrued Interest	1,385,792	-
Accrued Revenue	-	1,200
Staff Advances	519,278	204,931
Security deposit rent	8,500	8,500
Mobile phone bills	36,005	41,650
Other debit balances	340,178	-
Total	2,429,353	461,913

10 Credit Facilities

Description	31/12/2011	31/12/2010
National Bank Of Egypt	24,623,452	27,970,036
Bank of Alexandria	4,799,275	3,930,262
United Bank	5,942,933	3,603,106
United National Bank	2,335,212	6,931,912
BNP Paribas	1,048,308	5,804,283
Total	38,749,180	48,239,599

11 Accounts Payable and Other Credit balance:

Description	31/12/2011	31/12/2010
Suppliers	15,340	77,686
Creditors	773,923	411,812
Accrued Expenses	1,182,023	943,373
Employee end of services provision	1,904,990	1,591,174
Withhold taxes	3,783	3,968
Salary taxes	41,595	35,217
Total	3,921,654	3,063,230

12 Long Term Loans:

Description	31/12/2011	31/12/2010
Long term loan –Bank L.E.-BNP	-	5,052,597
Spain Agency for Development	14,437,525	13,885,926
European Investment Bank	16,033,560	16,033,560
Total	30,471,085	34,972,083

- The Spain agency for Development provided the association by \$ 2,398,260 as long term loan at 16 September, 2008 Equivalent to L.E. 14,437,525 to be repaid over 12 years.
- The European Investment Bank provided the association by EUR 2,000,000 as long term loan at 21 October, 2010 Equivalent to L.E. 16,033,560 to repaid over 6 years.

13 Interest on Loan Portfolio:

Description	31/12/2011	31/12/2010
SME – Interest received	37,805,880	35,172,757
Group Loans –Interest received	11,846,817	10,524,320
Total	49,652,697	45,697,077

14 Financial Expenses:

Description	31/12/2011	31/12/2010
Loans interest-SME	4,377,176	5,974,809
Loans interest-Group lending	861,467	1,139,550
Donors fees and other bank charges	3,090,618	1,353,746
Total	8,329,261	8,468,105

15 Personnel Expenses:

Description	31/12/2011	31/12/2010
Salaries and allowances	14,416,958	13,075,650
Fringe benefits	791,885	698,244
Total	15,208,843	13,773,894

16 General and Administration Expenses:

Description	31/12/2011	31/12/2010
General Expenses	678,454	587,667
Communication Expenses	125,521	117,159
Utility Expenses	81,976	89,742
Professional expenses	354,740	128,507
Public relation	167,445	76,890
Depreciation	624,133	488,302
Misc. Expenses	319,065	454,997
General training	90,334	118,164
Total	2,441,668	2,061,428

17 Non Operational Revenues:

Description	31/12/2011	31/12/2010
Training course-revenue	206,555	295,031
Other income-clients	39,893	44,757
Foreign Exchange	1,764,506	2,691,957
Total	2,010,954	3,031,745

18 Non Operational Expenses:

Description	31/12/2011	31/12/2010
Client training expenses	87,571	124,666
Depreciation	51,798	39,470
Salaries	175,500	176,908
General expenses	42,277	47,915
Total	357,146	388,959

19 Comparative Figures:

Comparative figures have been reclassified to match current year classification.



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Mohamed Hilal

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