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شركة حويط وفاشه وشركاهم

محاسبون قانونيون معتمدون
تأسست عام ١٩٦١

المكتب الرئيسي - جبل عمان - شارع الربيع - أول شارع عمشور
هاتف : ٣٩١ - ٤٦٣٠ (٩٦٢-٦)
تلفاكس : ٦٢٧ - ٤٦٢٤ (٩٦٢-٦)
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Worldwide Associations Through Member Firm of SC INTERNATIONAL



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Date : 20 Jan. 2004

AUDITORS' REPORT

To the Shareholders of
Jordan Micro Credit Company Limited Liability
Non Profit Company
Amman - Jordan

We have audited the accompanying Balance Sheet of Jordan Micro Credit Company (JMCC) as at December 31st, 2003 and the related statements of Income, Changes In Owners Equity and Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Previous Year Financial Statements, which appear for Comparison, were audited by us and we issued our report about them.

We conducted our audit in accordance with International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The Company maintains proper books of account and the accompanying Financial Statements and the Financial Information in the Board of Director's report are in agreement there with.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jordan Micro Credit Company (JMCC) as at December 31st, 2003 and the results of its Operations, Changes in Owners Equity and its Cash Flows For the year then ended, in accordance with Jordanian Law and International Accounting Standards.

Allowance for bad debts policy for the past years was as a percentage of 2% from the monthly balance of the loans and were adjusted monthly to the Profit & Loss Account. However, for this year the company calculated the loan allowance based on aging of loans according to the best practice for Micro Finance companies, which is internationally accepted and which was followed by the management of the company for this year.

We Advise the General Assembly to Approve these Financial Statements.

HAWIT, FASHEH & CO.
Michel C. Fasheh
Certificate No. "395" class A


HAWIT, FASHEH & CO.
ASSOCIATED PUBLIC ACCOUNTANTS

Amman in 20/1/2004

Jordan Micro Credit Company (JMCC)
Non Profit Company
Amman \ Jordan
Financial Statement And Auditors'
Report For the Year Ended 31st Dec. 2003

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Jordan Micro Credit Company (JMCC)

NON Profit Company

Balance Sheet As At 31st Dec.

<u>Assets</u>	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		<u>JD</u>	<u>JD</u>
<u>Current Assets</u>			
Cash in Hand & At Bank	2	311382	231567
Employees Advances		1463	2807
Accounts Receivable		8877	10000
Prepaid Expenses	3	9530	12038
Refundable Deposits	4	5411	879
Deferred Expenses	5	149	14690
Net Employees Loans	7	3322	9614
Net Outstanding Loans	8	1824070	1355829
Total Current Assets		<u>2164204</u>	<u>1637424</u>
<u>Fixed Assets</u>			
Net Book Value	9	<u>48599</u>	<u>58319</u>
Total Assets		<u>2212803</u>	<u>1695743</u>
<u>Liabilities & Owners Equity</u>			
<u>Current Liabilities</u>			
Loans	10	533197	283088
Accounts Payable		0	676
Revenues Received in Advance	11	433698	259038
Accrued Expenses	12	4277	584
Allowance For Vacations		6445	4950
Total Current Liabilities		<u>977617</u>	<u>548336</u>
<u>Owners Equity</u>			
Capital	1	30000	30000
Statutory Reserve	1	30000	30000
Retained Surplus		1175186	1087407
Total Owners Equity		<u>1235186</u>	<u>1147407</u>
Total Liabilities & Owners Equity		<u>2212803</u>	<u>1695743</u>

The Accompanying Notes Are An Integral Part Of These Financial Statement

Jordan Micro Credit Company (JMCC)
NON Profit Company
Income Statement For The Year Ended 31st Dec.

<u>Revenues</u>	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		<u>JD</u>	<u>JD</u>
Grants		2301	0
Loans Interest & Fees		377253	311134
Penalty & Fees		32558	30748
Total Revenues		412112	341882
Administrative Expenses	13	(340949)	(301663)
Operational Net Surplus		71163	40219
Other Revenues		15489	2771
Difference Of Loan Allowances		4899	0
Receivables From Bad Debits	6	300	290
Net Surplus Form Activities		91851	43280
Previous years expenses		(10500)	0
Credit Interest		6741	4819
Loss From Sale Of Assets		(313)	(300)
Net Surplus for the Year		87779	47799
Retained Surplus Beginning Year		1087407	1039608
Total Surplus		1175186	1087407

The Accompanying Notes Are An Integral Part Of These Financial Statement

Jordan Micro Credit Company (JMCC)
NON Profit Company
Changes In Owners Equity For The Year Ended 31st Dec.

	<u>Capital</u>	<u>Statutory Reserve</u>	<u>Surplus</u>	<u>Total</u>
<u>2003</u>				
Beginning of The Year	30000	30000	1087407	1147407
Net Surplus	0	0	87779	87779
<u>Changes During The Year</u>				
<u>End of the Year</u>	<u>30000</u>	<u>30000</u>	<u>1175186</u>	<u>1235186</u>
<u>2002</u>				
Beginning of The Year	30000	30000	1139653	1199653
Net Surplus	0	0	47799	47799
<u>Changes During The Year</u>				
Changes In Accounting Policies	0	0	(100045)	(100045)
<u>End of the Year</u>	<u>30000</u>	<u>30000</u>	<u>1087407</u>	<u>1147407</u>

The Accompanying Notes Are An Integral Part Of These Financial Statement

Jordan Micro Credit Company (JMCC)
NON Profit Company
Cash Flow Statement For The Year Ended 31st Dec.

	<u>2003</u>	<u>2002</u>
	<u>JD</u>	<u>JD</u>
<u>Cash Flow From Operating Activities</u>		
Net Surplus	87779	47799
<u>Changes</u>		
Depreciation	15392	15939
Provision for Loans	8734	19447
Changes in Accounting Policies	0	(100045)
Operating Profit (Loss) before changing in working Capital	111905	(16860)
<u>Changes in Operating Assets</u>		
(Increase) Decrease Loans	(464694)	(568657)
Increase (Decrease) in other Receivables	14984	(23439)
<u>Changes in Operating Liabilities</u>		
Increase (Decrease) in Prepaid Income	174660	259038
Increase (Decrease) in other payables	3017	(10923)
Net Cash Flow form Activities	(160128)	(360841)
Paid Vacation Expenses	(4494)	0
Net Cash Flow form Operating Activities	(164622)	(360841)
<u>Cash Flow form Investing Activities</u>		
Purchase Of Fixed Assets	(15300)	(4329)
Sale Of Fixed Assets	17341	564
Difference Change Assets	(7713)	(599)
Net Cash Used in Investing Activities	(5672)	(4364)
<u>Cash Flows From Financing Activities</u>		
Loans	250109	283088
Net Cash From Financing Activities	250109	283088
Increase (Decrease) In Cash	79815	(82117)
Cash At The Beginning Of The Year	231567	313684
Cash At The End Of The Year	311382	231567

The Accompanying Notes Are An Integral Part Of These Financial Statement

Jordan Micro Credit Company (JMCC)

NON Profit Company

Notes To The Financial Statement As Of 31st Dec. 2003

Note 1

A. Status

Jordan Micro Credit Company is a Limited Liability Company registered under No. 5749 Dated on June 25,1999 with a Capital Value JD 30.000 and the Company is A NON Profit Corporation.

B. Activities

Providing small Loans by conducting the best international methods & basis in Micro Loans which guarantees continuity.

C. Summary of Significant Accounting Policies

The Significant Accounting Policies Applied in the preparation of the Financial Statement are as Follows:-

- (1) Fixed Assets are depreciated on cost using the straight-line method at rates estimated to depreciate the assets over their estimated useful lives
Annual rates of depreciation used are (2.5%) to (15%).
- (2) Foreign Currency transaction occurring during the year are expressed in JD at rates of exchange prevailing on such transaction dates, All foreign currency gains and losses are credited or charged to statement of income as they arise.
- (3) The Company's Administration uses the Accrual Basis, except for the loan fees & penalties since it is the suitable & applicable basis for the fees to be measured.

D. Others

Statuary Reserve equals the Capital which is the upper limit for it according to the companies law No. 22 year 1997 act No. (75/A)

E. Other liabilities may appear in the future against Employees Court cases Which is expected to result J.D. (3000), Final court decision is not issued until the date of these Financial Statements.

F. Other Liabilities may appear against bank guarantees J.D. (21390).

Note 2

Cash On Hand & At Bank

	<u>2003</u>	<u>2002</u>
	<u>JD</u>	<u>JD</u>
Petty Cash	950	650
Cash at Hand	3005	1135
Cash At Bank	195937	154380
Deposits At Banks	111490	75402
Total	<u>311382</u>	<u>231567</u>

Note 3**Prepaid Expenses**

	<u>2003</u>	<u>2002</u>
	<u>JD</u>	<u>JD</u>
Lawyer Fees	300	0
Communication	73	612
Insurance	0	888
Consulting	0	2000
Marketing	0	452
Rents	8852	7300
Stationary	272	450
Maintenance	0	292
Others	33	44
Total	<u>9530</u>	<u>12038</u>

Note4**Refundable Deposits**

	<u>2003</u>	<u>2002</u>
	<u>JD</u>	<u>JD</u>
Refundable Deposit / Main Center	4795	510
Refundable Deposit / Branches	465	180
Bank Collateral Deposits	151	189
Total	<u>5411</u>	<u>879</u>

Note 5**Deferred Expenses**

	<u>2003</u>	<u>2002</u>
	<u>JD</u>	<u>JD</u>
Computer Software Upgrade	149	14690
Total	<u>149</u>	<u>14690</u>

Note 6

Allowance for bad debts policy was for the past years as a percentage of 2% from the monthly balance of the loans and was adjusted monthly to the Profit & Loss Account.

This year 2003 a new policy was acquired upon aging of loans according to this schedule:

<u>Age / Days</u>	<u>Percentage</u>
0 - 30 Days	10%
31 - 45 Days	25%
46 - 60 Days	50%
61 - 90 Days	75%
More Than 90 Days	100%

Upon the policy changing the allowance was reduced by J.D. (14584) than the past years policy.

Note 7

Net Employees Loans

	<u>2003</u>	<u>2002</u>
	<u>JD</u>	<u>JD</u>
Employees Loans	3390	9810
Loan Loss Reserve	(68)	(196)
Total	3322	9614

Note 8

Net Outstanding Loans

	<u>2003</u>	<u>2002</u>
	<u>JD</u>	<u>JD</u>
Outstanding Loans	1846415	1383499
Loan Loss Reserve	(22345)	(27670)
Total	1824070	1355829

Note 9**Fixed Assets**

Description	2002		2003			
	Cost	Addition	Cost	Depreciation	Accumulated Depreciation	Net Book value
	JD	JD	JD	JD	JD	JD
Furniture & Fixture (Office)	90461	8239	98700	14205	50966	47734
Furniture & Fixture (Baqa)	5936	962	6898	797	2114	4784
Furniture & Fixture (Hashmi)	0	2750	2750	30	30	2720
Furniture & Fixture (Irbid)	0	3349	3349	360	360	2989
Total	96397	15300	111697	15392	53470	58227
Furniture & Fixture (Office)	0	(16900)	(16900)	0	(7594)	(9306)
Furniture & Fixture (Baqa)	0	(441)	(441)	0	(119)	(322)
Total	96397	(2041)	94356	15392	45757	48599

Note 10**Loans**

	2003	2002
	JD	JD
Citi Bank Loan	0	60000
DEF Loan 1	71276	223088
DEF Loan 2	400000	0
DEF Loan 3	61921	0
Total	533197	283088

Note 11**Revenues Received in Advance**

Revenues received in advance represents revenues received in advance from issued loans based on Accrual Basis.

Note 12**Accrued Expenses**

	2003	2002
	JD	JD
Audit Fees	537	537
Others	3740	47
Total	4277	584

Note 13**Administrative Expenses**

	<u>2003</u>	<u>2002</u>
	<u>JD</u>	<u>JD</u>
Salaries & Wages	180527	169964
Social Security	17004	15652
Transportation	2024	256
Rents	16208	15200
Office Stationary, Supplies	6028	3995
Office Utilities	4357	3046
Health Insurance	7840	8088
Communication	4759	4387
Equipment & Office Maintenance	12611	10583
Others	304	1559
Insurance	3087	1382
Assets Less than 500 JD	1220	316
Marketing	8190	4439
Bank Charges	1440	732
Loans Interests	10522	8555
Training Expenses	7418	6350
Travel Expenses	0	251
Lawyer, Legal & Audit Fees	13041	11522
Allowance For Vacations	5989	4950
Loan Loss Provision	2745	14497
Depreciation	15392	15939
Computer Software Upgrade	20243	0
Total	<u>340949</u>	<u>301663</u>

Note 14

Some of the 2002 balances were reclassified to correspond to 2003 presentation.