

Al Majmoua

annual report

2011



Message from the Executive Director



“I AM CONFIDENT IN OUR ABILITIES TO CONTINUE WORKING TOWARDS IMPROVING THE LIVES OF LOW-INCOME INDIVIDUALS”

Year after year, Al Majmoua sustains its steady and even growth, firmly establishing itself as the leading provider of microfinance in Lebanon; helping create an inclusive financial system accessible to all, particularly micro-entrepreneurs and women.

We continued to expand our outreach all over the country, averaging 30% year-on-year growth. Since 2008, we doubled our portfolio and number of active clients, vastly expanded our network of regional branches, and diversified our sources of funding between local and international investors. We have done so while managing cautiously our double bottom line, maintaining our profitability and efficiency while decreasing the costs borne by our clients. This could not have been achieved without the hard work of our dedicated and committed staff.

Growth calls for ever stronger processes and controls. We improved our risk management abilities through the expansion of the Field Control department's scope and size and the introduction of a Risk Management position. We added a Research and Development department to help refine our business processes and develop new products. To accompany the need of an ever increasing client base and more complex queries and reporting, a new Management Information System was deployed. Last, but not least, we established the Human Resources department and revamped our training programs.

Keeping the client at the center of our strategy, we have developed new financial and non-financial services and revised existing ones. We redesigned the group loan, launched new products such as loans for ICT, home improvement and SMEs. Our Non-Financial Services unit continues to assist thousands of clients and non-clients in developing their businesses, living conditions and personal capacities; with priority given to women and youth. Seeking to decrease transaction time and cost, we increased the number of repayment points for our clients through new partnerships with the national post office and money transfer agents, thereby making accessible close to 500 outlets.

Ever committed to Social Performance Management and client protection, we were able to pass on our improvements in profitability and efficiency back to our clients by reducing our effective interest rate, resulting in a 15% reduction in cost to the borrowers. As active supporters and endorsers of globally-launched initiatives, such as the Smart Campaign, we were pioneers in improving transparency of pricing in Lebanon by removing the upfront fees on most of our loans.

With the strength of purpose of our team, I am confident in our abilities to continue working towards improving the lives of low-income individuals by further expanding their access to affordable financial and non-financial services.

Dr. Youssef Fawaz
Executive Director

Board of Directors

President

Mr. Ramzi El Hafez
General Manager of InfoPro & Publisher of Lebanon Opportunities

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Associate Dean, CME & IT; Professor & Chair, Family Medicine at the American University of Beirut AUB

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General Manager of OmniSystems

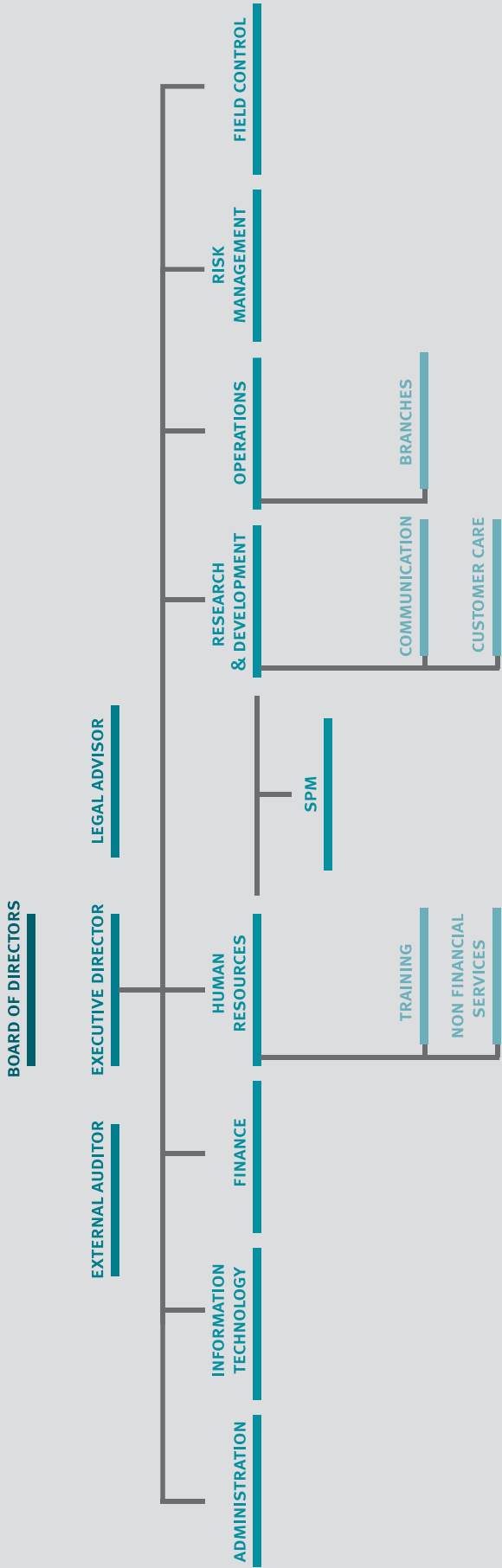
Accountant

Mr. Hussein Rifaï
Chairman General Manager of Management & Development International Company (MDIC)

Member

Dr. Sateh Arnaout
Senior Urban Development Specialist at the World Bank, Lebanon

Organization Chart



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Who We Are

Al Majmoua is an independent, non-profit Lebanese Non-Governmental Organization, initially created as a micro-credit program by Save the Children in 1994 to finance low-income women entrepreneurs. After becoming fully autonomous in 1998, we expanded our services into new areas and registered with the Lebanese Ministry of Interior in August 1997. Al Majmoua stands as the leading microfinance and non-financial services NGO in the country, with a base of more than 28,000 active clients.



Our Mission and Vision

Al Majmoua's mission is to promote sustainable development by improving the economic and social conditions of low-income individuals, especially micro-entrepreneurs and women, through the provision of financial and non-financial services, all over the Lebanon.

Our vision is to be the leader in creating an inclusive financial system where all people in Lebanon have access to affordable services.

What We Do

Al Majmoua's core business is to provide group and individual micro-loans to those who have limited or no access to formal lending channels, thus ensuring a regular source of income to them and to their families. We complement our assistance with non-financial services to guarantee that our loans contribute to the sustainable development of our beneficiaries' businesses and lives.

Our Team

Al Majmoua's team consists of 203 highly motivated, skilled and dedicated full-time employees: 29 personnel in the Head Office and 174 field staff. Loan Analysts, the core of the field staff, are recruited from local communities; by building on their social networks and local familiarity, we are able to provide superior customer service to our clients.

An Equal-Opportunity Employer

In line with our statement of equity and our non-discriminatory policy, we endeavor unbiased employment, offering equal opportunity and treatment, sound compensation policies and labor conditions in a safe working environment. Women constitute 47% of staff and 50% of the senior management team, while 8% of our employees are of Palestinian nationality and 6% are ex-Al Majmoua clients.

Capacity Building and Training

Since empowering our staff is essential to our success, Al Majmoua highly invests in capacity-building and training programs, providing at least one day of training per year per employee. Seminars and workshops are provided throughout the year in various areas such as management, strategic thinking, finance, communication, negotiation and selling skills.

These trainings are delivered externally or internally using the curriculum developed by Al Majmoua's Training Unit or adapted curriculums of international organizations such as the Microfinance Network of Arab Countries (Sanabel), the Consultative Group to Assist the Poor (CGAP), the International Labor Organization (ILO) and Microfinance Opportunities. Five of Al Majmoua's staff are master trainers, certified by these organizations.

Training to Peer Institutions

Our drive is to contribute to the overall development of the underserved population as well as the microfinance industry. Accordingly, our Training Unit does not limit staff training sessions to Al Majmoua's employees, but also extends this support to peer institutions. Our trainings have benefited Lebanese and foreign microfinance providers on topics such as entrepreneurship, business management, and micro-entrepreneur follow-up and counseling.

Financial Services

LOAN TYPE	LOAN RANGE (USD)	TARGET CLIENTS
GROUP LOAN	200 - 2,000	A group of 3 to 10 women entrepreneurs in rural areas
MICRO-ENTREPRENEUR LOAN*	300 - 5,000	Existing micro-businesses and few start-ups
WORKER LOAN*	300 - 3,000	Employees not registered in the National Social Security Fund (NSSF) or those not qualified for a bank loan
SMALL & MEDIUM ENTERPRISES (SME) LOAN	5,500 - 15,000	Present or new clients with existing micro-businesses
HOME IMPROVEMENT LOAN (HABITAT FOR HUMANITY)	500 - 5,000	Low-income individuals wanting to fix or improve their houses
INFORMATION & COMMUNICATION TECHNOLOGY (ICT) LOAN (CISCO)	500 - 10,000	Existing and start-up businesses in the ICT sector located in rural areas

**ALSO OFFERED IN LOCAL CURRENCY (LBP)*



Non-Financial Services

In 2006, Al Majmoua started providing non-financial services mainly to women, whether borrowers or non-borrowers. These services comprise a variety of free trainings and social activities which play a complementary role in developing beneficiaries' businesses and improving their quality of life and family conditions.

Business Development Services

Business management trainings: entrepreneurship, market study, SWOT analysis, business planning, management, marketing, promotion, legal registration

Financial education trainings: debts, budgeting, savings

Vocational trainings: technical trainings to orient women towards new types of income-generating activities

Individual business diagnosis: in-depth business diagnosis, co-elaboration and implementation of short-term business action plans

Youth entrepreneurship program: leadership, entrepreneurship, business creation

Product Quality Improvement and Marketing

Product quality improvement and control: awareness sessions on food quality, hygiene and Hazard Analysis Critical Control Point (HACCP) – designed specifically for food and agri-business micro-entrepreneurs

Supplier trips: group trips to wholesale suppliers allowing clients to purchase raw materials at discounted prices

Marketing and commercialization support: assistance in designing basic market research, product labeling and packaging, organization of fairs and exhibitions to provide direct sales channels and larger market outreach

Personal Development

Personal development sessions: gender awareness, women economic rights, communication, self-confidence, decision-making, household budget management

Awareness sessions: children rights, parents-children relations, domestic violence, health prevention, cluster bombs awareness

Networking: involving women beneficiaries in regional forums where they exchange experience and know-how, expand their network, and gain self-confidence and initiative

Provision of Toolkit and Equipment

Post-conflict recovery: emergency toolkits, business toolkits, client-targeted solutions

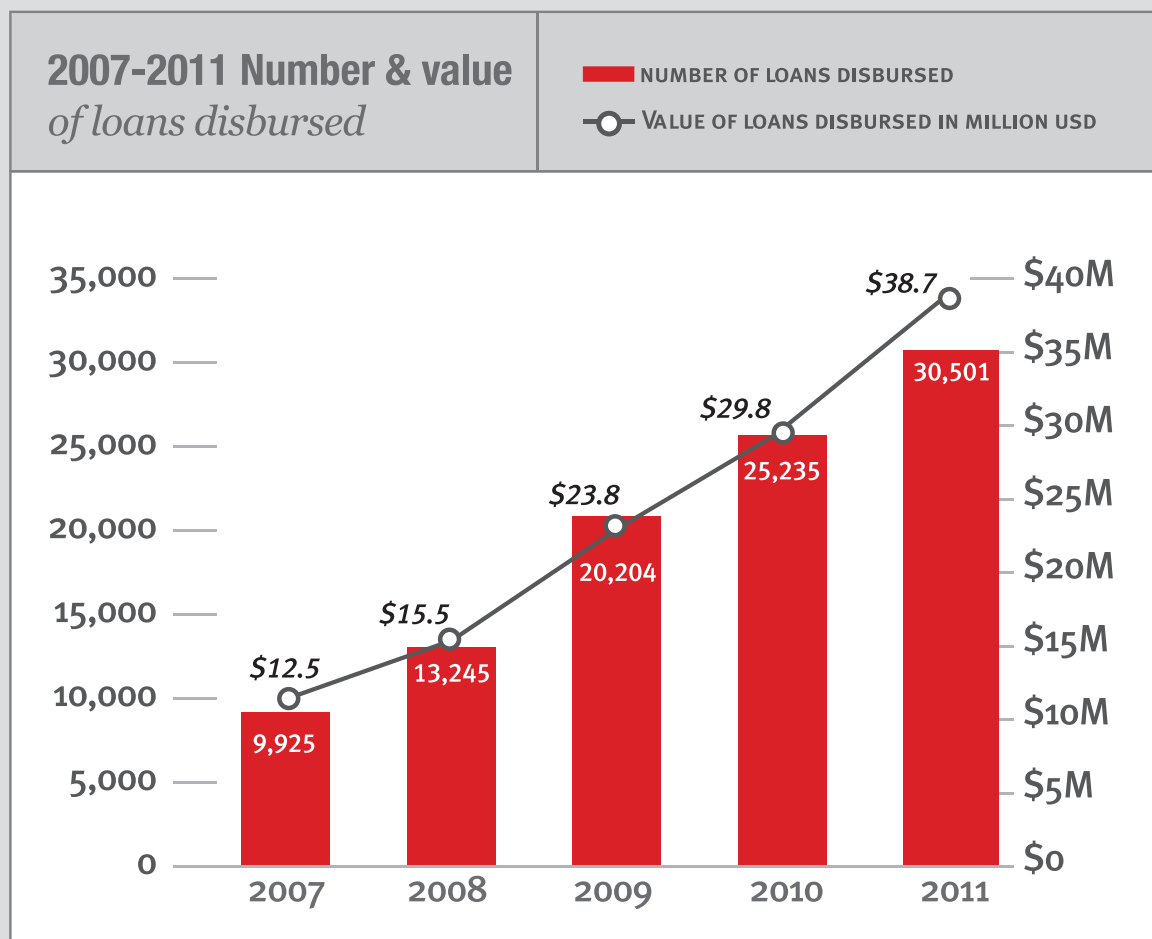


Al Majmoua had an outstanding credit portfolio of USD 24.6 million and 28,725 active clients as of December 2011, achieving the largest portfolio and client base in Lebanon among MFIs that follow international best practices. Providing non-discriminatory financial assistance, Al Majmoua reaches more than 2,000 Palestinian nationals across Lebanon.

Al Majmoua achieved financial self-sufficiency in 2004, and launched non-financial services in 2006. Since inception, we have disbursed approximately 160,000 loans totaling close to USD 200 million.

Today, Al Majmoua's strengths are grounded in our:

- long-lasting experience in microfinance management across Lebanon
- responsiveness to market changes and adaptability of services
- ability to manage and grow even in times of crisis and emergency situations
- human capital in which we have patiently invested throughout the years
- institutional culture fostering loyalty and dedication of staff



OUR CLIENTS:
Loyalty and Trust

مين كان بيقول إنو مرا بتعمل مشروع؟ وهلق
كلنا عم نعمل مشاريع! المجموعة بتجنن وأنا
ما شفت منن إلا كل خير.

Hayat, retailer & handcrafter from Sabra & Chatila
Palestinian Camp, Beirut

A pioneer client, Hayat received her first Group Loan of USD 200 in 1997 to start a home-based business selling toys and flowers. With several consecutive loans, she managed to build her own store close to her house.

Expanding her offerings, Hayat's work now includes embroidery, vases, flower baskets, decorated trays, beadwork, as well as stationary and school products. The expansion of her business has allowed Hayat to improve the well-being of her family. She has contributed to her husband's medical treatment and to her two children's education; she also renovated her house and bought new furniture.

Hayat is quite appreciative of Al Majmoua's support. "Who would have said that a woman can start her own business? Thanks to Al Majmoua this has become possible," she says.

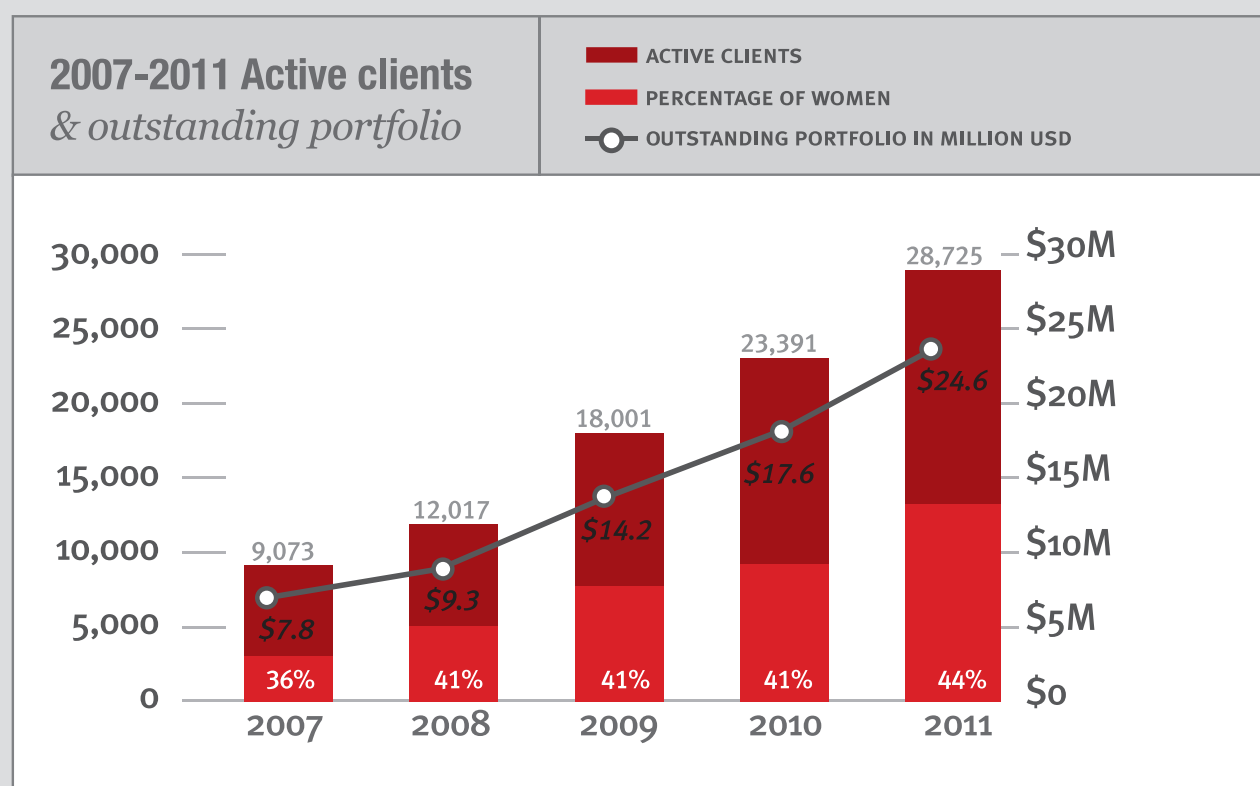
Since 1997, Hayat has a cumulative borrowing history of USD 28,275 through 8 group loans & 12 micro-entrepreneur loans.



Activity Overview

Our clients range from self-employed micro-entrepreneurs to registered small businesses and home-based working women. Since 2008, our active client base has increased by an average of 5,300 borrowers each year. The share of youth borrowers (18 to 30 years old) stood at 27% by the end of 2011. Demand was mostly concentrated on individual micro-entrepreneur and worker loans as well as group loans. In 2011, these loan products constituted 39%, 32% and 26% of the outstanding client distribution, respectively.

With regards to portfolio size, Al Majmoua observed unprecedented growth in the value of loans disbursed, reaching USD 38.7 million in 2011. This is mainly due to the growth of individual lending and SME loans. As at end 2011, SME loans comprised 3% of the outstanding portfolio.



Performance Indicators					
	2007	2008	2009	2010	2011
PORTFOLIO AT RISK (PAR> 30 Days)	3.96%	2.38%	1.2%	1.09%	0.6%
OPERATIONAL SELF-SUFFICIENCY (OSS)*	156%	168%	160%	138%	138%
FINANCIAL SELF-SUFFICIENCY (FSS)*	139%	131%	128%	120%	130%

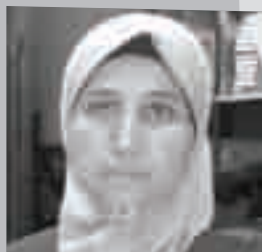
* OSS MEASURES COSTS COVERAGE FROM OPERATING REVENUES

* FSS MEASURES COSTS COVERAGE, ACCOUNTING FOR ADJUSTMENTS (SUCH AS SUBSIDY AND INFLATION) TO OPERATING REVENUES AND EXPENSES

Breakdown of Activity

The growing activity and operational efficiency since 2007 were both administered and complemented by increased staffing and field expansion. Al Majmoua nearly tripled the staff from 75 to 203 employees and doubled the number of branches from eight to 16 by the end of 2011. The newly-opened branches strengthened our presence, allowing us to reach more clients and enhance our service, particularly in remote districts.

Over the past four-year period, Al Majmoua improved the portfolio quality with the Portfolio at Risk value (PAR>30) decreasing from 2.38% in 2008 – which was primarily due to the aftermath of the July 2006 War – to 0.6% in 2011. In 2009, interest rates were reduced and administration fees were removed on the majority of loans.



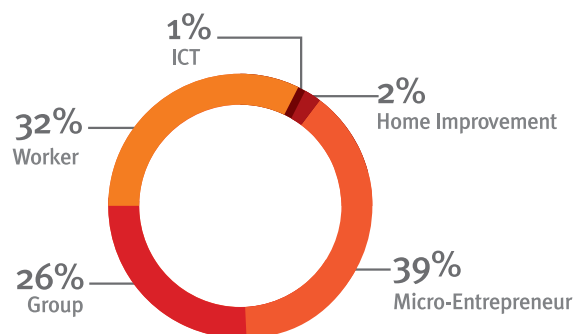
Faten, multi-purpose store & roastery owner from Tayouneh, Beirut

“Using Al Majmoua’s loans, I expanded my telephone services office into a multi-purpose store, adding mobile recharge cards, stationery and home supplies to my offerings. Since then, my earnings became stable and increased significantly, helping me cover my household expenses which have been my sole responsibility, such as the health emergency needs of my hemophiliac son, better schooling for my two children, and buying new furniture. With Al Majmoua’s responsive support, I am always confident to start new projects such as my newly-opened roastery.”

Since 2008, Faten has a cumulative borrowing history of USD 8,000 through 4 micro-entrepreneur loans. She is also a winner of the Citigroup Micro-Entrepreneurship Award (CMA) in 2011.

2011

Distribution by loan type of Al Majmoua clients (in %)



بكل إختصار التعامل مع
المجموعة ممتاز، فوق
الممتاز! من أول ما بلّشت
معن لهلق دايماً بلّبوا طلباتي
بسرة و بلا تعقيدات.

Expanded Outreach

Al Majmoua had 16 branches around the country as of December 2011, allowing our field staff to easily reach and work closely with clients. Our extensive network consists of 6 branches in Beirut and Mount Lebanon, 6 in South Lebanon, 3 in Bekaa, and 1 in North Lebanon.

Since 2008, Al Majmoua has observed balanced client distribution between the rural and urban regions of Lebanon. At the end of 2011, 49% of our clients resided in urban areas and 51% in rural ones.



Morshid, furniture designer
& gallery owner from Al
Ain, Bekaa

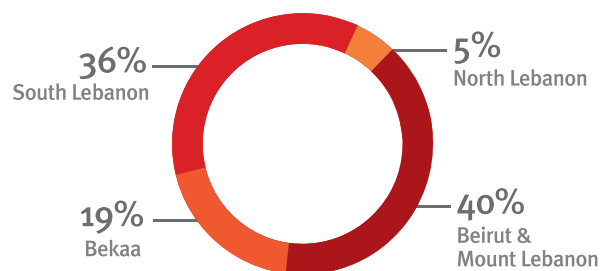
"In 2002, I opened up a small furniture gallery, and as I wanted to grow my business, I was fortunate to have Al Majmoua endorsing my ambition. Through consecutive borrowings, I managed to expand my product offerings. I now run a modern institution with a rented warehouse and two owned exhibition halls, retailing all types of furniture and home appliances as well as crafting customized bedrooms. I am also employing a saleswoman and two of my brothers on part-time basis. I am very grateful to Al Majmoua which has played a fundamental role in my career development to date. I am positive that our journey together will continue with trust and stability."

Since 2003, Morshid has a cumulative borrowing history of USD 47,500 through 4 micro-entrepreneur loans & 3 SME loans.

المجموعة بتفرج الإنسان!
هَيَّيْ جزء مهم من شغلي
و نحنا مكفيين بالمسيرة
مع المجموعة بثقة متبادلة
وإستمرارية انشالته.

2011

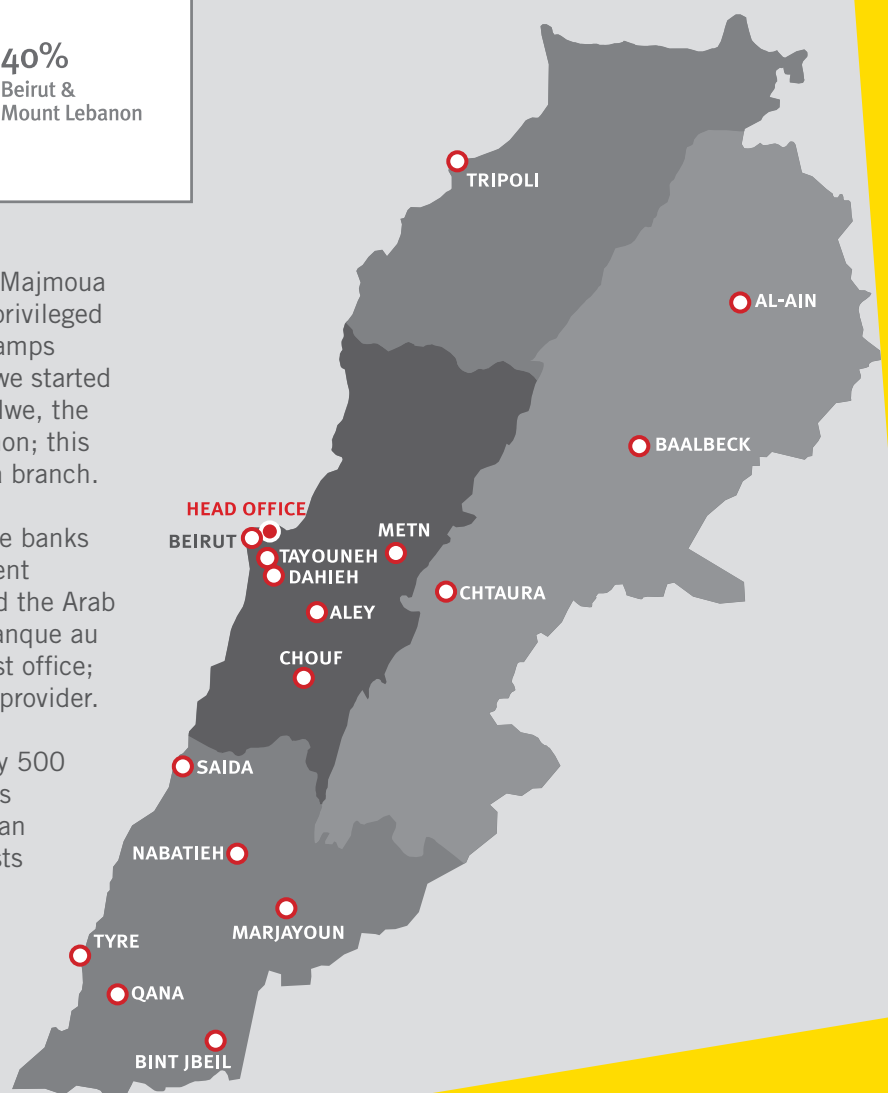
Geographic distribution of Al Majmoua clients (in %)



Besides reaching remote rural regions, Al Majmoua promotes the financial inclusion of underprivileged men and women residing in Palestinian camps around the country. By the end of 2011, we started to set-up a branch dedicated to Ain El Helwe, the largest Palestinian refugee camp in Lebanon; this area was previously managed by the Saida branch.

Al Majmoua cooperates with four Lebanese banks and institutions to provide a wide repayment network for our clients: Bank of Beirut and the Arab Countries (BBAC); Société Générale de Banque au Liban (SGBL); LibanPost, the national post office; and CashUnited SAL, a financial services provider.

Currently, Al Majmoua has a total of nearly 500 repayment outlets around the country. This has considerably facilitated our clients' loan settlements, reduced their transaction costs and increased their satisfaction.

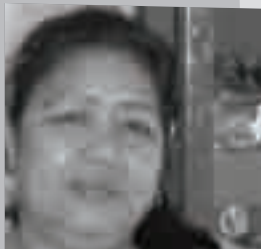


Gender Equality

Committed to women empowerment, Al Majmoua has been keen on increasing the percentage of women borrowers.

Out of the total loans disbursed throughout 2011, 50% were channeled to women who mainly benefited from group lending.

By the end of 2011, the proportion of active female clients reached 44%, rising from 36% in 2007 and 41% in 2008.



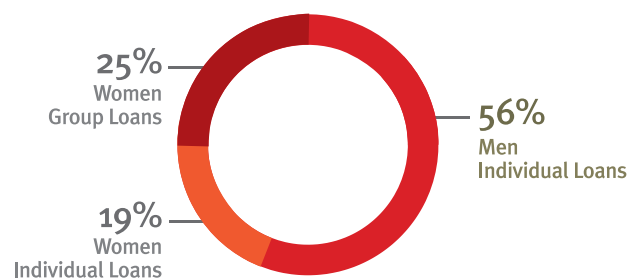
Gloria, internet café owner & clothing retailer from Bourj Hammoud, Beirut

"I immigrated to Lebanon in 1992 to work as a housekeeper. Later in 2009, I opened a small shop in Bourj Hammoud, offering internet and money transfer services. With two loan cycles from Al Majmoua, I renewed my computers and created a section in my shop for selling clothes and snacks. My work expansion helped me increase my revenue and further support my husband in paying our expenses. Al Majmoua provides easy, inexpensive and most importantly non-discriminatory lending which has provided Filipinos like me with a source of funding which otherwise would have been impossible to access."

Since 2010, Gloria has a cumulative borrowing history of USD 1,200 through 3 group loans.

2011

Gender distribution by loan type of Al Majmoua clients (in %)



I LIKE MAJMOUA BECAUSE THEY HAVE LOW INTEREST & IT'S NOT HARD TO PAY. THEIR STAFF ARE VERY KIND AND EASY TO TALK TO, AND THEY ALWAYS SOLVE OUR PROBLEMS.

Socio-Economic Empowerment

Since 2009, Al Majmoua has boosted its non-financial support to women and youth, developing their businesses, personal capacities and living conditions. Our Non-Financial Services and Training units team up to provide a variety of trainings to our clients as well as non-clients who constituted 23% of all training attendants by end 2011.

Number of Non-Financial Services (NFS) Beneficiaries					
	2007	2008	2009	2010	2011
BUSINESS DEVELOPMENT SERVICES	994	1,478	1,663	1,596	3,027
PRODUCT QUALITY IMPROVEMENT AND MARKETING	348	1,122	463	644	161
PROVISION OF TOOLKIT AND EQUIPMENT	353	845	860	130	103
PERSONAL DEVELOPMENT	1,808	1,003	640	60	-
TOTAL	3,503	4,448	3,626	2,430	3,291





Hana, mosaic & accessories designer from Nabatieh, South Lebanon

"I got to know Al Majmoua in 2007 when I first benefited from an equipment toolkit after the July 2006 War. Since then, Al Majmoua has greatly contributed to the development of my mosaic and accessories designing business. Besides its financial assistance, I attended a series of its business management, vocational trainings and access to market activities which considerably enhanced my entrepreneurship skills.

I was also given the opportunity to attend local and regional fairs, which was a great chance for me to network with peer women from other countries, test the foreign markets' responsiveness to my handicrafts, and develop my self-confidence. During the Euro-Med Micro-Entrepreneur Fair in France, I sold products for a total amount of 1,100 Euros in four days!

Besides its assistance in developing my own business, Al Majmoua allowed me to share my experience and knowledge by providing trainings to my fellow working women in Nabatieh. I am very satisfied with what I have learnt and accomplished to date; I feel more confident and capable as a woman and proved myself through participating in my household budget and decision-making."

Since 2008, Hana has a cumulative borrowing history of USD 3,900 through 2 micro-entrepreneur loans.

أنا بصراحة ما شفت جمعية شفافة مثل المجموعة بتعامل
المقترضين بإحترام. استفدت كثير منها وإلا الفضل إني
حسنّت وضعي واعدتني قيمة لشغلي وثقة بحالي.



Business Development Services were implemented all over Lebanon with particular focus on rural areas in North and South Lebanon. The targeted sectors were agriculture, food processing, sewing and handicrafts.

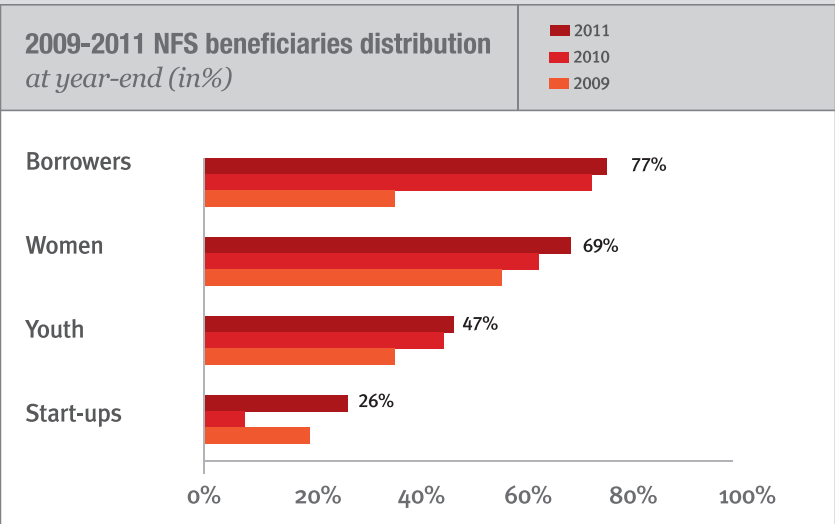
Product Quality Improvement and Marketing allowed beneficiaries to participate in quality trainings, supplier trips and commercial fairs. A remarkable event was the participation of eight women in the First Euro-Med Women Micro-Entrepreneurs Fair in Strasbourg, France in 2008 where they sold their products and networked with women from France, Middle East and Africa.

Provision of Toolkit and Equipment comprised Rapid Recovery Activities (RRAs) between 2007 and 2009 through the distribution of business toolkits and agricultural inputs in Bekaa and South Lebanon to compensate for yield losses caused by the July 2006 War.

Personal Development services between 2008 and 2011 were mainly channeled through two main programs, SIRAJ and WEPASS:

SIRAJ Youth Leadership in the Arab World program was launched by Save the Children with the support of USAID in Egypt, Jordan, Lebanon, Palestine and Yemen. The project was successful in creating positive change to more than 4,000 youth in Lebanon through their effective participation in multiple activities: Beirut Marathon, HIV awareness, Training of Trainers for youth workers, charity campaigning and a regional event in Egypt where five beneficiaries from Al Majmoua were chosen to receive additional support to their small businesses.

WEPASS program was developed by the National Commission for Lebanese Women (NCLW), funded by the United Nations Population Fund (UNFPA) and supported by the Italian Government. It aimed at enhancing economic opportunities for women in rural areas through the provision of financial and non-financial services. Ten villages, highly damaged during the July 2006 War, were identified by NCLW; Al Majmoua provided the selected women with vocational trainings, business management sessions, household budget management and lending.



Timeline of Activities and Events

2007	<ul style="list-style-type: none">• Opening of an 8th branch in Aley (Mount Lebanon)• Launching the worker loan• Loan agreement with Grameen Foundation• Partnership with Kiva
2008	<ul style="list-style-type: none">• Crossing the 10,000 active clients mark• Opening of a 9th branch in Bint Jbeil (South Lebanon)• Launching the home improvement loan & start-up loan for micro-entrepreneurs
2009	<ul style="list-style-type: none">• Crossing the 15,000 active clients mark• Opening of a 10th & 11th branch in Tayouneh (Beirut) & Qana (South Lebanon)• Launching the ICT loan• Loan agreement with ICO–AECID, PlanIS, Blue Orchard & Triple Jump• Partnership with LibanPost• Coordinating Sanabel’s 6th annual conference in Lebanon
2010	<ul style="list-style-type: none">• Crossing the 20,000 active clients mark• Opening of a 12th, 13th & 14th branch in Metn (Mount Lebanon), Chtaura & Al Ain (Bekaa)• Migrating to Mifos, an open-source MIS• Loan agreement with EIB & SGBL–AFD• Partnership with CashUnited• Completing the social performance & GIRAFE rating by Planet Rating• Endorsing The Smart Campaign
2011	<ul style="list-style-type: none">• Crossing the 25,000 active clients mark• Opening of a 15th & 16th branch in Chouf (Mount Lebanon) & Marjayoun (South Lebanon)• Designing the SME loan• Partnership with Microworld



Social Performance Management

2009

Al Majmoua submitted itself to a **Social Performance Assessment by Triple Jump**. We ranked “Excellent” with a “Green Traffic Light” mark on Gender, signifying good procedures and results on women involvement.

Al Majmoua endorsed **The Smart Campaign** and consequently implemented procedures compliant with its **client protection** principles:

Appropriate product design and delivery: addressing clients’ needs identified through feedback, focus groups, satisfaction and exit surveys, and competition analysis.

Prevention of over-indebtedness: thorough analysis of client repayment capacity and information exchange with peer institutions to track cross-lending.

Transparency: communicating clear information, allowing clients to make informed decisions by knowing their rights, obligations and repayment schedules.

Responsible pricing: enhancing clients’ affordability by reviewing the pricing structure, reducing the annual interest rate on loans and waiving administration fees on the majority of products.

Fair and respectful treatment of clients: emphasizing on ethical relations with clients and prohibiting coercion especially during collection.

Privacy of client data: non-disclosure of clients’ data without their consent.

Mechanisms for complaint resolution: the hotline service was put in operation, increasing responsiveness to clients’ inquiries, servicing and complaints.

2010

Planet Rating graded Al Majmoua 4- on a [0, 5+] **Social Performance** scale and B+ on **GIRAFE**. The agency further acknowledged “Al Majmoua’s clear commitment to social goals; reasonable management of social performance and social responsibility risks; and likelihood to achieve a positive social impact.” The B+ grade indicated that our “current institutional, operational and financial performances are satisfactory when compared to industry standards.” The score was attributed with a “Positive” outlook expecting Al Majmoua to “maintain good profitability levels despite reducing interest rates and increasing expenses, notably thanks to efficiency gains and economies of scale.”

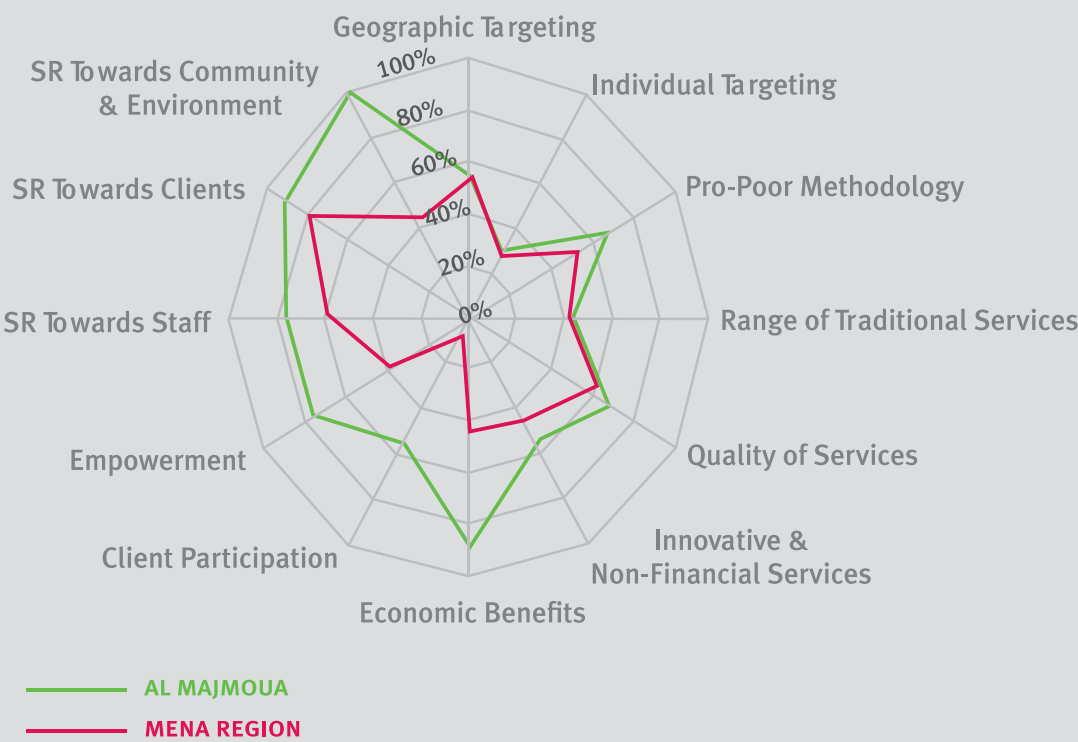
Al Majmoua attained all five **MIX Market Diamonds**, the highest rating awarded, for the disclosure of general information, outreach data, financial data, audited financial statements, and rating or other due diligence reports.

Kiva carried out a **social audit** for Al Majmoua using the **CERISE SPI** tool. The results showed an “exceptional strength in social responsibility and benefits for clients’ dimensions, and particularly good score on economic benefits, empowerment and environmental responsibility.”

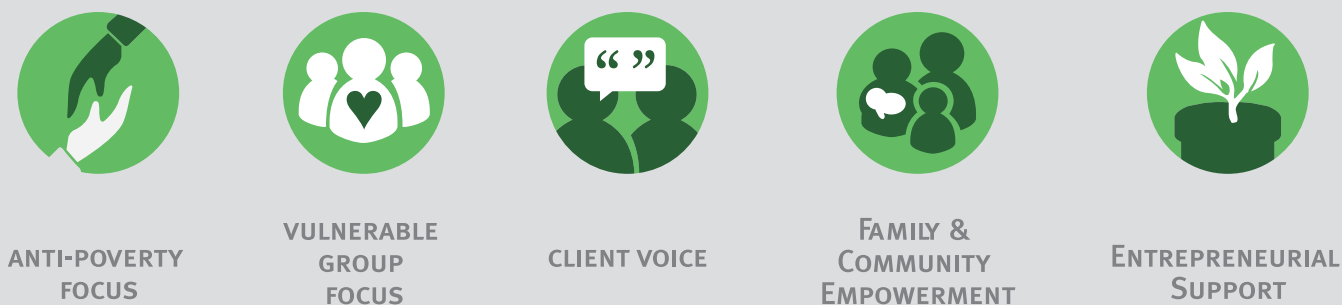
2011

In 2011, Al Majmoua earned five out of the seven Social Performance Badges assigned by Kiva to its field partners, highlighting its commitment to these areas.

AI Majmoua SPI Results



AI Majmoua's Kiva Performance Badges



Partnerships, Networking and Awards

Al Majmoua continues to provide quality services through partnerships in the local and global network of lenders, donors, development agencies, organizations and financial intermediaries. We are committed to maintaining and strengthening relations with our partners who have contributed throughout the years to our history, growth and mission success.

International Institutions



International Investors



Partners for Non-Financial Services





Local Partners and Banks



Membership Network



Awards Received



Citigroup Micro-Entrepreneurship Awards (CMA) from 2006 to 2011



Certificates of Transparency from the Mix from 2003 to 2011

Auditor's Report



Independent Auditor's Report to the directors of The Lebanese Association for Development – Al Majmoua

Report on the financial statements

We have audited the accompanying financial statements of The Lebanese Association for Development – Al Majmoua, which comprise the balance sheet as of 31 December 2011, the statements of comprehensive income, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 policies 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 audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
31 May 2012

Financial Statements

<i>Balance Sheet as at 31 December 2011</i>		
	2011 USD	2010 USD
ASSETS		
NON-CURRENT ASSETS		
PROPERTY AND EQUIPMENT	133,189	126,625
INTANGIBLE ASSETS	59,094	68,216
LOANS TO CUSTOMERS	8,190,066	868,350
STAFF LOANS	53,826	86,860
TOTAL NON-CURRENT ASSETS	8,436,175	1,150,051
CURRENT ASSETS		
LOANS TO CUSTOMERS	16,349,376	16,679,010
STAFF LOANS	135,197	138,939
PREPAYMENTS AND OTHER RECEIVABLES	96,629	63,824
	1,000,000	-
CASH AND CASH EQUIVALENTS	1,484,929	4,908,218
TOTAL CURRENT ASSETS	19,066,131	21,789,991
TOTAL ASSETS	27,502,306	22,940,042
NET ASSETS		
FUNDS FROM DONORS	8,462,083	7,872,509
RESULTS BEFORE FUNDS FROM DONORS	7,436,958	5,552,090
TOTAL NET ASSETS	15,899,041	13,424,599
LIABILITIES		
NON-CURRENT LIABILITIES		
BORROWINGS	8,826,006	6,954,035
RETIREMENT BENEFIT OBLIGATIONS	334,691	294,001
TOTAL NON-CURRENT LIABILITIES	9,160,697	7,248,036
CURRENT LIABILITIES		
BORROWINGS	1,503,297	1,846,256
TRADE AND OTHER PAYABLES	538,944	371,280
DEFERRED REVENUE	400,327	49,871
TOTAL CURRENT LIABILITIES	2,442,568	2,267,407
TOTAL LIABILITIES	11,603,265	9,515,443
TOTAL NET ASSETS AND LIABILITIES	27,502,306	22,940,042

* THE COMPLETE FINANCIAL STATEMENTS INCLUDING THE NOTES ARE AVAILABLE UPON REQUEST.

Statement of Comprehensive Income for the year ended 31 December 2011

	2011 USD	2010 USD
INCOME		
INTEREST INCOME - LOANS TO CUSTOMERS	6,312,356	4,688,764
INCOME FROM SERVICE FEES AND PENALTIES	335,904	409,815
INTEREST INCOME - LOANS TO STAFF	14,833	18,774
TOTAL INCOME	6,663,093	5,117,353
EXPENDITURES		
EMPLOYEE BENEFIT EXPENSES	(2,654,190)	(2,295,300)
DEPRECIATION AND AMORTIZATION	(46,666)	(35,434)
ADMINISTRATIVE EXPENSES	(1,208,803)	(1,047,162)
IMPAIRMENT ON LOANS TO CUSTOMERS	(359,456)	(217,671)
IMPAIRMENT ON LOANS TO STAFF	(36,720)	-
RESULTS FROM OPERATING ACTIVITIES	2,357,258	1,521,786
NET FINANCE COSTS	(514,946)	(293,392)
NON-OPERATING INCOME	42,556	115,166
RESULTS BEFORE FUNDS FROM DONORS	1,884,868	1,343,560
FUNDS FROM DONORS	589,574	226,872
NET SURPLUS OF INCOME OVER EXPENDITURES AND OTHER COMPREHENSIVE INCOME	2,474,442	1,570,432

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