

ACP-EC COTONOU AGREEMENT

**AFRICAN, CARIBBEAN AND
PACIFIC GROUP OF STATES**

**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 10 September 2007

ACP-CE 2118/07

COVER NOTE¹

from : The Director of the Centre for the Development of Enterprise

date of receipt : 13 August 2007

to : The Chairman of the ACP-EC Committee of Ambassadors

Subject : Centre for the Development of Enterprise (CDE)

- Report by the Auditors on the accounts for financial year 2005

In accordance with Article 27 of the Financial Regulation applicable to the Centre for the Development of Enterprise, of 17 December 2004, Delegations will find attached the audit report on the accounts of the Centre for financial year 2005 and the Centre's comments.

¹ In English and French only.

Ref. EB/CDE/43/07

Brussels, 31 July 2007

The Chairman
of the ACP-EC Committee of
Ambassadors
175 Rue de la Loi
1048 Brussels

Dear Chairman,

Accounts of the CDE for the year ending 31 December 2005

The accounts of the CDE for the year ending 31 December 2005 have been adopted by the Executive Board on the basis of the audit report by Ernst & Young and the Centre's comments on this report.

These documents are forwarded herewith to the ACP-EC Committee of Ambassadors with a view to obtaining approval of the accounts and a discharge to the Director in respect of the implementation of the CDE's budget for financial year 2005.

Please accept, Chairman, the assurance of my highest consideration.

Philippe Gautier
Chairman
Executive Board of the CDE

Doc. EB-CDE/21/07



**REPORT OF THE INDEPENDENT AUDITORS
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005
OF THE CENTRE FOR THE
DEVELOPMENT OF ENTERPRISE (CDE)**

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1. AUDIT OPINION

AUDIT OPINION ON THE FINANCIAL STATEMENTS OF THE CDE FOR THE YEAR ENDED 31 DECEMBER 2005

In accordance to article 27 of the Financial Regulation of the CDE (Decision n° 5/2004 of the ACP-EC Committee of Ambassadors of 17 December 2004, entering into force on 1 January 2005) we report to you on the performance of the audit mandate which has been entrusted to us.

We have audited the financial statements and supporting notes thereto of the CDE for the year ended 31 December 2005 numbered pages 1 to 13, which show a balance sheet total of EUR 9.929.186,22 and an excess of revenue over expenditures of EUR 10.365.437,84. These financial statements are the responsibility of the Director of the CDE. 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, applied in a public sector perspective. 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, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our audit opinion.

In planning and performing our audit of the financial statements, we considered the internal control structure of the CDE in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. In accordance with article 27 of the Financial Regulations of the CDE, we present in sections 3 and 4 of this report our comments and recommendations resulting from our consideration of internal controls.

We have presented in section 2 of this report our comments on the financial issues with impact on the financial statements.

In our opinion, except for the financial issues listed in section 2 of this report, the financial statements present fairly, in all material respects, the financial position as at 31 December 2005 and the revenue and expenditure of the CDE for the year then ended, in accordance with the accounting policies of the CDE as set out in note 1 to the Financial Statements applied on a consistent basis.

Brussels, 26 October 2006



Ernst & Young Reviseurs d'Entreprises SCC
Represented by
Claude Josse
Partner

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■ Société civile ayant emprunté la forme d'une société coopérative
à responsabilité limitée
Burgerlijke vennootschap die de rechtsvorm van een coöperatieve vennootschap
met beperkte aansprakelijkheid heeft aangenomen
RPM Bruxelles - RPR Brussel : T.V.A. - B.T.W. BE 0446.334.711
Banque - Fortis - Bank : 210-0905900-69

COMMENTS AND RECOMMENDATIONS FROM THE AUDIT

2. FINANCIAL STATEMENT ISSUES

2.1. Clearance of temporary accounts*

As at 31 December 2005 an amount of EUR 253.926,35 relating to social security paid to Partena and an amount of EUR 152.678,88 relating to group insurance paid to Van Breda for the periods June until December 2005 was still included in the temporary accounts on the assets side of the balance sheet.

These balances should have been removed from the temporary accounts of the balance sheet and included as an expense in the statement of revenue and expenditure of the year 2005. The regularisation has been made in May 2006.

Recommendation

This matter would have been avoided if the clearance process of the balance sheet accounts were performed on a regular basis. We recommend the Centre reviews the content of the temporary accounts more frequently with an aim of accelerating the clearance process of these accounts.

2.2. Current account balances with Pro-Invest for common charges

Based on a "protocole d'accord" with Pro-invest, a fixed annual amount of EUR 232.000 is invoiced by the Centre in order to reimburse the Pro-invest charges paid directly by the Centre. The amounts invoiced to Pro-Invest, as well as the actual expense incurred, are recorded in transit accounts on the balance sheet of the CDE (account number 002004 classified under Debtors and account number 07000 classified under Temporary accounts). Therefore, if the annual invoicing to Pro-invest and the recording of the related expenses are made correctly, the invoicing to Pro-Invest and the expenses paid should match at the end of the financial year, and the balance in these accounts should be close to zero.

However, as at December 31, 2005 these accounts represent a total credit balance of EUR 301.830,24 in the balance sheet of the Centre (i.e. EUR 214.804,95 in account number 002004 classified under Debtors, and EUR 87.025,29 in account number 07000 classified under Temporary accounts).

This credit balance is an indication of two possibilities:

- or the annual amount of EUR 232.000 billed to Pro-invest exceeds the actual expenses. In this case, the expenses of Pro-invest, claimed from the European Development Fund (EDF), exceed the actually incurred expenses.
- or, not all Pro-invest-related expenses paid by the Centre have been credited to the transitory account in the balance sheet. In this case, these expenses are unduly claimed by the CDE from the EDF.

***Note:** Comments marked with an * were already made in our report on the previous year financial statements.

In both cases, the EDF is financing an excess of expenses. We understand that the "protocole d'accord" with Pro-invest is signed for a seven years period and that the above noted credit balance is a temporary situation. However we recommend to settle these accounts on an annual basis.

Recommendation

We recommend that these credit balances be analysed in detail by the Centre and that the appropriate corrections be made to the accounts of the Centre on, at least, an annual basis.

2.3. Guarantee Deposits without underlying documentation *

The balance sheet as at 31 December 2005 includes certain old guarantee deposits, for which the Centre is no longer able to produce the supporting documentation:

ONSS (social security)	: EUR 19,260
ONSS (social security)	: EUR 21,783
Swiss Life	: <u>EUR 23,549</u>
Total	EUR 64,592

Recommendation

We recommend the Centre makes the necessary research and inquiries with an aim to obtain the refund of these old guarantee deposits. If these balances can no longer be recovered, the Centre should consider asking the Executive Board to approve that they may be written off through the expenditure accounts.

2.4. Debtors - Rental charges

As at December 2005 an amount of EUR 37.961,01 relating to rental charges and taxes paid to Swissville Europe for the periods April and August 2005 was included in the Debtors accounts on the asset side of the balance sheet.

This balance should have been removed from the Debtors accounts of the Balance sheet and expensed in the statement of Revenue and expenditure of the year 2005.

Recommendation

This matter would have been avoided if the clearance process of the balance sheet accounts were performed on a timely basis. We recommend the Centre reviews the content of the debtor accounts more frequently with an aim of accelerating the clearance process of these accounts.

2.5. Debtors - rent guarantee charges

As at December 31, 2005 the Debtors accounts includes an amount of EUR 10.746,10 classified as guarantee. In fact, this amount relates to charges paid to ING Bank for the cost of the bank guarantee provided by ING vis-à-vis Swissville. The Centre has incorrectly accounted this amount as a guarantee in the balance sheet. This balance should have been removed from the Debtors accounts in the balance sheet and recorded as an expense in the statement of revenue and expenditure of the year 2005.

Recommendation

This matter would have been avoided if the clearance process of the balance sheet accounts were performed on a timely basis. We recommend the Centre reviews the content of the debtor accounts more frequently with an aim of accelerating the clearance process of these accounts.

3. COMMENTS ON THE PRESENTATION OF THE FINANCIAL STATEMENTS

Overall presentation of the statement of revenue and expenditure and the related accounting policies

Although the financial statements of the CDE are presented in accordance with its Financial Regulation, their current presentation is not easily understandable to all readers as:

- the expenditure figure, presented in the statement of revenue and expenditure, represents the current disbursements whereas the carry forward balance of commitments is presented separately as a reconciling line in the statement;
- the revenue figure, presented in the statement of revenue and expenditure, represents those revenue which would be received, if none of the commitments they relate to would fall in expiry. However, as a significant amount of commitments of the Centre falls in expiry each year, the revenue figure presented in the statement does not reflect the economic reality.

Recommendations

We recommend that the Centre would consider clarifying the presentation of future years financial statements, which might be accomplished by:

- clarifying the format of the statement of revenue and expenditure and possibly the names of certain headings;
- further clarifying the explanations provided in the accounting policies presented in Note 1;
- consider including a table of budget/commitment execution presented on a cumulative (biennial) basis for each budgetary year;
- considering presenting a distinct statement of follow up of commitments separately from the statement of revenue and expenses.

In the longer term, the CDE might also consider adopting an internationally recognised accounting framework, for example International Public Sector Accounting Standards (IPSAS). However, the adoption of an accounting framework such as IPSAS would necessitate a transition period.

In this connection, we draw to the attention that the European Development Fund (EDF), the primary funding source of the CDE, has adopted accrual-based IPSAS accounting principles for its own financial statements as from January 1, 2005. The accounting policies currently followed by the CDE for the presentation of its financial statements are, to a large extent, established on a cash accounting basis. Therefore, the accounting policies presently followed by the CDE are no longer consistent with those followed by the EDF for its own financial statements.

4. INTERNAL CONTROLS AND MANAGEMENT ISSUES

4.1. Advances to be justified

The balance of advances to be justified in the balance sheet of the CDE has increased from EUR 780.049,05 at 31 December 2004 to EUR 1.245.973,04 at 31 December 2005 (increase of EUR 465.923,99 or 60%).

We also noted that the time needed to justify these advances has increased as compared to the previous year, as shown in the table below:

	<u>2005</u>		<u>2004</u>		<u>Movement</u>
Balance as at December 31	1.245.973	100%	780.049	100%	465.923
Remaining balance in May	945.819	76%	297.852	38%	647.967

The table shows that in May 2005, 38% of the advances recorded in the 2004 financial statements remained to be justified, whereas in May 2006, 76% of the advances recorded in the 2005 financial statements remained to be justified.

Whilst we understand that this increase may be due to increased advances to Regional Offices, increased activities, or increase in the % of advances granted per project, we believe that the deterioration in the time needed to justify the balances is an important concern that deserves attention by the CDE.

Recommendation

We recommend that the CDE investigates the causes of the increase and implement measures to reduce the level of balances to be justified in the accounts.

4.2. Risk exposure regarding recoverable debtors and counterparts creditors

The debtors account as at December 31, 2005 include balance recoverable of EUR 318.536,07 relating to funds paid to projects, which need to be reimbursed to the CDE for various reasons (e.g. project cancelled, project partly executed, etc.).

As a number of the debtors involved are also beneficiaries of other projects funded from the Centre, in order to safeguard the recovery of these amounts, the CDE withholds advances due to them for more recent projects. These withheld funds are posted in a temporary account (named "recoverable debt counter part") on the liability side of the balance sheet and represent a balance of EUR 175.205,76 at 31 December 2005.

Whilst we welcome the above-noted risk mitigating procedure implemented by the CDE, we noted an important increase in the balance of the recoverable debts and in the net exposed balance, as shown in the table below:

	31 December 2005	31 December 2004	Movement
Recoverable debts	318.536	251.021	+ 67.515
Recoverable debts counter part	(175.205)	(176.735)	- 1.530
Exposure	143.331	74.286	+ 69.045

Recommendation

We recommend implementing a procedure to closely monitor the evolution in the recoverable debts in order to avoid any further deterioration. Actions should be undertaken to collect the amounts and if these balances can no longer be recovered, the CDE should consider asking the Executive Board to approve that they may be written off through the expenditure accounts.

4.3. FAST Accounting system and Accounting Manual*

In 2004, the Centre implemented a new accounting software, "FAST" produced by Unisys.

As many accounting entries are generated by the FAST system in an automated manner, the Centre's Officers cannot always easily explain from where the accounting balances originated. Interventions of consultants from Unisys are from time to time needed to explain the audit trail of certain accounting transactions.

Although accounting manuals prepared by Unisys ("Accounting movements" dated 27/11/03, "Advance justification booking" dated 28/05/04 and "Commitment booking" dated 27/05/04) are available, the Centre's Officers are not always fully knowledgeable of the specificities of the system, in particular regarding the automated accounting entries. We also understand that revised versions of these manuals were not provided to the Accounting Officer.

Recommendation

Presently, the Centre appears to be relatively dependent from its supplier Unisys concerning the understanding of the accounting process in FAST. Further training of the Center's personnel to FAST may be advisable. We also recommend that the Centre drafts or obtain from Unisys clear and updated accounting manuals.

4.4. Regional Offices located in Senegal, Botswana, Dominican Republic and Kenya*

4.4.1. *Classification of expenses**

The expenses incurred by the Regional Offices are classified in the financial statements under Title 4 Support Costs, although the nature of their expenses are, for the time being, only Operating (Title 2) and Staff (Title 1) costs.

We understand that the classification of the Regional Office expenses under Title 4 is derived from the budget process. However, the correct allocation, based on the nature of the expenses, should rather belong to Title 1 and Title 2.

Recommendation

We recommend that the Centre consider presenting the expenses of the Regional Office in Title 1 and 2 in the next financial year.

4.4.2. Bank account of the Regional Office in Dominican Republic*

In order to manage the local running costs of the Regional Offices, the Centre has opened a specific local bank account for each of these Offices, which is operated by the Centre's Representative Officer in the relevant Regional Office.

For the Regional Office in Dominican Republic, the Centre has also opened a bank account in the name of the National Authorising Officer instead of in name of the Centre. The powers of signatures on this bank account are however with Representatives of the Centre.

Recommendation

In order to improve the control over the bank account in Dominican Republic, we recommend that this bank be registered on the name of the Centre as is the case for the other Regional Offices.

4.4.3. Verification of the accounting documents of the Regional Offices*

The Centre makes advances to the Regional Offices in order to allow them to pay their running costs. These advances are regularised through statements submitted on a quarterly basis to the Centre by the Regional Responsible, which are reviewed by the Financial Controller. The supporting documents underlying the expenses remain located in the Regional Office. The Financial Controller visits each Regional Office once a year in order to verify the statements with the original supporting documents. A copy of each month-end bank statement is attached to the statements submitted by the Regional Offices.

Recommendation

As a result of this procedure, a possibility exists that problems in the use of the local funds may subsist for several months before they would get detected. In order to improve the control over financial transactions, we recommend that the Centre directs the Regional Offices to submit their statements on a monthly basis instead of a quarterly basis and to request them to attach copies of all the bank statements.

We understand that reviewing all daily bank statements represents an increase in administrative work. In view of the increased budget for Regional Offices (EUR 124.050 in 2003; EUR 354.551 in 2004 and EUR 676.500 for 2005) we consider this as a necessary improvement to the internal control systems for the management of those budget lines.

4.5. Partena (social security) accounts*

The accounting process followed by the Centre for social security involves a large amount of time-consuming reconciliation work, often resulting in balance sheet accounts not being cleared.

This problem is caused by the fact that the Centre initially records the monthly payroll statements as calculated by the Centre, and subsequently needs to clear these accounting entries with the invoices and supporting details provided by the external social security bureau, Partena. As there are many differences between the calculations made by the Centre and the statements of accounts prepared by Partena, many individual amounts remain uncleared in the accounts, requiring a burdensome reconciliation process.

Recommendation

In order to avoid this time consuming reconciliation work and the resulting uncleared balances in the accounts, the Centre might envisage an alternative method to account for social security. This alternative method could be not to record the internally prepared monthly statement, but only the invoice and invoice detail of Partena, after they have been duly verified for correctness.

We understand that since June 2006 our alternative method has been considered and implemented accordingly.

4.6. Indexation of salaries*

Salary indexations cannot be applied with immediate effect by the Centre as the resulting new salary grids must first be approved by the CEE-ACP Council prior to their implementation. When the new salary grids are approved by the Council, which usually takes place from 12 to 20 months after the indexation announcement, a retroactive correction of the salaries for the indexation is processed.

Prior to 2004 these retroactive adjustments for salary indexations have been paid out to the personnel after deduction of the social security, as should be the case. However, the social security deducted on these salary corrections was not declared to the social security bureau, although they should have been. According to the CDE, the Centre did not declare this social security with the objective of avoiding the risk of having to pay a fine for late declaration. The social security deducted from the net salaries, which should have been declared and paid to the social security authorities, has been kept by the Centre and recorded in other revenues as a deduction to the EDF contribution.

For the 2004 and 2005 indexations, the Centre has declared the retroactive social security amounts. However, in order to avoid the risk of a fine for late declaration, these amounts have been declared as premiums instead of retroactive salary adjustments.

Recommendation

We recommend that the Centre would have a meeting with the Belgian Authorities in order to resolve the Centre's problem for the recurring risk about the indexation which they can only apply retroactively instead of immediately as required by social security legislation.

Alternatively, the Centre may investigate the possibility of asking to its supervisory bodies to approve the implementation of an accelerated approval mechanism specifically for salary indexations.

4.7. Property tax ("précompte immobilier")*

The activity report of the Financial Controller for the year 2004 drew to the attention that during 2004, a total amount of EUR 70,898 was paid to the landlord of the Centre's offices in respect of property tax, which may be contrary to the Headquarters Agreement signed between the Centre and the Government of Belgium which exempts the Centre of most taxes. However, the amount has not been claimed back from the Belgian Authorities on the ground that the tax has been considered unrefundable as it is between the landlord and the Belgian state and not directly between the Centre and the Belgian government.

The comments of the Director on the activity report of the Financial Controller indicated that the Centre had sought legal advice on this matter in the past but has always had to pay the tax. The comments of the Director also indicated that the Centre intends to arrange a meeting with the Belgian authorities in order to review the existing Headquarters Agreement and that the issue would also be raised again with the Protocol services at the Belgian Ministry for Foreign Affairs.

No specific actions were taken by the Centre during 2005 with respect to this issue. On May 10, 2006 the Director of the Centre addressed a letter to the CIAOI ("Comité Interministériel pour l'accueil des organismes internationaux") requesting them to contact the competent Belgian Authorities in view of a reimbursement of those property taxes.

Recommendation:

Although we understand that the current text of the Headquarters Agreement is not entirely clear as to whether or not the Centre is exempt from this indirect property tax, we recommend to follow up on the request forwarded to the CIAOI. In the absence of a positive answer, the Centre should ensure obtaining a written confirmation from the Belgian Government explaining their position and confirming that those taxes are effectively due.

4.8. Financial Controller function*

The Financial Regulations of the Centre defines the role of the Financial Controller as follow: *"Before any operation is authorised by an authorising officer, the operational and financial aspects shall be verified by the financial controller to ascertain (i) that the*

expenditure is in order and conforms to the relevant provisions and (ii) that the principle of sound management has been applied. This verification shall result in the granting or withholding of approval.”

Through discussion with the Officers of the Centre, we understand that this verification role does not extend to verifying the outstanding uncleared balance sheet accounts.

Recommendation

In view of the important amounts in the balance sheet (in particular the debtors, realizable accounts, guarantee deposits, advances to be justified and temporary accounts) we believe it would strengthen the Centre's internal controls if the verification role of the Financial Controller would extend not only to the financial transactions, but also on the assets and liabilities at any time.

The extension of the verification role of the Financial Controller could be based on article 26 (6) of the Financial Regulation of the Centre which states that : “ *Each quarter a statement shall be drawn up showing the situation as regards implementation of the current budget and use of the appropriations carried over; this statement shall be certified by the financial controller and forwarded to the executive Board.*” In the execution of this task, the Financial Controller certifies each quarter the statements by concluding that : “*the quarterly statements, being extracts from the nominal ledger, represent a true and fair view of the financial position and results of the Centre as at period end*”.

We recommend the Centre considers extending the role of the Financial Controller on assets and liabilities accounts at any time.

4.9. Debtors - VAT on rental charges

As at December 31, 2005 an amount of EUR 31.294,46 relating to VAT on rental charges paid to Atis Real for the period 2004 and 2005 was included in the debtors account on the assets side of the balance sheet.

For those VAT amounts paid in 2004 and 2005, no claims were filed by the Centre until we brought that fact to the attention of the Centre. The Centre filed a claim to the VAT Administration on June 14, 2006.

Recommendation

We recommend that VAT claims be filed on a timely based and at least annually.

4.10. Obligation to creditors - CMMS Mines project

As at 31 December 2005, the Obligations to creditors include an amount of EU 13.923,55 relating to a project dating from 2001 (CMMS Mines project). This project was financed by

a specific funding of the EDF. As the project has been finalized, the remaining funding balance is not needed any longer and should be reimbursed to the EDF.

Recommendation

We recommend the Centre to make sure that no expenses are to be expected anymore for this project and to reimburse the unused balance to EDF.

4.11. Inventory accounts - items below EUR 350

Article 35 (1) of the Financial Regulation of the Centre foresees that the permanent inventory accounts included capital items with an individual value above EUR 350. This limit has been increased from EUR 200 to EUR 350 in the new Financial Regulation applicable since January 1, 2005.

In reviewing the inventory sub-ledger we however noted that it includes certain items of an individual value under the threshold foreseen in the Financial Regulation of the Centre.

Recommendation

We recommend to strictly adhere to the Financial regulation with respect to the minimum limit of EUR 350 for items to be included in the permanent inventory.

5. ACKNOWLEDGEMENT

The external auditors wish to express their appreciation for the cooperation and assistance extended by the Director and staff of the Centre in connection with the audit.

* * * * *

Doc. EB-CDE/22/07

18 June 2007

COMMENTS OF THE CDE
ON THE AUDITORS' REPORT ON THE ACCOUNTS
FOR FINANCIAL YEAR 2005

Comments of the CDE
on the auditors' report on the accounts
for financial year 2005

The following comments relate to issues highlighted by the CDE's statutory auditors, Ernst & Young, in the following sections of their report:

- section 2 – Financial statement issues
- section 3 – Comments on the presentation of the financial statements
- section 4 – Internal controls and management issues.

For the purpose of easy reference, we have kept to the same numbering and headings as in the audit report.

2. FINANCIAL STATEMENT ISSUES

2.1. Clearance of temporary accounts

The Centre's Financial Regulation allows funds committed during a financial year but not paid by 31 December of that year to be carried over to the following financial year.

The amounts mentioned by the auditors were duly charged during 2006 to the related 2005 commitments that had been carried over.

Steps have been taken to ensure that the status of the temporary accounts is reviewed regularly, as recommended by the auditors. The Head of Administration has set up an internal working group for this purpose.

2.2. Current account balances with Pro€Invest for common charges

Contractual relations between the Centre and the Pro€Invest programme are governed by the protocol of agreement and subsequent addenda signed between the Centre and EuropeAid. Under the terms of the agreement, Pro€Invest pays the CDE a lump sum rent for the fully equipped offices placed at its disposal. This lump sum has been reviewed in the context of each addendum to the original agreement.

To comply with EuropeAid's wish to be able to check at all times that the lump sum corresponds to the actual cost, the Centre created a temporary balance sheet account in 2002, with the prior agreement of its own auditors and those of Pro€Invest. The purpose of this account is to show on the debit side the actual cost to the Centre of placing fully equipped offices at the programme's disposal and on the credit side the lump sum rent that Pro€Invest pays to the Centre.

Concerning the auditors' remark that this account balance should be close to zero, the nature of some of the expenses in the lump sum (such as IT maintenance, software licences, network utilisation, rent of additional offices on the 3rd floor) precludes our being able to determine precisely the actual cost. The Centre therefore proposed to account for the difference as a receipt and deduct it from the funds to be received from the EDF.

We have noted the auditors' recommendation to settle this temporary balance sheet account on an annual basis and will take the necessary steps to do so.

In the meantime, the amount of 87,023.29 euros in account number 07000 under temporary accounts has been closed by creating an exceptional receipt that will be deducted from the funds to be received from the EDF.

2.3. Guarantee deposits without underlying documentation

The auditors refer to an old guarantee deposit of 23,549 euros paid to Swiss Life. This dates back to 1992 when the Centre moved into its current premises, then owned by Swiss Life. In accordance with the terms of the lease, the Centre made a deposit of 950,000 BEF (23,549 euros) as a guarantee for payment of the building charges. Following remarks by the auditors in their report on 2004, we sent a registered letter dated 18 November 2005 to the present building manager requesting refund of this guarantee. He replied that he had never received the guarantee from the previous building manager and raised the question of whether refund could have been made through deduction from an invoice billed to the Centre in the intervening period. A thorough examination of the Centre's accounting records from 1992 to 2006 has revealed no trace of refund of this amount.

The many changes in the building's owners and managers since 1992 make it very difficult to trace this guarantee. However, we will write to the initial building manager to try to resolve the problem.

Concerning the guarantee deposits of 19,260 euros and 21,783 euros for social security charges, we have contacted Partena (social security services) to try to resolve the problem.

2.4. Debtors - rental charges

The amount of 37,961.01 euros was removed from the debtor account on 26 May 2006 and duly charged as an expense to the 2005 budget.

In follow-up to the auditors' recommendation, the accounting officer has been instructed to improve the monitoring and clearance of the temporary accounts.

2.5. Debtors - rent guarantee charges

The amount of 10,746.10 euros was removed from the debtor account in 2006 and duly charged as an expense to the 2005 budget.

In follow-up to the auditors' recommendation, the accounting officer has been instructed to improve the monitoring and clearance of the temporary accounts.

3. COMMENTS ON THE PRESENTATION OF THE FINANCIAL STATEMENTS

As mentioned by the auditors, the financial statements are presented in accordance with the Centre's Financial Regulation. However, we acknowledge that persons unaccustomed to the nature of the Centre's accounts could find them difficult to understand.

Recommendations in the audit report on 2004 were taken into consideration when presenting the financial statements for 2005, and we have already had discussions with the auditors concerning the presentation of the statements for 2006.

The possibility of using the International Public Sector Accounting Standards (IPSAS) will be given due consideration and we will contact the services of the EDF to benefit from their experience. However, as mentioned by the auditors, a change to IPSAS would require a transition period.

4. INTERNAL CONTROLS AND MANAGEMENT ISSUES

4.2. Risk exposure regarding recoverable debtors and counterpart creditors

The working group for monitoring temporary accounts (see point 2.1) has met to consider the issues raised by the auditors. A separate account, "Irrecoverable debts" has been created. The next step is to determine which amounts are irrecoverable and transfer them to this account. The final step will be to submit a proposal to the Executive Board to write them off.

We wish to point out that most of the amounts in question date back many years and that an annual average of two to three bad debts is low in relation to the number of contracts signed annually (over 600).

4.3. FAST accounting system and accounting manual

The comments the auditors made in their report on 2004 relate to the early months of utilisation of the FAST system, since when actions have been taken to rectify the initial problems. Steps will be taken to revise and update the accounting manual, as recommended, and also to arrange additional training for the staff.

4.4. Regional Offices located in Senegal, Botswana, Dominican Republic and Kenya

4.4.1. *Classification of expenses*

The costs of the Centre's Regional Field Offices (RFOs) are no longer charged to Title IV (Operations), since a new title was created in the 2006 budget – Title III (Technical support and operations management).

Since 2006, therefore, the RFOs' running costs, the cost of staff recruited locally, and installation costs are charged to Article 331 (Regional Field Offices). Also charged to Title III are costs for reinforcing the Centre's operational network.

The cost of members of the Centre's statutory staff who are assigned to the RFOs continues to be charged to Articles 111 (Salaries) and 113 (Allowances) on Title I (Staff)

This allocation of costs within the budget maintains a separation between the local costs of the RFOs and the cost of the statutory members of staff who are assigned there.

It should be noted that when determining the ratio between overall running costs and operations on the Centre's annual budget, the running costs comprise Titles I, II and III.

4.4.2. *Bank account of the Regional Office in the Dominican Republic*

The bank account had to be opened under the name "Secretaria de Estado de Ordenador Nacional de Lome IV" in compliance with the country's banking arrangements and laws since there was no Headquarters Agreement between the CDE and the host country. Each bank transaction, however, required two signatures: that of the Centre's Regional Field Officer and that of the EDF Authorising Officer.

The CDE will be able to open a bank account in its own name once it has signed a Headquarters Agreement with the host country's Ministry for Foreign Affairs. It is hoped to be able to sign this Agreement in September 2007.

4.4.3. Verification of accounting documents at the Regional Offices

The auditors' recommendation has been noted. The RFOs have been asked to submit their bank statements on a monthly basis and accounting software is being developed to standardise the methodology used in all the RFOs.

4.5. Partena (social security) accounts

The auditors' recommendation has been noted. As mentioned in the report, a new methodology for the social security accounts has been used since June 2006. The results will be assessed in 2007.

4.6. Indexation of salaries

The Centre will contact the Belgian authorities, as recommended by the auditors. However, after discussion with Partena it seems unlikely that it will be possible find an alternative solution for declaring the retroactive social security amounts.

4.7. Property tax ("précompte immobilier")

The Centre has received confirmation from the Belgian authorities that the property tax is due by the building owner and not the tenant. It is customary under commercial contracts in Belgium for the building owner to require a tenant to reimburse a pro rata amount for the surface area rented. This is therefore a tax that is levied indirectly on the Centre, not directly.

The Centre wrote to the *Comité interministériel pour l'accueil des organismes internationaux* on 10 May 2006 concerning this problem but received no reply. It will send a reminder.

4.8. Financial Controller's function

The role of the Financial Controller is established by the Financial Regulation of the Centre approved by the ACP-EC Committee of Ambassadors.

The question of extending the Financial Controller's role will be raised with the Board and the Commission, in order to ascertain whether or not the change recommended by the auditors requires an amendment to the relevant articles of the Centre's Financial Regulation.

In the meantime, the Financial Controller is a member of the working group that has been set up to monitor temporary accounts (see point 2.1).

4.9. Debtors – VAT on rental charges

Refund of the VAT on rental charges in 2005 was received at the end of November 2006.

The auditors' recommendation has been noted and claims for VAT refund will be submitted more regularly in the future.

4.10. Obligations to creditors – CMMS mines project

After due verification that there were no further expenses to be paid for this project and in agreement with the Financial Controller, the balance has been transferred to "Other revenue" for refund to the EDF.

4.11. Inventory accounts – items below EUR 350

Items with an individual value below 350 euros are recorded as purchases for control purposes only. They do not form part of the value attributed to the permanent inventory at 31 December 2005.

Final Version
10/11/2006

FINANCIAL STATEMENTS 2005



Prepared

By

John C.B. Vaughan
Accounting Officer

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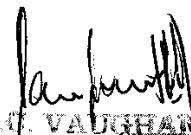


CDE

STATEMENT OF REVENUE AND EXPENDITURE Year ended December 31, 2005

(€)

REVENUE			
	Note	2005	2004
EDF Contributions - Previous year	2.a	6,056,776.45	5,847,882.55
EDF Contributions - Current year	2.b	20,061,949.25	17,955,360.42
Other sources	2.c	366,858.88	414,262.51
TOTAL REVENUE		26,485,584.58	24,217,505.48
EXPENDITURE			
Current Expenses:			
- Budget - Previous year	2.d	4,357,868.69	4,332,053.46
- Budget - Current year	2.d	11,672,631.29	12,304,857.46
- Equipment and Furniture	2.e	89,646.76	46,203.32
TOTAL EXPENDITURE		16,120,146.74	16,683,114.24
EXCESS OF REVENUE OVER EXPENDITURE		10,365,437.84	7,534,391.24
Commitments carried forward (Current year)	2.f	8,701,588.43	6,056,776.45
EXPIRED COMMITMENTS (Previous year's budget)	2.g	1,663,849.41	1,477,614.79
Adjustment for funds received	3.b	-1,487,160.42	-1,402,615.41
FUNDS REPAYABLE TO EDF (Previous year's budget)	3.b	176,688.99	74,999.38


J.J. VAUGHAN
Accounting Officer
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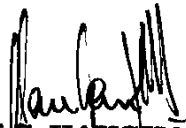
CDE

BALANCE SHEET As at December 31, 2005

(€)

ASSETS			
	Note	2005	2004
Cash and Deposits	3.a	5.831.471,05	406.363,22
EDF Contributions receivable	3.b	1.824.349,25	4.954.256,97
Debtors and realizable accounts	3.c	601.404,76	554.431,50
Guarantee Deposits	3.d	23.549,88	45.333,52
Advances to be justified	3.e	1.245.973,04	780.049,05
Temporary accounts	3.f	402.438,24	106.768,62
TOTAL ASSETS		9.929.186,22	6.847.202,88

LIABILITIES			
Commitments carried forward	3.g	8.701.588,43	6.056.776,45
Obligations to Creditors	3.h	771.750,64	455.501,97
Temporary accounts	3.i	279.158,16	259.925,08
EDF funds repayable	3.j	176.688,99	74.999,38
TOTAL LIABILITIES		9.929.186,22	6.847.202,88


J.C. VAUGHAN
Accounting Officer
07/12/2006

AUTHORITY AND OBJECTIVE

- The Centre for the Development of Enterprise (the Centre), an institution without share capital, was established in 1977 under the Lomé Convention System as the Centre for the Development of Industry (CDI) to support small and medium sized industrial undertakings in the African, Caribbean, and Pacific countries (ACP). It currently operates under the new Cotonou Agreement with an expanded mandate that covers all private enterprise activities. The Centre has its head quarters in Brussels, and is funded mainly by an annual appropriation from the European Development Fund (EDF), third party contributions, and voluntary contributions from EU development institutions. For purposes of the Income Tax Act, the Centre is deemed to be an International Organization under the head quarters agreement with the Belgian government.
- The primary objective of the Centre is to participate in the ACP-EU policy for the development of the ACP economies in promoting and supporting the private sector development. Funds from EDF are used to finance the Centre' operating costs and to provide grants and subsidies in the form of studies and technical assistance to companies and institutions. The Centre's activities are carried out by different networks including the four CDE Regional Offices and third party agreements with technical intervention offices, mainly ACP national or regional institutions and private consultancy firms.

1. SIGNIFICANT ACCOUNTING POLICIES

- As required under article 26 (1) of the Financial Regulations of the Centre, the Statements reported in euros (€). The conversion rates for the calculation in euros conform to article 21 (4) of the same Regulations.
- The concept of "Approved Commitments" as defined in the Financial Regulations is used to measure the total Revenue to be accrued in the Statement of Revenue and Expenditure.
- The actual amount of expenses that the EDF will fund is equal to the "Total of the Approved Commitments" for the particular budget year less the sum of the actual amounts generated from taxes on salaries and from other sources.
- EDF contributions called and not received, plus any outstanding amounts to be recovered by the Centre at the Balance sheet date, are reported in the Balance Sheet as "Assets".
- Interest revenues earned on the bank current account at the Balance Sheet date are accounted for in the current period. Interest revenues earned on "Deposit accounts" that mature after the Balance Sheet date are accounted for in the period of the actual receipt. No consideration is given to the inter-period allocation of the interest revenues between the years.
- The total of the expenses accrued in the Statement of Revenue and Expenditure is composed of; (i) the actual payments made on the approved Commitments of the current year, and (ii) the actual payments made on the approved Commitments brought forward from the previous year.
- Approved Commitments of the current year for which payments have not been made at the Balance Sheet date are considered as obligations of the current period and are matched with the revenue of the current year. These are carried forward to the following year for payment in conformity with the provisions of article (5) of the Financial Regulations. They are also reported in the Balance sheet as "Liabilities" of the current period.
- The value of the "Expired Commitments", previous year's budget is represented by those balances brought forward from the previous year's operations and subsequently de-committed (cancelled) in the current year. Since the calculation of the original amount of funds to be received from the EDF had included such commitments, a reconciliation of the

total approved expenses and the actual funds received in respect of the previous year is carried out to determine the final result of operations. The excess of funds received over expenses are repayable to EDF, and are reported in the Balance Sheet as "Liabilities".

All purchases of furniture and equipment are treated as expenses of the current period without capitalization of expenses over the future life of the assets. For practical purposes, the valuation of the inventory is recorded at historical cost less the historical cost of items removed from service. In considering the net realizable value of the inventory, the rates currently in use by the Commission are applied to devalue each asset. The valuation of the inventory is reported in the ledger accounts and not as a "Fixed Asset" item in the Balance Sheet.

- Temporary accounts are established for "Advances" in respect of operational activities and other expenses that cannot be regularized immediately and charged to the respective Budget Articles. Advances reimbursed to the Centre after the accounts for the relevant year have been closed, are reported as "Other revenue" in the Statement of Revenue and Expenditure.
- In accordance with article 4 (3) of its Statutes and Rules of Procedure, the Centre may manage on behalf of third Parties, resources intended for the execution of activities laid down for it in the agreement. Consolidated Balance Sheets and Statements of Revenue and Expenditure together with the details of the financial statements are annexed in compliance with Articles 26(4) and 37(6) of the Financial Regulations of the Centre.

2. STATEMENT OF REVENUE AND EXPENDITURE

REVENUE:

Total revenue: {€26.485.584, 58}: The total revenue accrued in the statements is funded by the following sources: (a): EDF contributions in respect of the carried forward budget 2004; (b): EDF contributions in respect of the current year 2005, and, (c): Taxes on salaries, interest revenue and other sources. The details are shown below.

	2005	2004
a. Commitments brought forward - Previous year	6.056.776,45	5.847.882,55
EDF Contributions (eligible) - 2004	6.056.776,45	5.847.882,55
b. Approved Commitments - Current year	20.428.808,13	18.369.622,93
Other Sources (Taxes on salaries)	-256.649,90	-260.672,93
Other Sources (Interest & sundries)	-110.208,98	-153.589,58
EDF Contributions (eligible) - 2005	20.061.949,25	17.955.360,42
c. Other Sources:		
Taxes on salaries	256.649,90	260.672,93
Interest and sundries	110.208,98	153.589,58
Total from other sources	366.858,88	414.262,51
TOTAL REVENUE	26.485.584,58	24.217.505,48

EXPENDITURE:

- d. Current expenses: {€16.120.146, 74}:** The total current expenses accrued in the Statements for the year 2005 is composed of the actual expenses charged against the commitments brought forward from the previous Budget year 2004, and the actual expenses charged to the current Budget year 2005. It is the policy of the Centre to show as separate line items in the Statement of Revenue and Expenditure, those amounts expensed for the purchase of equipment and furniture in respect of the commitments brought forward from the previous budget year, and those of the current budget year. Therefore the amounts of €35.058,35 and €54.588,41 in respect of the years 2004 and 2005 have been deducted from the respective totals, leaving balances of €4.357.868,69 and €11.637.572,94 to be reported as normal costs. See also note (e) below.

	2005	C/F 2004
Title I: Staff & Operating Costs	6.632.386,39	438.522,43
Title II: Operating Costs	1.110.921,73	373.305,78
Title III: Audit & Executive Board	80.947,14	14.277,30
Title IV: Support and Services for the Private Sector	3.902.964,44	3.566.821,53
	11.727.219,70	4.392.927,04
Less: purchases of equipment & furniture	-89.646,76	-35.058,35
TOTAL AFTER DEDUCTION FOR EQUIPMENT & FURNITURE	11.637.572,94	4.357.868,69

- e. Equipment and Furniture: {€89.646, 76}:** The expenses in respect of the inventoried purchase of equipment and furniture in the year 2005 are considered as period costs (no allocation of cost to future years). These expenses are accrued in full in the Statement of Revenue and Expenditure and the actual amounts expensed in respect of the budget of the previous (2004) and current year (2005) are shown below.

	2005	2004
Purchases - Previous year's Budget	35.058,35	38.214,30
Purchases - Current year's - Budget	54.588,41	7.989,02
	89.646,76	46.203,32

- f. Commitments 2005 carried forward to 2006: {€8.701.588, 43}:** The value of the approved Commitments for the year 2005 which have not been expensed at 31/12/2005, are carried forward to the year 2006 for payment in compliance with article 5.2 (a) of the Financial Regulations. The breakdown of this amount among the respective Titles is shown in the summary below. The expanded breakdown is given in the Annex.

	Approved Commitments 2005 (2)	Approved Payments 2005 (3)	Carried To Year 2006 (4)
Title I: Staff & Operating Costs	8,243,623.00	6,632,386.39	1,611,236.61
Title II: Operating Costs	1,718,387.15	1,110,921.73	607,465.42
Title III: Audit and Executive Board	147,382.14	80,947.14	66,435.00
Title IV: Support & Services for the Private Sector	10,319,415.84	3,902,964.44	6,416,451.40
	20,428,808.13	11,727,219.70	8,701,588.43

- g. **Expired commitments (previous year's budget):** {€1.663.849, 41}: This figure represents the difference between the maximum entitlement of the EDF contributions that was required to fund the commitments {€6.056.776, 45} brought forward from the previous budget year 2004, and the actual expenses {€4.392.927, 04} charged to those commitments in the current budget year 2005. A reconciliation of the actual cash received from EDF and the actual expenses for the Budget year 2004 has been carried out in order to conclude what a balance is refundable to, or is callable from the EDF in respect of this year. See note 3.b, pages 8-9 for the details of the reconciliation where it has been determined that a balance of €176.688, 22 is refundable to EDF.

3. BALANCE SHEET

ASSETS

- a. **Cash, Term deposits and Interest revenue:** {€5.831.471, 05}: (i): The current account balance is reported at the value date of 31/12/2005. (ii): All term deposits were repaid to the current account at 31/12/2005, and all interest revenue earned during the period was recognized and recorded in the current account at the date of the actual receipt (value date). (iii): The total amount of the interest earned and credited to the current account during the year 2005 is {€69.686, 38}. This amount is included in the global figure of {€366.858, 88} that is reported as "other Sources" in the Statement of Revenue and Expenditure.

	2005	2004
Current account balance	5,831,471.05	406,363.22
Deposit account balance		
	5,831,471.05	406,363.22

- b. **EDF Contributions Receivable - Budget 2005:** {€1.824.349, 25}: The total value of the contribution receivable from EDF at December 31, 2005 is determined by the Commission's formula {Approved commitments – Internal revenue + Contributions received}. Two amounts in respect of the Budget 2005 were credited to the Centre's account: (i) €12.240.400 by (ref. 7070001869FD28 Avance Convention De Subvention 9 ACP GPR 4) value date 18/04/2005; (ii) €5.997.600 (ref. 7070008458FD28 Avance De 90P) value date 05/12/2005. See Table below.

	2005	2004
Approved commitments	20.428.808,13	18.369.622,93
Internal revenue (Taxes & interest)	-366.858,88	-414.262,51
Contributions entitlement	20.061.949,25	17.955.360,42
Contributions received - Budget 2005	-12.240.000,00	-14.638.400,00
Contributions received - Budget 2005	-5.997.600,00	
Contributions receivable - Budget 2005	1.824.349,25	-
Contributions receivable - Budget 2004	-	3.316.960,42
Contributions receivable - Budget 2003	-	1.637.296,55
EDF Contributions Receivable	1.824.349,25	4.954.256,97

Contributions receivable-Budget 2004: (€3.316.960,42): The amount recorded in the account at 31/12/2004 as the Contributions receivable for the budget year 2004 (see table above) has been reconciled in the accounts during the year 2005. In the reconciliation table of the cash account shown below, the actual expenses approved and recorded at 31/12/2005 for the Budget year 2004 amounted to €16.705.773, 52. The actual cash received from EDF at 31/12/2004 was €14.638.400. In 2005 an additional amount €1.829.800 in respect of the year 2004 was received (ref. 7070000088FD28Avance complémentaire Projet 9ACP GPR 3) value date 18/02/2005. After adjusting for the internal revenue from taxes, interest and sundries (€414.262, 51), it is concluded that the amount €176.688, 99 is refundable to EDF. This amount is recorded as a "Liability" in the Balance Sheet.

RECONCILIATION OF CASH ACCOUNT – BUDGET 2004

Cash received from EDF as at 31/12/2004 - Budget 2004	14.638.400,00
Contributions - 10% advance - Subvention 2004	1.829.800,00
Revenue from interest, taxes and other sources	414.262,51
	16.882.462,51
Actual expenses for 2004 {€4.392.927,04 + €12.312.846,48 }	-16.705.773,52
Funds refundable to EDF - Budget 2004	176.688,99

The reconciliation of Commitment accounts with the Cash account for the Budget year 2004 is also shown in the table below. On the basis of the contractual obligations (Commitments) of the Centre at 31/12/2004, the amount of €3.316.960, 42 was recorded in the accounts as the Contribution receivable for the year 2004. Contract obligations not carried out or completed for various professional reasons during 2005 resulted in the partial adaptation or full cancellation of the Commitments brought forward to 2005. The unused commitments in the amount of €1.663.849, 41 at December 31/12/2005 therefore necessitated a correction to the previously recorded receivable for these commitments (€3.316.960, 42 - €1.663.849, 41) = €1.653.111, 01. As the sum of €1.829.800 was received to cover the real obligations of €1.653.111, 01, the amount of €176.688, 99 is reimbursable to the EDF.

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2005

RECONCILIATION OF COMMITMENT ACCOUNTS – BUDGET 2004

	Comm.2004 C/F to 2005 (1)	Payments In 2005 (2)	Refund To EDF (3)
Title I: Staff & Operating Costs	651.125,13	438.522,43	212.602,70
Title II: Operating Costs	506.857,53	373.305,78	133.551,75
Title III: Audit and Executive Board	25.282,95	14.277,30	11.005,65
Title IV: Support & Services for Private Sector	4.873.510,84	3.566.821,53	1.306.689,31
	6.056.776,45	4.392.927,04	1.663.849,41
Sub - Total			1.663.849,41
Amount previously recorded as receivable for 2004			-3.316.960,42
Adjusted amount of the receivable for 2004			-1.653.111,01
Contributions - 10% advance on Subvention 2004			1.829.800,00
Funds Refundable to EDF - (Budget 2004)			176.688,99

Contributions receivable-Budget 2003- (€1.637.296,55): The amount recorded in the account at 31/12/2004 as the Contributions receivable for the budget year 2003 (see table above) has been reconciled in the accounts during the year 2005. In the reconciliation table of the cash account shown below, the actual expenses approved and recorded at 31/12/2004 for the Budget year 2003 amounted to €16.887.804, 75. The actual cash received from EDF at 31/12/2004 was €14.733.600. In 2005 an additional amount €1.841.700 in respect of the year 2003 was received (ref. 7070000088FD28Avance complémentaire Projet 9ACP GPR 3) value date 18/02/2005. After adjusting for the internal revenue from taxes, interest and sundries (€516.908, 20), it was concluded that the amount of €204.403, 45 was refundable to EDF. This amount was refunded by the Centre' Payment Order N° 4465 dated 28/07/2005 with the corresponding debit to the bank account dated 02/08/2005.

RECONCILIATION OF THE CASH ACCOUNT – BUDGET 2003

Cash received from EDF as at 31/12/2004 - Budget 2003	14.733.600,00
Contributions - 10% advance - Subvention 2003	1.841.700,00
Revenue from interest, taxes and other sources	516.908,20
	17.092.208,20
Actual expenses for 2003	-16.887.804,75
Funds refundable to EDF - Budget 2003	204.403,45
Funds refunded to EDF - Budget 2003 - Date of 02/08/2005	-204.403,45
BALANCE	0,00

- c. **Debtors and Realizable Accounts: {€601.404,76}:** The value of this item is represented mainly by, monies owed to the Centre from intervention contracts, advances made to staff for mission expenses, home leave passages for staff and from bank debit orders awaiting supporting documents in respect of social security, telephone charges, etc. Also included in this item is an unjustified amount of €44.442, 49 that represents a balance of litigation charges paid to the Centre's lawyers in respect of a former staff member. The original amount of €85.566.25 paid in respect of these charges has been expensed in the budget year 1998. However a decision was taken by the Centre to report these unjustified expenses among the assets and liabilities of the balance sheet under the captions, "Debtors" and "Obligations to Creditors" respectively, pending the receipt of certain documents. The Director approved a reduction in the amount of €41.123, 76 based on supporting evidence given during the year 2003. The remaining unjustified balance is reported among the assets and liabilities of the balance sheet.

	2005	2004
Advances on missions	2.700,00	34.464,00
Accounts for regularization	98.259,65	69.787,90
Debtors	411.571,51	399.193,48
Advances - Home leave	88.873,60	50.986,12
	<u>601.404,76</u>	<u>554.431,50</u>

- d. **Guarantee Deposits: {€23.549, 88}:** These deposits are required in respect of the common charges for the leased premises (Swiss Life).

	2005	2004
Swiss Life	23.549,88	23.549,88
O.N.S.S	-	21.783,64
	<u>23.549,88</u>	<u>45.333,52</u>

- e. **Advances to be justified: {€1.245.973, 04}:** This item is represented by advances given to the Centre's consultants and antennae Cells for the execution of forums etc. All advances are governed by contracts and, specified in each contract, is an expiry date for submitting the supporting documents of the expenses incurred. Such expenses are expected to be regularized and cleared subsequently against the respective budget articles and commitments by the officers-in-charge.

- f. Temporary Accounts: {€402.438,24}:** This item is composed mainly of the deductions made from staff members' salaries in respect of the contributions payable to Partena and Van Breda for medical and social services. These are recorded in the appropriate temporary accounts pending the regularization by the Human Resources Section and subsequent extinguishment by the Accounting Department upon receipt of the relevant documents.

LIABILITIES:

- g. Commitments 2005 carried forward to 2006: {€8.701.583, 43}:** The values of the commitments being carried forward are considered as obligations of the current period. See note-(2.f), page 7 and Annex for summary and full details respectively.
- h. Obligations to creditors: {€771.750,64}:** This item consists mainly of; (a): payments in transit (€713.284,60) that have been accrued in the accounting records and transferred to the bank, but have not been debited to the bank account of the Centre at the Balance Sheet date of 31/12/2005; (b): a balance of €13.923,55 from an amount donated by the EDF for the one-off funding of a particular project; (c): the extraordinary amount of €44.442.49, which represents the balancing account for the amount recorded in the debtor's account in respect of the litigation charges for a former staff member referred to at note 3(c.); and (d): an amount of €100 that represents an over-reimbursement made to the Centre by a staff member in respect of home leave passage for the year 2005.

	2004	2003
Creditors *	58.466,04	58.366
Payments transferred and not debited by bank	713.284,60	397.136
	<u>771.750,64</u>	<u>455.502</u>

- i. Temporary Accounts: {€279.158,16}:** This item is represented mainly by; (a): payments returned to the Centre due to incorrect or insufficient bank details given by the beneficiaries €15.494,62; (b): social benefits in respect of an ex-staff reimbursed by Van Breda and payable to Generali €1.432,49; (c) the balancing accounts of certain debtor accounts that have been recorded as assets €175.205,76; and (d): reimbursements from ProInvest being held for the extinguishing of the debtor accounts when the reconciliation of the accounts of CDE and ProInvest have been effected €87.025,29.
- j. EDF Funds Repayable 2004: {€176.688,99}:** The amount represents the residual value after the reconciliation between the funds received in respect of the approved commitments for the year 2004 and the actual payments charged against the commitments. See note 3(b) above for full details and calculation. The amount of €74.999, 38 recorded in the balance sheet at 31/12/2004 as repayable to EDF for the Budget year 2002 has been reimbursed to the EU Commission on 26/01/2005. The reconciliation of the cash and commitment accounts in respect of this amount is repeated in the current year's statement for easy reference, and is shown below.

RECONCILIATION OF THE CASH ACCOUNT – BUDGET 2002

Actual cash received from EDF	16.457.200,00
Revenue from interest, taxes and other sources	453.805,32
	16.911.005,32
Total actual expenses for 2002	-16.836.005,94
Funds Repayable to EDF - 2002	74.999,38

RECONCILIATION OF COMMITMENT ACCOUNTS – BUDGET 2002

	Comm.2002 C/F to 2003 (1)	Payments In 2003 (2)	Refund To EDF (3)
Title I: Staff & Operating Costs	449.395,07	237.818,26	211.576,81
Title II: Operating Costs	716.181,80	533.444,31	182.737,49
Title III: Audit and Executive Board	42.922,89	6.750,00	36.172,89
Title IV: Support and Services for the Private Sector	5.428.691,28	4.058.181,19	1.370.510,09
	6.637.191,04	4.836.193,76	1.800.997,28
Amount recorded as receivable for 2002			(1.725.997,90)
Funds Repayable to EDF - 2002			74.999,38

4. CAPITAL ACCOUNTS

- k. **Capital Expenses:** All purchases of furniture and equipment are treated as expenses of the current period (no capitalization of the expenses over the future life of the assets). For practical purposes, the original value of each item of furniture and equipment is maintained in the ledger accounts at historical cost. For valuation purposes however, rates currently in use at the Commission are used to devalue (using the simple depreciation method) each item of furniture in the inventory, and the expired costs are accumulated in the respective contra account "Accumulated depreciation". Items removed from service are also based on the historical cost assigned to each item.

The cost of the office partitions installed at the inception of the leased premises is also accumulated in the inventory at historical cost and the depreciated value is based on the annual expired cost over the life of the lease (nine years) from 01/06/2001 to 31/05/2010. The expired cost for the period 01/06/2001 to 31/12/2005 $\{€299.928,38 / 9 \times 5\} = €166.626,88$ is also accumulated in a contra account.

The inventory is reported in the ledger accounts only and not as a "Fixed Asset" item in the Balance Sheet.

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2005

	2005	2004
Beginning inventory (Book Value) January 1st	1,139,191.68	1,119,350.11
Items removed from service - Computer equipment	0.00	-26,361.75
Items removed from service - error adjustment	-0.05	0.00
Total items removed from service	-0.05	-26,361.75
Adjusted value	1,139,191.63	1,092,988.36
Purchases in current year	89,646.76	46,203.32
Ending inventory (Book Value) at December 31	1,228,838.39	1,139,191.68
Less accumulated depreciation	-886,308.71	-762,735.40
Net realizable value at December 31 - (a)	342,529.68	376,456.28
Historical value of partitioning	299,928.38	299,928.38
Less accumulated depreciation	-166,626.88	-133,301.50
Net realizable value at December 31 - (b)	133,301.50	166,626.88
TOTAL INVENTORY - (a)+(b)	475,831.18	543,083.16

Carry Over Expense Account: Budget – 2004 - Situation as at 31/12/2005



Tit. Chap. Art.	Description	Initial Amount	Approved Payments	Commitments to be paid	Unused Budget
1	Staff and operating costs	651.125,13	438.522,43	0,00	212.602,70
2	Operating costs (in Brussels)	506.857,53	373.305,78	0,00	133.551,75
3	Audit and executive board	25.282,95	14.277,30	0,00	11.005,65
4	Support and services for the private sector	4.873.510,84	3.566.821,53	0,00	1.306.689,31
	Total	6.056.776,45	4.392.927,04	0,00	1.663.849,41
	Grand Total	6.056.776,45	4.392.927,04	0,00	1.663.849,41

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J.C. VAUGHAN
Accounting Officer
J.C. Vaughan

Carry Over Expense Account: Budget 2004 - Situation as at 31/12/2005



Tit. Chap. Art.	Description	Initial Amount	Approved Payments	Commitments to be paid	Unused Budget
111	Salaries	19.789,97	1.936,05	0,00	17.853,92
112	Social Security Contributions	185.064,54	104.988,35	0,00	80.096,19
113	Allowances	98.146,14	60.803,85	0,00	37.342,29
114	Staff training and further training	12.400,00	12.400,00	0,00	0,00
115	Expenses for staff integration	4.423,83	3.850,00	0,00	573,83
116	Expenses related to departure and recruitment	100.000,00	69.558,05	0,00	30.441,95
	Total Chapter 11	419.824,48	253.516,30	0,00	166.308,18
121	Temporary staff	83.543,20	40.578,64	0,00	42.964,56
122	Experts on secondment from or exchanged with other organisations	22.022,45	21.008,80	0,00	1.013,65
	Total Chapter 12	105.565,65	61.587,44	0,00	43.978,21
131	Legal expenses	125.735,00	123.418,69	0,00	2.316,31
	Total Chapter 13	125.735,00	123.418,69	0,00	2.316,31
	Total Title 1	651.125,13	438.522,43	0,00	212.602,70
211	Office rental and incidental expenses	56.988,15	16.888,69	0,00	40.099,46
212	Purchase of furniture and equipment	828,12	0,00	0,00	828,12
213	Rental of furniture and equipment	1.971,06	127,00	0,00	1.844,06
214	Maintenance of furniture and equipment (incl. transport)	2.561,68	455,11	0,00	2.106,57

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ANNEX - 1A

Tit. Chap. Art.	Description	Initial Amount	Approved Payments	Commitments to be paid	Unused Budget
215	Computer services	101.121,12	93.784,90	0,00	7.336,22
216	Miscellaneous operating costs	83.817,97	43.857,03	0,00	39.960,94
217	Miscellaneous consultants	179.800,00	159.104,44	0,00	20.695,56
	Total Chapter 21	427.088,10	314.217,17	0,00	112.870,93
221	Costs related to managing programmes on behalf of third parties	0,00	0,00	0,00	0,00
222	Costs related to decentralised project management	16.250,00	5.750,00	0,00	10.500,00
	Total Chapter 22	16.250,00	5.750,00	0,00	10.500,00
231	Entertainment and reception expenses	4.523,06	2.492,52	0,00	2.030,54
	Total Chapter 23	4.523,06	2.492,52	0,00	2.030,54
241	Quality management, ISO certification and internal evaluation	37.175,00	37.163,00	0,00	12,00
242	Missions of general interest	21.821,37	13.663,09	0,00	8.138,28
	Total Chapter 24	58.996,37	50.846,09	0,00	8.150,28
	Total Title 2	506.857,53	373.305,78	0,00	133.551,75
311	External Audit	7.500,00	7.500,00	0,00	0,00
321	Executive board	7.500,00	7.500,00	0,00	0,00
	Total Chapter 31	17.782,95	17.782,95	0,00	11.005,65
	Total Chapter 32	25.282,95	14.277,30	0,00	11.005,65
	Total Title 3	118.803,50	93.403,92	0,00	25.399,58
411	Sectoral and functional studies	477.554,05	388.429,21	0,00	89.124,84
412	Technical meetings and seminars	0,00	0,00	0,00	0,00
413	Entrepreneur missions	75.600,00	68.777,14	0,00	6.822,86
414	Promotion of a specific sector or product of an ACP country or region				

Tit. Chap. Art.	Description	Initial Amount	Approved Payments	Commitments to be paid	Unused Budget
415	Information and publications	42.144,99	30.083,00	0,00	12.061,99
416	Associate consultants and sectoral correspondents	294.713,73	261.343,17	0,00	33.370,56
421	Total Chapter 41	1.008.816,27	942.036,44	0,00	166.779,83
422	Support for enterprises	2.851.309,25	2.045.885,88	0,00	805.423,37
423	Support for intermediary organisations and local institutions in ACP countries	210.300,00	147.698,56	0,00	62.601,44
423	Support for service providers	31.330,00	30.927,32	0,00	402,68
431	Total Chapter 42	3.092.939,25	2.224.511,76	0,00	868.427,49
431	Other investment promotion activities	0,00	0,00	0,00	0,00
441	Total Chapter 43	0,00	0,00	0,00	0,00
441	Regional Field Offices	286.115,92	203.168,66	0,00	82.947,26
442	Operational capacity in ACP countries	364.327,82	198.938,03	0,00	165.389,79
443	Operational capacity in Europe	8.656,58	4.779,84	0,00	3.876,74
451	Total Chapter 44	659.100,32	406.886,53	0,00	252.213,79
451	Promotion and Communication Activities	112.655,00	93.386,80	0,00	19.268,20
451	Total Chapter 45	112.655,00	93.386,80	0,00	19.268,20
451	Total Title 4	4.873.510,84	3.566.821,53	0,00	1.306.689,31
	I				
	Total	6.056.776,45	4.392.927,04	0,00	1.663.849,41
	Grand Total	6.056.776,45	4.392.927,04	0,00	1.663.849,41

Expense Account: Budget – 2005 - Situation as at 31/12/2005



Budget Manager = CDE 2005, 2005; End month = 12; Year = 2005;

Tk. Chap. Art.	Description	Initial Budget	Transfers	Available Budget	Commitments approved	Payments approved	Commitments to be paid (Carry over)	Unused Budget
1	CDE 2005	8.390.000,00	0,00	8.390.000,00	8.243.623,00	6.632.386,39	1.611.236,61	146.377,00
2	Staff and operating costs	2.080.000,00	-161.050,00	1.918.950,00	1.718.387,15	1.110.921,73	607.465,42	200.562,85
3	Operating costs (in Brussels)	190.000,00	-28.500,00	161.500,00	147.382,14	80.947,14	66.435,00	14.117,86
4	Audit and executive board	10.190.000,00	189.550,00	10.379.550,00	10.319.415,84	3.902.984,44	6.416.451,40	60.134,16
	Support and services for the private sector	20.850.000,00	0,00	20.850.000,00	20.428.808,13	11.727.219,70	8.701.588,43	421.191,87
	CDE 2005	20.850.000,00	0,00	20.850.000,00	20.428.808,13	11.727.219,70	8.701.588,43	421.191,87
	Total	20.850.000,00	0,00	20.850.000,00	20.428.808,13	11.727.219,70	8.701.588,43	421.191,87
	Grand Total	20.850.000,00	0,00	20.850.000,00	20.428.808,13	11.727.219,70	8.701.588,43	421.191,87

J.C. VAUGHAN
Accounting Officer
07/07/2006



Expense Account: Budget – 2005 - Situation as at 31/12/2005

Budget Manager = CDE 2005, 2005; End month = 12; Year = 2005;

Th. Chap. Art.	Description	Initial Budget	Transfers	Available Budget	Commitments approved	Payments Approved	Commitments to be paid (Carry over)	Unused Budget
111	Salaries	4.970.000,00	-253.000,00	4.717.000,00	4.610.000,00	4.344.369,13	265.630,87	107.000,00
112	Social Security Contributions	1.860.000,00	0,00	1.860.000,00	1.837.062,00	1.274.997,80	562.064,20	22.938,00
113	Allowances	770.000,00	0,00	770.000,00	769.996,00	528.656,23	243.337,77	4,00
114	Staff training and further training	30.000,00	0,00	30.000,00	16.305,00	825,00	15.480,00	13.695,00
115	Expenses for staff integration	5.000,00	0,00	5.000,00	5.000,00	0,00	5.000,00	0,00
116	Expenses related to departure and recruitment	140.000,00	56.000,00	196.000,00	195.878,00	28.394,86	167.483,14	122,00
	Total Chapter 11	7.775.000,00	-197.000,00	7.578.000,00	7.434.241,00	6.175.245,02	1.258.995,98	143.759,00
121	Temporary staff	385.000,00	110.000,00	495.000,00	494.885,70	377.784,57	117.101,13	114,30
122	Experts on secondment from or exchanged with other organisations	180.000,00	-84.000,00	96.000,00	95.999,30	65.999,30	30.000,00	0,70
	Total Chapter 12	565.000,00	26.000,00	591.000,00	590.885,00	443.783,87	147.101,13	115,00
131	Legal expenses	50.000,00	171.000,00	221.000,00	218.497,00	13.357,50	205.139,50	2.503,00
	Total Chapter 13	50.000,00	171.000,00	221.000,00	218.497,00	13.357,50	205.139,50	2.503,00

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ANNEX – 2A

Tic Chap. Art.	Description	Initial Budget	Transfers	Available Budget	Commitments approved	Payments Approved	Commitments to be paid (Carry over)	Unused Budget
	Total Title 1	8.390.000,00	0,00	8.390.000,00	8.243.623,00	6.632.386,39	1.611.236,61	146.377,00
211	Office rental and incidental expenses	890.000,00	4.000,00	894.000,00	893.771,54	679.042,66	214.728,88	228,46
212	Purchase of furniture and equipment	25.000,00	-10.000,00	15.000,00	15.000,00	14.755,21	244,79	0,00
213	Rental of furniture and equipment	80.000,00	0,00	80.000,00	46.357,65	29.516,31	16.841,34	33.642,35
214	Maintenance of furniture and equipment (incl. transport)	25.000,00	-12.050,00	12.950,00	11.944,96	10.755,57	1.189,39	1.005,04
215	Computer Services	300.000,00	194.000,00	494.000,00	343.793,56	150.170,98	193.622,58	150.206,44
216	Miscellaneous operating costs	310.000,00	-52.000,00	258.000,00	252.097,70	181.238,80	70.858,90	5.902,30
217	Miscellaneous consultants	100.000,00	-23.000,00	77.000,00	71.030,00	7.652,30	63.377,70	5.970,00
	Total Chapter 21	1.730.000,00	100.950,00	1.630.950,00	1.633.995,41	1.073.131,83	560.863,58	196.954,59
221	Costs related to managing programmes on behalf of third parties	20.000,00	-20.000,00	0,00	0,00	0,00	0,00	0,00
222	Costs related to decentralised project management	100.000,00	-52.000,00	48.000,00	48.000,00	11.450,00	36.550,00	0,00
	Total Chapter 22	120.000,00	-72.000,00	48.000,00	48.000,00	11.450,00	36.550,00	0,00
231	Entertainment and reception expenses	30.000,00	0,00	30.000,00	28.236,37	24.573,88	3.662,49	1.763,63
	Total Chapter 23	30.000,00	0,00	30.000,00	28.236,37	24.573,88	3.662,49	1.763,63
241	Quality management, ISO certification and internal evaluation	20.000,00	-15.000,00	5.000,00	4.993,00	810,00	4.183,00	7,00

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ANNEX – 2B

Tit. Chap. Art.	Description	Initial Budget	Transfers	Available Budget	Commitments approved	Payments Approved	Commitments to be paid (Carry over)	Unused Budget
242	Missions of general interest	180.000,00	-175.000,00	5.000,00	3.162,37	956,02	2.206,35	1.837,63
	Total Chapter 24	200.000,00	-190.000,00	10.000,00	8.155,37	1.766,02	6.389,35	1.844,63
	Total Title 2	2.080.000,00	-161.050,00	1.918.950,00	1.718.387,15	1.110.921,73	607.465,42	200.562,85
311	External Audit	40.000,00	4.900,00	44.900,00	44.900,00	16.465,00	28.435,00	0,00
	Total Chapter 31	40.000,00	4.900,00	44.900,00	44.900,00	16.465,00	28.435,00	0,00
321	Executive board	150.000,00	-33.400,00	116.600,00	102.482,14	64.482,14	38.000,00	14.117,86
	Total Chapter 32	150.000,00	-33.400,00	116.600,00	102.482,14	64.482,14	38.000,00	14.117,86
	Total Title 3	190.000,00	-28.500,00	161.500,00	147.382,14	80.947,14	66.435,00	14.117,86
411	Sectoral and functional studies	390.000,00	-56.591,00	333.409,00	333.409,06	148.169,06	185.239,00	0,94
412	Technical meetings and seminars	1.200.000,00	495.929,00	1.695.929,00	1.682.700,21	480.444,21	1.202.256,00	13.228,79
413	Entrepreneur missions	80.000,00	5.400,00	85.400,00	85.400,00	10.000,00	75.400,00	0,00
414	Promotion of a specific sector or product of an ACP country or region	10.000,00	-10.000,00	0,00	0,00	0,00	0,00	0,00
415	Information and publications	100.000,00	5.550,00	105.550,00	105.538,93	58.702,93	46.836,00	11,07
416	Associate consultants and sectoral correspondents	960.000,00	185.216,00	1.145.216,00	1.137.861,00	551.001,00	586.860,00	7.355,00
	Total Chapter 41	2.740.000,00	625.504,00	3.365.504,00	3.344.908,20	1.248.317,20	2.096.591,00	20.595,80

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ANNEX - 2C

Tit. Chap. Art.	Description	Initial Budget	Transfers	Available Budget	Commitments approved	Payments Approved	Commitments to be paid (Carry over)	Unused Budget
421	Support for enterprises	4.300.000,00	302.478,00	4.602.478,00	4.594.577,52	1.751.105,02	2.843.472,50	7.900,48
422	Support for intermediary organisations and local institutions in ACP countries	940.000,00	-252.040,00	687.960,00	687.545,00	284.367,50	403.177,50	415,00
423	Support for service providers	50.000,00	5.000,00	55.000,00	54.272,00	0,00	54.272,00	728,00
	Total Chapter 42	5.290.000,00	55.438,00	5.345.438,00	5.336.394,52	2.035.472,52	3.300.922,00	9.043,48
431	Other investment promotion activities	0,00	0,00	0,00	0,00	0,00	0,00	0,00
	Total Chapter 43	0,00	0,00	0,00	0,00	0,00	0,00	0,00
441	Regional Field Offices	640.000,00	36.500,00	676.500,00	676.433,00	147.662,23	528.770,77	67,00
442	Operational capacity in ACP countries	1.190.000,00	-400.292,00	789.708,00	778.444,56	377.453,27	400.991,29	11.263,44
443	Operational capacity in Europe	30.000,00	-9.000,00	21.000,00	19.902,56	17.520,23	2.382,33	1.097,44
	Total Chapter 44	1.860.000,00	-372.792,00	1.487.208,00	1.474.780,12	542.635,73	932.144,39	12.427,88
451	Promotion and Communication Activities	300.000,00	-118.600,00	181.400,00	163.333,00	76.538,99	86.794,01	18.067,00
	Total Chapter 45	300.000,00	-118.600,00	181.400,00	163.333,00	76.538,99	86.794,01	18.067,00
	Total Title 4	10.190.000,00	189.550,00	10.379.550,00	10.319.415,84	3.902.964,44	6.416.451,40	60.134,16
	Total B.M. CDE 2005	20.850.000,00	0,00	20.850.000,00	20.428.806,13	11.727.219,70	8.701.588,43	421.191,87
	Total 2005	20.850.000,00	0,00	20.850.000,00	20.428.806,13	11.727.219,70	8.701.588,43	421.191,87

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ANNEX - 2D

Tit. Chap. Art.	Description	Initial Budget	Transfers	Available Budget	Commitments approved	Payments Approved	Commitments to be paid (Carry over)	Unused Budget
	Grand Total	20.850.000,00	0,00	20.850.000,00	20.428.808,13	11.727.219,70	8.701.588,43	421.191,87

ANNEX - 2E



CDE

CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE Year ended December 31, 2005

(€)

REVENUE			
	Note	2005	2004
EDF Contributions - Previous year	2.a	6.056.776,45	5.847.882,55
EDF Contributions - Current year	2.b	20.061.949,25	17.955.360,42
Other sources	2.c	368.858,88	414.262,51
Total Revenue (CDE) - (R1)		26.485.584,58	24.217.505,48
Total Revenue (Third Parties) - (R2)	Annex:3A	3.770.865,54	4.812.553,38
TOTAL REVENUE		30.256.450,12	29.030.058,86
EXPENDITURE			
Current Expenses:			
- Budget - Previous year *	2.d	4.357.868,69	4.332.053,46
- Budget - Current year *	2.d	11.672.631,29	12.304.857,46
- Equipment and Furniture	2.e	89.646,76	46.203,32
Total Expenditure (CDE) - (E1)		16.120.146,74	16.683.114,24
Total Expenditure (Third Parties) - (E2)	Annex:3A	556.954,82	1.835.743,39
Excess Revenue Over Expenditure (CDE) - (R1) - (E1)		10.365.437,84	7.534.391,24
Excess Revenue Over Expenditure (Third Parties) (R2) - (E2)	Annex:3A	3.213.910,72	2.976.809,99
Commitments carried forward (CDE)	2.f	8.701.588,43	6.056.776,45
Commitments carried forward (Third Parties)	Annex:3A	696.753,88	940.226,39
NET EXCESS OF REVENUE OVER EXPENDITURE (CDE)	2.g	1.663.849,41	1.477.614,79
NET EXCESS OF REVENUE OVER EXPENDITURE (Third Parties)	Annex:3A	2.517.156,84	2.036.583,60
TOTAL NET EXCESS OF REVENUE OVER EXPENDITURE		4.181.006,25	3.514.198,39

J.C. VAUGHAN
 Accounting Officer
 09/07/2006

ANNEX - 3A

THIRD PARTY ACCOUNTS
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE
Year Ended December 31, 2005

	(€)	2005	2004
REVENUE			
Opening Balance			1,522,642,66
Receipts:		2,976,809,99	
Contributions	772,568,50		3,270,227,09
Interest revenue	10,164,01		9,109,26
Other	11,323,04		10,796,40
TOTAL REVENUE		3,770,865,54	4,812,775,41
EXPENDITURE			
Projects - ACP countries	403,834,00		1,673,687,88
General operating expenses	153,120,82		139,673,54
Other	0,00		222,03
TOTAL EXPENDITURE		556,954,82	1,813,583,45
EXCESS REVENUE		3,213,910,72	2,999,191,96
Commitments payable	696,753,88		962,608,36
NET EXCESS REVENUE		2,517,156,84	2,036,583,60

THIRD PARTY ACCOUNTS - [Details]

STATEMENTS OF REVENUE AND EXPENDITURE

Year Ended December 31, 2005

(€)

	AUSTRIA		AGCD / DDCI		FACT		AWEX		ZAMBIA		LUXEMBOURG		SIDA		RBC	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
REVENUE																
Opening Balance	27	01	5,399	5,385	224,216	251,310	3,118	20,451	388,943	406,749	420,429	479,889	449,859	358,858	1,484,818	0
Receipts:																
Contributions						0		27,725		1,140,000	371,840	371,840	400,729	248,662		1,482,000
Interest revenue	5	27	4	14	1,032	2,365	14	274	2,034	526	594	736	2,637	2,350	3,754	2,818
Other						01		0		0	11,323	10,796		0		0
Total Revenue	22	27	5,403	5,399	225,248	253,675	3,133	48,451	390,977	1,547,275	804,286	863,262	853,224	609,869	1,488,573	1,484,818
EXPENDITURE																
Projects and interventions	0	0	0	0	33,585	19,450		45,332		1,158,331	151,309	290,777	218,931	159,798	0	0
General operating expenses	0	0	0	0		0		0	0	0	153,121	139,674		0	0	0
Other	0	0	0	0		9		0	0	0		0		213	0	0
Total Expenditure	0	0	0	0	33,585	19,459	0	45,332	0	1,158,331	304,429	430,450	218,931	160,011	0	0
EXCESS REVENUE	22	27	5,403	5,399	191,663	234,216	3,133	3,118	390,977	388,943	499,857	432,811	634,294	449,859	1,488,573	1,484,818
Commitments payable	0	0	0	0	3,188	48,558	3,850	0		387,669	139,249	160,761	590,367	365,622	0	0
NET EXCESS REVENUE	22	27	5,403	5,399	188,465	185,658	717	3,118	390,977	1,275	360,507	272,051	83,927	84,237	1,488,573	1,484,818

CDE



CONSOLIDATED BALANCE SHEET As at December 31, 2005

(€)

ASSETS			
	Note	2005	2004
Cash and Deposits	3.a	5.831.471,05	406.363,22
EDF Contributions receivable	3.b	1.824.349,25	4.954.256,97
Debtors and realizable accounts	3.c	601.404,76	554.431,50
Guarantee Deposits	3.d	23.549,88	45.333,52
Advances to be justified	3.e	1.245.973,04	780.049,05
Temporary accounts	3.f	402.438,24	106.768,62
Total Assets (CDE)		9.929.186,22	6.847.202,88
Total Assets (Third Parties)	Annex:4A	3.253.532,52	3.065.720,06
TOTAL ASSETS		13.182.718,74	9.912.922,94

LIABILITIES			
Commitments carried forward	3.g	6.701.588,43	6.056.776,45
Obligations to Creditors	3.h	771.750,64	455.501,97
Temporary accounts	3.i	279.158,16	259.925,08
EDF funds repayable - 2004	3.j	176.686,99	74.999,38
Total Liabilities (CDE)		9.929.186,22	6.847.202,88
Total Liabilities (Third Parties)	Annex:4A	3.253.532,62	3.065.720,06
TOTAL LIABILITIES		13.182.718,84	9.912.922,94


J.C. VAUGHAN
 Accounting Officer
 07/12/2006

THIRD PARTY ACCOUNTS
CONSOLIDATED BALANCE SHEET
As at December 31, 2005

(€)

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash	3.149.470,20	3.045.657,74
Term Accounts	0,00	0,00
Advances to justify	104.000,00	20.000,00
Receivables	62,32	62,32
TOTAL ASSETS	<u><u>3.253.532,52</u></u>	<u><u>3.065.720,06</u></u>
LIABILITIES		
Commitments payable	696.753,88	940.226,39
Accounts payable	39.621,90	88.910,07
Net Excess Revenue	2.517.156,84	2.036.583,60
TOTAL LIABILITIES	<u><u>3.253.532,62</u></u>	<u><u>3.065.720,06</u></u>

THIRD PARTY ACCOUNTS [Details]

BALANCE SHEETS

As at December 31, 2005

(€)

	AUSTRIA		DGCI		FACT		AWEX		ZAMBIA		LUXEMBOURG		SIDA		RBC	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
ASSETS																
Cash	22	27	5.403	5.399	194.840	234.216	3.133	16.520	390.977	388.943	510.973	453.250	555.592	462.526	1.488.573	1.484.818
Term Accounts			0	0	0	0	0	0	0	0	0	0	0	0	0	0
Advances to Justify		0	0	0	0	0	0	0	0	0	0	0	104.000	20.000	0	0
Receivables			0	0	0	0	0	0	0	0	43	42	20	20	0	0
TOTAL ASSETS	22	27	5.403	5.399	194.840	234.216	3.133	16.520	390.977	388.943	510.973	453.250	659.512	482.546	1.488.573	1.484.818
LIABILITIES																
Commitments payable			0	0	3.188	38.558	3.850	0		387.669	139.349	148.379	550.367	365.622	0	0
Accounts payable			0	0	3.188	10.000	13.402	0		0	11.116	32.821	25.318	32.688	0	0
Net Excess Revenue	22	27	5.403	5.399	188.465	185.658	-717	3.118	390.977	1.275	360.507	272.051	83.927	84.237	1.488.573	1.484.818
TOTAL LIABILITIES	22	27	5.403	5.399	194.840	234.216	3.133	16.520	390.977	388.943	510.973	453.250	659.512	482.546	1.488.573	1.484.818