



Grant Thornton
Mohamed Hilal

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

Financial Statements and Auditor's Report
December 31st, 2012

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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, 2012, the related statements of Revenues and Expenditures, cash flows for the Year then Ended December 31, 2012 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, 2012 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.

Report on other legal and regulatory requirements

The association maintains proper accounting records which include all that is required by law and the statutes of the association and the accompanying financial statements are in agreement therewith.



Grant Thornton Mohamed Hilal

Cairo Egypt
February 21, 2013

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, 2012

	Notes	Dec. 31, 2012 EGP	Dec. 31, 2011 EGP
Assets			
Cash and Due from Bank	4	705,916	776,412
Trade Investments(Bank Deposits)	5	70,022,924	73,088,460
Net Loan Portfolio	6	161,209,194	146,068,443
Gross loan Portfolio	7	167,584,029	151,450,802
Impairment loss Allowance	8	(6,374,835)	(5,382,359)
Debtors and Other Debt Balance	9	3,220,779	2,429,353
Net Fixed Assets	3	6,234,180	6,543,785
Fixed Assets		11,759,598	11,626,549
Accumulated Depreciation		(5,525,418)	(5,082,764)
Total Assets		241,392,993	228,906,453
Liabilities and Net Equity			
Short Term Liabilities			
Credit Facilities	10	38,189,032	38,749,180
Short Term Loans	12	5,344,520	-
Accounts Payable and Other Credit balance	11	4,529,367	3,921,654
Total Short Term Liabilities		48,062,919	42,670,834.000
Long Term Liabilities			
Long Term Borrowings	12	10,689,040	30,471,085
Total Long Term Liabilities		10,689,040	30,471,085
Equity			
Donated Equity prior years		51,566,653	51,566,653
Retained earnings		104,084,763	77,974,427
Net Income of the current year		26,989,618	26,223,454
Total Equity		182,641,034	155,764,534
Total Liabilities and Net Equity		241,392,993	228,906,453

* 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, 2012

	Notes	Year Ended	Year Ended
		2012	2011
		EGP	EGP
Financial Revenue		56,048,905	51,601,215
Financial Revenue from Loan Portfolio	13	52,276,584	49,652,697
Interest on loan portfolio		51,657,417	49,067,666
fees and commissions on loan portfolio		619,167	585,031
Financial Revenue from Investments		3,761,751	1,539,296
other revenue related to financial services		10,570	409,222
Financial Expenses	14	(6,340,058)	(8,329,261)
Net Financial Income		49,708,847	43,271,954
Impairment Losses on loans		1,440,000	1,051,797
Operating Expenses		22,182,064	17,650,511
Personnel Expenses	15	18,172,969	15,208,843
Adminstration Expenses	16	4,009,095	2,441,668
Professional Fees & Office Utilities		437,868	436,715
Depreciation		790,898	624,133
Other Adminstration Expenses		2,780,329	1,380,820
Net Operating Income		26,086,783	24,569,646
Net Non Operating Income/ Expenses		902,835	1,653,808
Non Operating Revenue	17	1,073,350	2,010,954
Non Operating Expenses	18	170,515	357,146
Net Income Before Taxes & Donations		26,989,618	26,223,454
Taxes & Donations		-	-
Net Income After Taxes & Donations		26,989,618	26,223,454

*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, 2012

	Year Ended 2012	Year Ended 2011
	EGP	EGP
Net Income (Before Taxes & Donations)	26,989,618	26,223,454
Cash Flows from Operating Activities		
Depreciation and Amortization	442,654	(355,562)
Impairment losses on loans	992,476	867,540
Increase in Gross loan portfolio	(16,133,227)	(956,834)
Increase/Decrease Trade Investments	3,065,536	(8,923,722)
Increase/Decrease in Receivables & other assets	(791,426)	(1,967,440)
Increase/Decrease in payables & other liabilities	607,713	858,424
Net Cash (Used by) Operating Activities	15,173,344	15,745,860
Cash Flows from Investing Activities		
Acquisition of Fixed Assets	(133,049)	(152,840)
Net Cash (used by) investing Activities	(133,049)	(152,840)
Cash Flows from financing Activities		
Credit Facilities	(560,148)	(9,490,419)
Long term Borrowing	(14,437,525)	(4,500,998)
Dividends paid	(113,118)	(1,082,686)
Net Cash Provided from Financing Activities	(15,110,791)	(15,074,103)
Net Change in Cash and Due from Banks	(70,496)	518,917
Cash and Due from Banks at The Beginning of the period	776,412	257,495
Cash and Cash Equivalentents at the End of the Year	705,916	776,412

* 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, 2012

		EGP
Donated Equity		51,566,653
Retained earnings beginning of the period	77,974,427	
Net Income of the prior year	26,223,454	
Donations	(113,118)	
Retained earnings end of the period		104,084,763
Net Income of the current year		26,989,618
Balance as of December 31,2012		182,641,034

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

Notes on the Financial Statements

December 31st, 2012

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 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.
- 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, 2012

	Opening Balance		Additions		Disposals		Closing Balance		Accumulated Depreciation				Net as of 31/12/2011		Net as of 31/12/2012	
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	Opening Balance	Period Depreciation	Disposals	Ending Balance	EGP	EGP	EGP	EGP
Buildings	5,300,989	-	-	-	-	-	5,300,989	1,068,423	106,310	-	-	1,174,733	4,126,256	4,232,566		
Office Equipments	2,597,627	196,920	(363,634)	1,968,640	248,179	(363,634)	2,430,913	1,968,640	248,179	(363,634)	1,853,185	577,728	628,987			
Furniture	1,792,501	97,932	(7,039)	1,883,394	126,343	(7,039)	1,883,394	1,004,021	126,343	(7,039)	1,123,325	760,069	788,480			
Photocopiers	55,000	-	-	55,000	-	-	55,000	54,999	-	-	54,999	1	1			
Equipments	1,155,025	17,310	(3,440)	1,168,895	134,728	(3,440)	1,168,895	686,088	134,728	(3,440)	817,376	351,519	468,937			
Software	393,457	9,000	-	402,457	112,825	-	402,457	239,508	112,825	-	352,333	50,124	153,949			
Vehicles	331,950	186,000	-	517,950	88,382	-	517,950	61,085	88,382	-	149,467	368,483	270,865			
Total	11,626,549	507,162	(374,113)	11,759,598	816,767	(374,113)	11,759,598	5,082,764	816,767	(374,113)	5,525,418	6,234,180	6,543,785			

4) Cash and Bank Balances

Description	31/12/2012	31/12/2011
Cash On Hand – Local Currency	76,227	49,886
Banks Current Account – NSGB-Local Currency	2,536	2,786
Banks Current Account- NSGB-Foreign Currency	1,812	5,733
Banks Current Account- BNP Paribas–Local Currency	14,493	937
Banks Current Account- BNP Paribas–Foreign Currency	9,106	307,291
Banks Current Account- Ahly United –Foreign Currency	20,508	34,790
Banks Current Account- Ahly United –Local Currency	5,408	-
Banks Current Account- Misr Bank -Local Currency	536,029	135,575
Banks Current Account-United Bank-Local Currency	39,797	239,414
Total	705,916	776,412

5) Trade Investments “Bank Deposits”

Description	31/12/2012	31/12/2011
National Bank Of Egypt-Foreign Currency	1,023,767	966,599
National Bank Of Egypt-Local Currency	20,000,000	20,000,000
Bank of Alexandria-Foreign Currency	8,360,291	7,894,643
Bank of Alexandria-Local Currency	6,500,000	6,500,000
United Bank - Foreign Currency	797,471	11,342,518
United Bank - Local Currency	10,600,000	-
Ahly United Bank - Foreign Currency	6,101,799	13,192,667
BNP Paribas - Foreign Currency	605,666	7,567,033
BNP Paribas - Local Currency	6,033,930	5,625,000
Al Baraka Bank	10,000,000	-
Total	70,022,924	73,088,460

The applied USD exchange rate as of the date of the financial statements is L.E 6.35 for USD 1.

6) Loan Portfolio Analysis

Description	31/12/2012	31/12/2011
Individuals Loans Borrowers	138,379,185	124,994,821
Group lending Borrowers	29,204,844	26,455,981
Impairment Loss Allowance	(6,374,835)	(5,382,359)
Total	161,209,194	146,068,443

7) Loan Portfolio Report

	From 1/1/2012 to 31/12/2012										Total Branches as December 31, 2012				From 1/1/2011 to 31/12/2011									
	East		West		Sanblawoen		Met Gamr		Dakrnes		Sharbein		Manzalah		Gamalia		Balkas		Manit Alhasr					
	No. of loans portfolio	Value of loans portfolio	No. of loans portfolio	Value of loans portfolio	No. of loans portfolio	Value of loans portfolio	No. of loans portfolio	Value of loans portfolio	No. of loans portfolio	Value of loans portfolio	No. of loans portfolio	Value of loans portfolio	No. of loans portfolio	Value of loans portfolio	No. of loans portfolio	Value of loans portfolio	No. of loans portfolio	Value of loans portfolio	No. of loans portfolio	Value of loans portfolio				
EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP				
Loans Disbursed (SME)	3,601	12,361,000	4,861	24,735,000	6,401	28,314,000	6,371	29,569,500	3,358	12,674,000	3,368	11,426,500	3,702	14,104,000	2,999	11,837,000	4,300	14,820,000	2,946	11,783,500	41,937	171,628,500	38,296	151,659,500
Loans Disbursed (Groups)	14,499	15,093,400	14,513	15,161,350	15,382	15,462,900	16,477	18,999,950	6,997	6,762,500	11,720	10,596,200	11,445	11,859,900	6,023	6,721,900	9,140	7,581,400	5,919	6,265,600	112,095	114,444,100	112,219	105,267,300
Total	27,454,400	39,900,350	43,776,900	48,569,450	19,436,500	22,027,700	25,963,900	18,558,900	22,401,400	17,989,100	286,072,600	151,450,802	167,584,029	151,450,802	167,584,029	151,450,802	167,584,029	151,450,802	167,584,029	151,450,802	167,584,029	151,450,802	167,584,029	151,450,802
Loans Outstanding (SME)	4,752	9,892,368	6,786	20,540,425	8,508	22,639,190	8,753	24,085,956	4,478	10,201,467	4,171	8,867,676	4,845	11,475,966	3,973	9,647,605	5,188	11,134,047	3,914	9,894,466	55,378	136,379,185	55,623	124,994,821
Loans Outstanding (Groups)	6,577	3,877,285	6,971	4,084,247	6,510	3,644,804	6,532	4,063,282	3,440	1,775,740	5,917	2,893,207	5,669	3,272,217	2,949	1,946,937	4,556	2,087,301	2,911	1,660,045	52,032	29,204,844	50,630	26,455,981
Total	13,769,653	24,624,672	26,283,794	28,149,238	11,977,207	11,760,883	14,748,183	11,494,542	13,221,346	11,554,531	167,584,029	151,450,802	167,584,029	151,450,802	167,584,029	151,450,802	167,584,029	151,450,802	167,584,029	151,450,802	167,584,029	151,450,802	167,584,029	151,450,802

8) Impairment Loss Allowance

Description	31/12/2012	31/12/2011
Impairment Loss Allowance 31/12/2011	5,382,359	4,514,819
Provision for loan impairment	1,738,054	1,051,797
Loans Written off	(745,578)	(184,257)
Impairment Loss Allowance 31/12/2012	6,374,835	5,382,359

9) Debtors and Other Debt Balance:

Description	31/12/2012	31/12/2011
Prepaid Expenses	102,461	139,600
Accrued Interest	1,701,275	1,385,792
Employee Loans	1,261,755	519,278
Security deposit rent	29,500	8,500
Mobile phone bills	45,009	36,005
Other debit balances	80,779	340,178
Total	3,220,779	2,429,353

10) Credit Facilities

Description	31/12/2012	31/12/2011
Bank facilities granted by the National Bank Of Egypt, for the purpose of financing small and micro loans activity. The credit limit of this facility is EGP 40,000,000.	22,150,136	24,623,452
Bank facilities granted by the Bank of Alexandria, for the purpose of financing small and micro loans activity. The credit limit of this facility is EGP 13,000,000.	7,146,733	4,799,275
Bank facilities granted by the United Bank, for the purpose of financing small and micro loans activity. The credit limit of this facility is EGP 10,000,000.	6,385,241	5,942,933
Bank facilities granted by the Ahly United Bank, for the purpose of financing small and micro loans activity. The credit limit of this facility is EGP 11,735,000.	-	2,335,212
Bank facilities granted by the Al Baraka Bank, for the purpose of financing small and micro loans activity. The credit limit of this facility is EGP 10,000,000.	1,400,436	-
Bank facilities granted by the BNP Paribas, for the purpose of financing small and micro loans activity. The credit limit of this facility is EGP 9,000,000.	1,106,486	1,048,308
Total	38,189,032	38,749,180

11) Accounts Payable and Other Credit balance:

Description	31/12/2012	31/12/2011
Suppliers	17,806	15,340
Creditors	619,806	773,923
Accrued Expenses	1,343,566	1,182,023
Social Insurance Authority	162,527	-
Employee end of services provision	2,319,821	1,904,990
Withholding taxes	3,222	3,783
Salary taxes	62,619	41,595
Total	4,529,367	3,921,654

12) Long Term Loans:

Description	31/12/2012	31/12/2011
Spain Agency for Development	-	14,437,525
European Investment Bank	10,689,040	16,033,560
Total	10,689,040	30,471,085

- The European Investment Bank provided the association by EUR 2,000,000 with interest rate amount 14% as long term loan at October 21, 2010 Equivalent to EGP 16,033,560 to repaid over 6 years. Also it will be repaid in 2013 with amount EGP 5,344,520 in two installments, this represent the short term loan and the remaining amount is EGP 10,689,040 represent the long term loan.

13) Interest on Loan Portfolio:

Description	2012	2011
SME – Interest received	39,342,509	37,805,880
Group Loans –Interest received	12,934,075	11,846,817
Total	52,276,584	49,652,697

14) Financial Expenses:

Description	2012	2011
Loans interest-SME	3,221,555	4,377,176
Loans interest-Group lending	672,911	861,467
Donors fees and other bank charges	2,445,592	3,090,618
Total	6,340,058	8,329,261

15) Personnel Expenses:

Description	2012	2011
Salaries and allowances	17,252,783	14,416,958
Fringe benefits	920,186	791,885
Total	18,172,969	15,208,843

16) General and Administration Expenses:

Description	2012	2011
General Expenses	795,860	678,454
Communication Expenses	145,599	125,521
Utility Expenses	101,740	81,976
Professional expenses	336,100	354,740
Public relation	1,168,145	167,445
Depreciation	790,897	624,133
Misc. Expenses	434,403	319,065
General training	236,351	90,334
Total	4,009,095	2,441,668

17) Non Operational Revenues:

Description	2012	2011
Training course-revenue	133,582	206,555
Other income-clients	51,643	39,893
Foreign Exchange	888,125	1,764,506
Total	1,073,350	2,010,954

18) Non Operational Expenses:

Description	2012	2011
Client training expenses	52,725	87,571
Depreciation	25,869	51,798
Salaries	49,597	175,500
General expenses	42,324	42,277
Total	170,515	357,146

19) Comparative Figures:

pComparative figures have been reclassified to match current year classification.



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