THE LEBANESE ASSOCIATION FOR DEVELOPMENT – AL MAJMOUA

Financial Statements

31 December 2009

(With Independent Auditors' Report Thereon)

THE LEBANESE ASSOCIATION FOR DEVELOPMENT – AL MAJMOUA

Table of contents

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Independent Auditors' Report

To the Board of Trustees
The Lebanese Association for Development – Al Majmoua

We have audited the accompanying financial statements of The Lebanese Association for Development – Al Majmoua ("the Company"), which comprise the statement of financial position as at 31 December 2009, the statements of comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG
3 May 2010
Beirut, Lebanon

KPMG PCC, a Lebanese Professional Civil Company, is a member firm of
KPMG International, a Swiss cooperative

The Lebanese Association for Development – Al Majmoua

Statement of financial position

As at 31 December

In US Dollars	Note	2009	2008
Assets			
Property and equipment	5	92,581	78,623
Intangible assets	6	33,206	1,255
Loans to customers	7	733,202	299,434
Staff loans	8	157,922	102,997
Total non-current assets		1,016,911	482,309
Loans to customers	7	13,285,891	8,804,864
Interest receivable - loans to customers	10	187,105	140,586
Staff loans	8	116,549	97,330
Prepayments and other receivables		45,618	33,229
Grants receivable	9	32,329	20,600
Blocked deposits	11	126,565	188,291
Cash and cash equivalents	12	1,085,115	1,739,659
Total current assets		14,879,172	11,024,559
Total assets		15,896,083	11,506,868
Net assets			
Funds from donors		7,645,637	6,900,091
Results before funds from donors		4,208,530	3,067,498
Total net assets		11,854,167	9,967,589
Liabilities			
Loans and borrowings	13	2,642,672	176,750
Employee benefits	14	246,021	191,136
Total non-current liabilities		2,888,693	367,886
Loans and borrowings	13	756,370	779,599
Unearned revenue		36,967	199,120
Accounts payable	15	359,886	192,674
Total current liabilities		1,153,223	1,171,393
Total liabilities		4,041,916	1,539,279
Total net assets and liabilities		15,896,083	11,506,868

The notes on pages 6 to 25 are an integral part of these financial statements.

The financial statements were authorized for issue by the Executive Director on behalf of the Board of Trustees on 3 May 2010:

Y Fawaz

Dr. Youssef Fawaz
Executive Director

The Lebanese Association for Development – Al Majmoua

Statement of comprehensive income

For the year ended 31 December
In US Dollars

	Note	2009 Micro Finance	2009 Business Development Services Project	2009 Total	2008 Micro Finance	2008 Business Development Services Project	2008 Total
INCOME							
Service fees - individual loans		530,994	-	530,994	358,901	-	358,901
Interest earned on loans	16	3,429,453	-	3,429,453	2,426,424	-	2,426,424
Income from penalty fees		70,646	-	70,646	40,297	-	40,297
Income from loans to staff		21,155	-	21,155	17,353	-	17,353
Total income		4,052,248	-	4,052,248	2,842,975	-	2,842,975
EXPENDITURES							
Personnel expenses	17	(1,800,146)	(51,567)	(1,851,713)	(1,317,777)	(88,348)	(1,406,125)
Depreciation and amortization	18	(25,568)	-	(25,568)	(28,023)	-	(28,023)
Administrative expenses	19	(604,168)	(309,954)	(914,122)	(419,041)	(349,882)	(768,923)
Impairment on loans to customers	22	(76,495)	-	(76,495)	(12,396)	-	(12,396)
Other expenses		(18,703)	(20,000)	(38,703)	-	-	-
Results from operating activities		1,527,168	(381,521)	1,145,647	1,065,738	(438,230)	627,508
Net finance/(cost) income	20	(36,192)	-	(36,192)	30,265	-	30,265
(Loss) Gain on disposal of assets		(711)	-	(711)	7,647	-	7,647
Non-operating income		9,644	6,883	16,527	12,713	-	12,713
Other income		15,761	-	15,761	69,882	-	69,882
Results before funds from donors		1,515,670	(374,638)	1,141,032	1,186,245	(438,230)	748,015
Funds from donors	21	433,397	312,149	745,546	152,709	312,315	465,024
Net surplus of income over expenditures		1,949,067	(62,489)	1,886,578	1,338,954	(125,915)	1,213,039

The notes on pages 6 to 25 are an integral part of these financial statements.

The Lebanese Association for Development – Al Majmoua

Statement of changes in net assets

In US Dollars	Funds from donors	Results before funds from donors	Total net assets
Balances at 1 January 2008	6,435,067	2,319,483	8,754,550
Results before funds from donors	–	748,015	748,015
Revenue from donors	465,024	–	465,024
Balances at 31 December 2008	6,900,091	3,067,498	9,967,589
Balances at 1 January 2009	6,900,091	3,067,498	9,967,589
Results before funds from donors	–	1,141,032	1,141,032
Revenue from donors	745,546	–	745,546
Balances at 31 December 2009	7,645,637	4,208,530	11,854,167

The notes on pages 6 to 25 are an integral part of these financial statements.

The Lebanese Association for Development – Al Majmoua

Statement of cash flows

For the year ended 31 December
In US Dollars

	Note	2009	2008
Cash flows from operating activities			
Net surplus of income over expenditures		1,886,578	1,213,039
Adjustments for:			
Depreciation and amortization		24,904	27,648
Amortization		664	375
Impairment of loans to customers		76,495	12,396
Net finance cost (income)		36,192	(30,265)
Loss (gain) on fixed assets disposal		711	(7,645)
		2,025,544	1,215,548
Changes in loans to customers		(4,991,290)	(1,629,947)
Changes in interest receivables - loans to customers		(46,519)	(19,328)
Changes in staff loans		(74,144)	(32,715)
Changes in prepayments and other receivables		(12,389)	10,028
Changes in grants receivable		(11,729)	144,666
Changes in blocked deposits		61,726	85,737
Changes in employee benefits		54,885	77,594
Changes in unearned revenue		(162,153)	176,114
Changes in accounts payable		167,212	25,515
		(2,988,857)	53,212
Interest paid		(58,686)	(25,992)
Net cash (used in) from operating activities		(3,047,543)	27,220
Cash flows from investing activities			
Acquisition of property and equipment		(40,497)	(25,748)
Acquisition of intangible assets		(32,615)	–
Interest received		22,494	56,257
Proceeds from sale of property, plant and equipment		924	8,000
Net cash (used in) from investing activities		(49,694)	38,509
Cash flows from financing activities			
Proceeds from long-term debt		3,605,447	418,311
Principal payments on long-term debt		(1,162,754)	(322,099)
Net cash from financing activities		2,442,693	96,212
Net (decrease) increase in cash and cash equivalents		(654,544)	161,941
Cash and cash equivalents at beginning of year		1,739,659	1,577,718
Cash and cash equivalents at end of year	12	1,085,115	1,739,659

The notes on pages 6 to 25 are an integral part of these financial statements.

1. Reporting entity

The Lebanese Association for Development – Al Majmoua ("the Company") is an independent Lebanese not for profit organization domiciled in Lebanon. It was established in 1997 to help owners of small businesses, "micro-entrepreneurs", to expand their micro-activity by offering them sustainable financial services. It was registered at the Ministry of Interior under no. 100/AD, dated 20 August 1997. The Company innovates in order to render access to financial services a right and not a luxury. The Company's leading product is small loans for working capital. It is especially adapted to suit the needs of the thousands of poor Lebanese and non-Lebanese residents who are excluded from access to the banking sector.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in US Dollars (USD), which is the Company's functional currency. All financial information presented in USD has been rounded to the nearest dollar.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have the most significant risk of resulting in a material adjustment within the next financial year is:

Note 7 – Impairment of loans to customers.

(e) Changes in accounting policies

Presentation of financial statements

The Company applies revised IAS 1 Presentation of Financial statements (2007), which became effective as of 1 January 2009. As a result, the Company presents in the statement of net assets all trustees changes in net assets, whereas all non-trustees changes in net assets are presented in the statement of comprehensive income. As of 31 December 2009, the Company does not have items of other comprehensive income.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements except as explained in note 2(e), which addresses changes in accounting policies.

Certain comparative amounts have been reclassified to confirm with the current year's presentation.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are reported in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are retranslated to the functional currency at the exchange rate at the date of the transaction.

(b) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company has mainly loans and receivables as non-derivative financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise interest receivables, loans to customers, staff loans, grants receivable, prepayments and other receivables (see notes 7,8, 9 and 10).

Cash and cash equivalents comprise cash balances and bank deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

Financial liabilities are recognized initially on the trade date at which the Company becomes party to the contractual provisions of the instrument.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Non-derivative financial liabilities (Continued)

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(c) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net on the face of profit or loss.

(ii) Subsequent costs

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative years are as follows:

•	General installations	8.3 years
•	Computer equipment	5.0 years
•	Furniture	11.1 years
•	Vehicles	6.6 years
•	Office equipment	7.7 years

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

3. Significant accounting policies (continued)

(d) Intangible assets

(i) Licences and computer software

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- Licences 3.0 years
- Computer software 5.0 years

(ii) Service in progress

This relates to installment of a new MIS software called "MIFOS".

(e) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at a specific and collective levels.

The impairment for loans to customers considered as non-performing is calculated by applying historical default rate as follows:

	% of provision
Current loans - not yet due	0%
1 - 30 days late payment	20%
31 - 60 days late payment	40%
61 - 90 days late payment	60%
91 - 180 days late payment	80%
More than 180 days late payment	100%

An impairment loss in respect of a financial asset measured at amortized cost is calculated based on the management best estimate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impaired loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant accounting policies (continued)

(e) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Loans written off

Loans are written off on a monthly basis and they include both loan principal and any interest that may have accrued.

Loans are written-off in two cases:

Death of the client.

More than 365 days of arrears.

Write off may occur for loans with more than 180 days due, in case of severe physical disability of the client that hinders his/her ability to pay back the loan in the medium to the long term.

(g) Employee benefits

The Company provides for End-of-Service Indemnity (EoSI), which varies according to each employee's final salary and length of service, subject to the completion of a minimum service period.

The benefit is calculated based on the difference between total indemnities due and total EoSI contributions paid to the National Social Security Fund (NSSF). EoSI contributions paid to the NSSF represents 8.5% of employee benefits. The Company does not use the Projected Unit Credit method since the End-of-Service Indemnity is provided for adequately, consequently no interest and actuarial gains or losses are recognized.

3. Significant accounting policies (continued)

(h) Revenue

(i) Service fees on loans

Revenue from service fees on loans is recognized in profit or loss upon granting the loan. The charges are directly collected once the loan is granted to clients.

(ii) Interest earned on loans

Interest earned on loans is collected with the customers' monthly installments and it is recognized in profit or loss when the installments are due. Due but unpaid interest is accrued on late loans for up to 365 days. After 365 days, late loans are classified as non-performing and further accrual of unpaid interest income ceases. Accrued interest on non performing loans is reversed out of income by being written-off, on an ongoing basis.

(iii) Donations

Donations for loan capital funding and to subsidize operating and administrative expenses are recorded in the statement of income as grant income. Income from donor grants is recognized when conditions on which they depend have been met.

(i) Expenses allocation for segment reporting

The Company allocates expenses between the Business Development Services project and the micro-finance project on actual and proportional basis depending on the nature of the expense. Major administrative expenses are allocated on actual basis except for some indirect expenses where the allocation is calculated on the basis of the number of personnel involved and the time spent on the projects. All personnel expenses are recorded on actual basis based on number of employees involved and timesheets.

(j) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. All borrowing costs are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(l) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and those have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company.

(m) Other disclosure requirements

The Company complies with the Disclosure Guidelines for Financial Reporting by Microfinance Institutions. These guideliness are voluntary norms recommended by a consultive group of international donors. Thus a Company's failure to comply with these guidelines would not necessarily imply that the organization or its financial statements are in violation of any legal or other authoritative accounting or reporting standard.

4. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Trustees has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Loans to customers

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's customer base is distributed between individuals and groups. The Company is not subject to concentration risk since all loans are micro loans.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company approves lending the customers.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are new or recurring customers.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific and collective loss components that relates to individually significant exposures.

4. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circusmtances that can not reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

4. Financial risk management (continued)

Operational risk (continued)

Compliance with Company's standards is supported by a programme of periodic reviews undertaken by management. The results of management reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Executive Director of the Company.

Capital management

The Company's debt to net asset ratio at the end of the reporting year was as follows:

In U.S. Dollars	2009	2008
Total liabilities	4,041,916	1,539,279
Less: cash and cash equivalents	1,085,115	1,739,659
Net debt	2,956,801	(200,380)
Total net assets	11,854,167	9,967,589
Debt to net assets ratio at 31 December	0.25	(0.02)

There were no changes in the Company approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

5. Property and equipment

In U.S. Dollar	General installations	Computer equipment	Furniture	Vehicles	Office equipment	Total
Cost						
Balance at 1 January 2008	46,306	71,718	72,116	77,260	56,238	323,638
Additions	–	11,330	8,721	–	5,697	25,748
Disposals	(2,479)	–	(21)	(14,500)	–	(17,000)
Balance at 31 December 2008	43,827	83,048	80,816	62,760	61,935	332,386
Balance at 1 January 2009	43,827	83,048	80,816	62,760	61,935	332,386
Additions	–	28,170	5,995	–	6,332	40,497
Disposals	(24,950)	(19,448)	(2,666)	–	(1,830)	(48,894)
Balance at 31 December 2009	18,877	91,770	84,145	62,760	66,437	323,989
Depreciation						
Balance at 1 January 2008	35,977	58,108	44,280	60,845	43,550	242,760
Depreciation for the year	5,501	4,977	7,151	4,554	5,465	27,648
Disposals	(2,127)	–	(18)	(14,500)	–	(16,645)
Balance at 31 December 2008	39,351	63,085	51,413	50,899	49,015	253,763
Balance at 1 January 2009	39,351	63,085	51,413	50,899	49,015	253,763
Depreciation for the year	2,016	8,506	7,456	2,446	4,480	24,904
Disposals	(24,925)	(18,104)	(2,485)	–	(1,745)	(47,259)
Balance at 31 December 2009	16,442	53,487	56,384	53,345	51,750	231,408
Carrying amounts						
At 1 January 2008	10,329	13,610	27,836	16,415	12,688	80,878
At 31 December 2008	4,476	19,963	29,403	11,861	12,920	78,623
At 31 December 2009	2,435	38,283	27,761	9,415	14,687	92,581

The Lebanese Association for Development – Al Majmoua

Notes to the financial statements

31 December 2009

6. Intangible assets

In U.S. Dollars

	Service in progress	Licenses	Computer software	Total
Cost				
Balance at 1 January 2008	–	20,537	19,505	40,042
Additions	–	–	–	–
Balance at 31 January 2008	–	20,537	19,505	40,042
Balance at 1 January 2009	–	20,537	19,505	40,042
Additions	30,000	–	2,615	32,615
Balance at 31 December 2009	30,000	20,537	22,120	72,657
Amortization				
Balance at 1 January 2008	–	20,537	17,875	38,412
Amortization for the year	–	–	375	375
Balance at 31 December 2008	–	20,537	18,250	38,787
Carrying amounts				
Balance at 1 January 2009	–	20,537	18,250	38,787
Amortization for the year	–	–	664	664
Balance at 31 December 2009	–	20,537	18,914	39,451
Carrying amounts				
At 1 January 2008	–	–	1,630	1,630
At 31 December 2008	–	–	1,255	1,255
At 31 December 2009	30,000	–	3,206	33,206

7. Loans to customers

In U.S. Dollars	2009	2008
Non-current		
Individual loans	635,140	299,434
Group loans	98,062	–
	733,202	299,434
Current		
Individual loans	12,009,807	8,193,050
Group loans	1,428,936	827,962
Impairment of loans to customers	(152,852)	(216,148)
	13,285,891	8,804,864
	14,019,093	9,104,298

The Company's exposure to credit and currency risks, and impairment losses related to loans from customers are disclosed in note 22.

8. Staff loans

In U.S. Dollars	2009	2008
Non-current		
Loan principal	157,922	102,997
Current		
Loan principal	114,821	94,348
Advances to employees	1,728	2,982
	116,549	97,330
Total staff loans	274,471	200,327

Staff who have been working with the Company for a minimum of 2 years and with a good performance are entitled to personal loans. Field staff working for 6 months may apply for a car loan. For staff working between 6 to 18 months, they need a guarantor in order to receive a loan.

The loans are charged with an interest rate of 9% on a declining basis and the maximum repayment period is set over 36 months. The computation is based on the basic salary and the average amount of monthly bonus received by the employee over the last 6 months, along with the total number of months of service in the Company. Directors are not allowed to take loans from the Institution nevertheless, in exceptional cases, the decision remains at the discretion of the Board of Trustees. Rescheduling of a loan is an option only when the employee has settled more than 75% of the loan (capital and interest).

8. Staff loans (continued)

Advances to employees

Salary advances are granted to employees who have completed their probation period and with a good performance. Staff members may take up to one-month salary advance for emergency expenses that are not related to business needs. Salary advances are to be repaid over a maximum of three months and the payment is automatically deducted from the paycheck.

9. Grants receivable

In U.S. Dollars	**2009**	**2008**
Tobe Cie	–	20,600
Premier Urgence	1,204	–
WEPASS	1,800	–
WEPASS-Project 2	1,438	–
WEPASS-Jordan Trip	11,394	–
Vega Fund	16,493	–
	32,329	20,600

The Company's exposure to credit and currency risks related to grants receivable is disclosed in note 22.

10. Interest receivable – loans to customers

In U.S. Dollars	**2009**	**2008**
Scheduled accrued interest		
Individual loans	160,897	124,799
Group loans	26,208	15,787
	187,105	140,586

11. Blocked deposits

On 21 October 2003, The Company signed an agreement (in the form of a loan contract) with the Council for Development and Reconstruction (CDR) for the benefit of the Economic Social Fund for Development (ESFD). The agreement states that the CDR agrees to lend The Company an amount of LBP 1,800,000,000 (equivalent to USD 1,193,634) for the purpose of on-lending to micro and very small sized enterprises. The funds were disbursed to the Company in trenches in years 2004 and 2005.

As of 31 December 2009 the bank guarantee amounted to LBP 90 million. Against the bank guarantee, a blocked bank account (of 6 month maturity) was opened with an annual effective interest rate of 5.5%.

12. Cash and cash equivalents

In U.S. Dollars	2009	2008
Cash on hand	62,024	46,659
Current bank balances	863,577	1,103,332
Term deposits	159,514	589,668
Cash and cash equivalents in the statement of cash flows	1,085,115	1,739,659

The Company's exposure to interest rate risk and sensitivity analysis for financial assets is disclosed in note 22.

13. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 22.

In U.S. Dollars	2009	2008
Non-current liabilities		
Planis Loan	250,000	–
Triple Jump Loan	1,647,672	–
WEPASS	–	90,000
Cisco Loan	250,000	–
Blue Orchard	250,000	–
Grameen Foundation	–	46,750
Habitat Loan	245,000	40,000
	2,642,672	176,750
Current liabilities		
Council for Development and Reconstruction	–	286,530
Grameen Foundation	44,880	93,500
Kiva Microfund	510,490	379,569
WEPASS	90,000	–
Ijma3 Loan	6,000	20,000
Habitat Loan	105,000	–
	756,370	779,599
	3,399,042	956,349

13. Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In U.S. Dollars	Currency	Nominal interest rate	Year of maturity	2009 Face Value	2009 Carrying amount	2008 Face Value	2008 Carrying amount
Planis Loan	LBP	7.5%	2011	250,000	250,000	-	-
Triple Jump Loan	LBP	7.5%	2013	1,647,672	1,647,672	-	-
ESFD	LBP	4.0%	2009	-	-	286,530	286,530
WEPASS Loan	LBP	0%	2010	90,000	90,000	90,000	90,000
Blue Orchard	USD	7.75%	2011	250,000	250,000	-	-
Cisco Loan	USD	0%	2011-2012	250,000	250,000	-	-
Grameen Loan	USD	4%	2010	44,880	44,880	140,250	140,250
Kiva Microfund	USD	0%	2010	510,490	510,490	379,569	379,569
Ijma3 Loan	USD	0%	2010	6,000	6,000	20,000	20,000
Habitat Loan	USD	4%	2010 - 2011	350,000	350,000	40,000	40,000
				3,399,042	3,399,042	956,349	956,349

14. Employee benefits

In U.S. Dollars	2009	2008
Beginning Balance	191,136	113,542
Additional Provision	70,987	85,234
Releases	(11,626)	(7,640)
Payments	(4,476)	-
	246,021	191,136

15. Accounts payable

In U.S. Dollars	2009	2008
National Social Security Fund and taxes	61,791	42,629
Wages and salaries payable	106,398	41,720
Suppliers	42,902	44,148
Accruals	148,795	64,177
	359,886	192,674

The Company's exposure to currency and liquidity risk related to accounts payable is disclosed in note 22.

16. Interest earned on loans

In U.S. Dollars	2009	2008
Individual loans	3,061,695	2,183,382
Group loans	367,758	243,042
	3,429,453	2,426,424

17. Personnel expenses

In U.S. Dollars	**2009**	**2008**
Salaries	1,000,035	819,338
Incentive bonuses	336,784	174,800
Other benefits	62,399	42,781
Contributions to National Social Security Fund	236,331	183,618
End of service indemnity allowance	66,341	78,285
Personnel transportation and lodging	149,823	107,303
	1,851,713	1,406,125

18. Depreciation and amortization

In U.S. Dollars	**2009**	**2008**
Depreciation	24,904	27,648
Amortization	664	375
	25,568	28,023

19. Administrative expenses

In U.S. Dollars	**2009**	**2008**
Consumables	98,802	61,649
Purchases for BDS beneficiaries	139,227	194,158
Transportation, PTT, electricity and water	147,335	110,045
Maintenance and repairs	38,926	23,439
Field expenses, lodging and Travel Expenses	62,515	89,500
Rent	75,340	64,200
External personnel services	173,715	139,572
Insurance premium	22,220	17,552
Operational taxes	44,929	10,078
Other external services	22,696	20,742
Other charges	88,417	37,988
	914,122	768,923

20. Net finance / (cost) income

In U.S. Dollars	**2009**	**2008**
Interest income on bank deposits	22,494	56,257
Interest expense on loans and borrowings	(58,686)	(25,992)
Net finance (cost) income	(36,192)	30,265

21. Funds from donors

In U.S. Dollars	**2009**	**2008**
WEPASS	63,586	21,046
Oxfam - Quebec	82,321	–
MAP UK	–	20,000
Premiere Urgence	–	12,856
Oxfam (Livelihoods)	97,728	234,122
Oxfam GB	10,275	26,198
ILO In Capital	16,947	134,609
NCLW- Maarakeh	16,687	–
Siraj	16,166	–
Vega	416,450	–
Miscellaneous Donors	25,386	16,193
	745,546	465,024

22. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the statement of financial position date was:

In U.S. Dollars	**Note**	**2009**	**2008**
Loans to customers	7	14,019,093	9,104,298
Staff loans	8	274,471	200,327
Prepayments and other receivables		45,618	33,229
Grants receivable	9	32,329	20,600
Blocked deposits	11	126,565	188,291
Cash and cash equivalents	12	1,085,115	1,739,659
		15,583,191	11,286,404

The maximum exposure to credit risk for loans to customers at the statement of financial position date by type of customer was:

In U.S. Dollars	**2009**	**2008**
Individual loans	12,592,893	8,287,793
Group loans	1,426,200	816,505
	14,019,093	9,104,298

22. Financial instruments (continued)

Credit risk (continued)

Impairment losses

The aging of loans to customers at the reporting date was:

In U.S. Dollars	2009 Gross	2009 Impairment	2008 Gross	2008 Impairment
Not yet due	13,940,228	–	9,054,138	–
1 - 30 days late payment	52,477	10,496	39,396	7,850
31 - 60 days late payment	24,953	9,981	10,712	4,285
61 - 90 days late payment	32,109	19,265	13,687	8,212
91 - 180 days late payment	45,339	36,271	33,557	26,845
More than 180 days late payment	76,839	76,839	168,956	168,956
	14,171,945	152,852	9,320,446	216,148

The movement in the allowance for impairment in respect of loans to customers during the year was as follows:

In U.S. Dollars	2009	2008
Balance at 1 January	216,148	295,788
Impairment loss on loans	76,495	12,396
Write-offs	(139,791)	(92,036)
Balance at 31 December	152,852	216,148

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of loans to customers not yet due.

Liquidity risk

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments:

In U.S. Dollars	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	More than 2 years
31 December 2009					
Loans and borrowings	3,399,042	(3,954,165)	(914,800)	(1,040,493)	(1,998,872)
Accounts payable	359,886	(359,886)	(359,886)	–	–
	3,758,928	(4,314,051)	(1,274,686)	(1,040,493)	(1,998,872)
31 December 2008					
Loans and borrowings	956,349	(1,036,718)	(808,913)	(65,725)	(162,080)
Accounts payable	192,674	(192,674)	(192,674)	–	–
	1,149,023	(1,229,392)	(1,001,587)	(65,725)	(162,080)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

22. Financial instruments (continued)

Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows:

In U.S. Dollars	LBP	USD	LBP	USD
	31 December 2009		31 December 2008	
Loans to customers	1,166,735	12,852,358	767,483	8,336,815
Grants receivable	–	32,329	–	20,600
Blocked deposits	–	126,565	–	188,291
Cash and cash equivalents	156,028	929,087	183,074	1,556,585
Loans and borrowings	–	(3,399,042)	(286,530)	(669,819)
Accounts payable	(70,437)	(289,449)	(50,991)	(141,683)
Gross financial position exposure	1,252,326	10,251,848	613,036	9,290,789

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
LBP	2009	2008	2009	2008
USD 1	1,508.00	1,508.00	1,508.00	1,508.00

Sensitivity analysis

A 10 percent strengthening of the Lebanese Pound, against USD at 31 December would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

In US Dollars	Profit or loss
31 December 2009	
USD	(125,233)
31 December 2008	
USD	(61,304)

A 10 percent weakening of the Lebanese Pound against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

22. Financial instruments (continued)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

In US Dollars	Carrying amount	
	2009	**2008**
Fixed rate instruments		
Financial assets	15,505,244	10,873,400
Financial liabilities	(3,399,042)	(956,349)
	12,106,202	9,917,051

23. Contingencies

Litigation, claims and assessments

The Company is involved in routine legal and administrative proceedings incident to the normal conduct of business. Management believes the ultimate disposition of such matters will not be material to the Company's business, financial position, results of operations, or cash flows.

24. Related party transactions

(i) Transaction with key management personnel

In U.S. Dollars	**2009**	**2008**
For the year:		
Short-term employee benefits	135,282	114,839
As at year end:		
Employee benefits	28,812	18,279