

**WORLD RELIEF CAMBODIA
CREDIT (CAMBODIA RURAL ECONOMIC DEVELOPMENT
INITIATIVES FOR TRANSFORMATION) PROJECT**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2001**

**WORLD RELIEF CAMBODIA
CREDIT (CAMBODIA RURAL ECONOMIC DEVELOPMENT
INITIATIVES FOR TRANSFORMATION) PROJECT**

**FINANCIAL STATEMENTS
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**REPORT OF THE AUDITORS TO THE DONORS OF
WORLD RELIEF CAMBODIA – CREDIT PROJECT**

We have audited the financial statements of World Relief Cambodia – CREDIT (Cambodia Economic Development Initiatives for Transformation) Project (the “Project”) on pages 2 to 11 which are expressed in United States Dollars and which have been prepared in accordance with the accounting policies set out in note 3 to the financial statements.

Respective responsibilities of the Director and the auditors

The Project’s directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit of those financial statements, and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Project’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free of material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As indicated in Note 2 to the financial statements, the accompanying financial statements are not intended to present the financial position and results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Cambodia. The accounting principles and practices utilized in Cambodia may differ from those generally accepted in countries and jurisdictions other than Cambodia.

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Project as at 30 September 2001, and of its results of operations and cash flows for the year then ended, in accordance with the accounting policies set out in note 3 to the financial statements.

PricewaterhouseCoopers (Cambodia) Limited

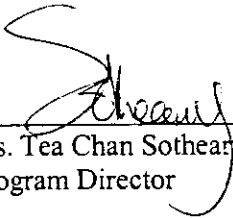
PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED
Phnom Penh, Kingdom of Cambodia
Date: 7 March 2002



**WORLD RELIEF CAMBODIA
CREDIT (CAMBODIA RURAL ECONOMIC DEVELOPMENT
INITIATIVES FOR TRANSFORMATION) PROJECT**

**BALANCE SHEET
AS AT 30 SEPTEMBER 2001**

	Note	2001 US\$	2000 US\$
ASSETS			
Cash on hand and in banks	4	250,973	241,190
Loans receivable, net	5	662,108	355,638
Fixed assets	6	46,739	27,933
Other assets	7	87,238	9,496
TOTAL ASSETS		<u>1,047,058</u>	<u>634,257</u>
LIABILITIES AND EQUITY			
Customers' deposits	8	104,764	61,810
Other liabilities	9	44,572	24,553
		<u>149,336</u>	<u>86,363</u>
Loan fund capital	10	753,383	526,693
Retained earnings		144,339	21,201
		<u>897,722</u>	<u>547,894</u>
TOTAL LIABILITIES AND EQUITY		<u>1,047,058</u>	<u>634,257</u>

By: 
Ms. Tea Chan Sotheary
Program Director

Date: 7 March 2002

The accompanying notes on pages 5 to 11 form an integral part of these financial statements.

**WORLD RELIEF CAMBODIA
CREDIT (CAMBODIA RURAL ECONOMIC DEVELOPMENT
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**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2001**

	Note	2001 US\$	2000 US\$
Interest income	11	404,264	242,463
Interest expense	12	<u>9,474</u>	<u>6,360</u>
Net interest income		394,790	236,103
Provision for doubtful debts	5	<u>38,965</u>	<u>-</u>
Net interest income after provision for doubtful debts		355,825	236,103
Other operating income		<u>4,411</u>	<u>3,659</u>
		<u>360,236</u>	<u>239,762</u>
Administrative expenses	13	621,447	469,368
Depreciation		12,714	10,148
Loss on disposal of fixed assets		<u>54</u>	<u>3,004</u>
		<u>634,215</u>	<u>482,520</u>
Loss before grant income		273,979	242,758
Grant income	10	<u>397,117</u>	<u>263,959</u>
Net income for the year		123,138	21,201
Retained earnings at the beginning of the year		<u>21,201</u>	<u>-</u>
Retained earnings at the end of the year		<u>144,339</u>	<u>21,201</u>

The accompanying notes on pages 5 to 11 form an integral part of these financial statements.

**WORLD RELIEF CAMBODIA
CREDIT (CAMBODIA RURAL ECONOMIC DEVELOPMENT
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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2001**

	Note	2001 US\$	2000 US\$
OPERATING ACTIVITIES			
Net income for the year		123,138	21,201
Adjustments to reconcile net income with funds provided by operations:			
Provision for potential losses		38,965	-
Depreciation of fixed assets		12,714	10,148
Loss on disposal of fixed assets		54	3,004
Changes in operating assets and liabilities:			
Loans receivable		(345,435)	(94,609)
Other assets		(77,742)	(9,496)
Customers' deposits		42,954	20,607
Other liabilities		20,019	7,741
Net cash outflow from operating activities		<u>(185,333)</u>	<u>(41,404)</u>
INVESTING ACTIVITIES			
Purchase of fixed assets		(32,539)	(3,391)
Proceeds from disposal of fixed assets		965	3,496
Net cash outflow from investing activities		<u>(31,574)</u>	<u>105</u>
FINANCING ACTIVITY			
Loan fund capital received		<u>226,690</u>	<u>71,188</u>
NET INCREASE IN CASH ON HAND AND IN BANKS		9,783	29,889
CASH ON HAND AND IN BANKS			
At the beginning of the year		<u>241,190</u>	<u>211,301</u>
At the end of the year	4	<u>250,973</u>	<u>241,190</u>

The accompanying notes on pages 5 to 11 form an integral part of these financial statements.

**WORLD RELIEF CAMBODIA
CREDIT (Cambodia Rural Economic Development Initiatives for Transformation) PROJECT**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2001**

1. GENERAL

World Relief Cambodia – CREDIT (Cambodia Rural Economic Development Initiatives for Transformation) Project (the “Project”) is managed by and funded through World Relief Cambodia, an international non-profit organisation registered with the Ministry of Foreign Affairs in Cambodia. The Project started on 1 October 1999 upon assignment to World Relief Cambodia of a segment of the activities of World Relief/Cambodia Community Building (“WR/CCB”), a micro-finance organization supported by World Relief.

The Project operates through three branches located in Phnom Penh and in the provinces of Kompong Cham and Kompong Chhnang. The Project’s primary source of revenue is interest derived from providing loans to clients.

2. BASIS OF PREPARATION

The financial statements of the Project, which are expressed in United States Dollars (US\$), are prepared under the historical cost convention.

The financial statements are not intended to present the financial position and results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Cambodia. The accounting principles and practices utilized in Cambodia may differ from those generally accepted in countries and jurisdictions other than Cambodia.

3. SIGNIFICANT ACCOUNTING POLICIES

Loans

Loans are stated net of provision for doubtful debts.

Interest on loans is calculated using the fixed balance method based on the loan principal amount disbursed. Commencing July 2001, the interest on loans is calculated using the declining balance. The effect of the change in method of interest calculation on the profit and loss account for the year ended 30 September 2001 is insignificant.

The adequacy of the allowance for doubtful debts is evaluated monthly by management. The amount of allowance charged to expense is based on management’s judgment of the amount necessary to maintain the allowance at a level adequate to absorb losses.

Management provides for loan losses every month in order to maintain the allowance for doubtful debts at adequate levels. The adequacy of the allowance balance is determined by applying defined percentages to the outstanding balances in various aging categories, as follows:

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2001**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loan aging status	Percentage of provision applied
1 – 30 days	-
31 – 60 days	10
61 – 90 days	50
91 – 120 days	75
Over 120 days	100

Fixed assets

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the fixed assets at the following annual rates:

Computer	33.3 %
Vehicles and motorcycles	20.0 %
Machinery	12.5 %

Maintenance and repairs that do not extend the useful lives of assets are expensed in the year in which they are incurred.

Donations and grants

Donations or funds received by the Project to finance its lending operations are shown as direct additions to equity as 'Loan fund capital' and to the corresponding asset account in the balance sheet.

Donations or grants received to subsidize for the Project's operating and administrative expenses are recorded in the profit and loss account as grant income. The portion of grants that will be collected after the end of the year is shown as 'Grants receivable' under Other Assets in the balance sheet.

Interest and fee income

Interest earned on loans and fee income are recognized in the profit and loss account on a cash basis.

Interest and fee expenses

Interest expense on deposits from members and fee expenses are recognized in the profit and loss account on a cash basis.

Foreign currency translation

Assets and liabilities denominated in foreign currency are converted into US\$ at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies arising during the period are converted into US\$ at the rates of exchange prevailing on the transaction dates. All exchange difference are recognised in the profit and loss account.

**WORLD RELIEF CAMBODIA
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2001**

4. CASH ON HAND AND IN BANKS

	2001 US\$	2000 US\$
Cash on hand	79,727	102,423
Cash in banks	171,246	138,767
	<u>250,973</u>	<u>241,190</u>

5. LOANS RECEIVABLE, NET

An analysis of the loans provided to Cambodian women residents follows:

	2001 US\$	2000 US\$
Gross loans outstanding	712,494	367,059
Allowance for doubtful debts	(50,386)	(11,421)
Net	<u>662,108</u>	<u>355,638</u>
By Branch:		
Kompong Cham	329,321	249,516
Phnom Penh/Kandal	247,967	111,548
Kompong Chhnang	135,206	5,995
	<u>712,494</u>	<u>367,059</u>
By Type:		
Solidarity loans (group of 2 to 12 women)	390,580	190,718
Individual loans	171,692	43,327
Bank loans (group of more than 12 women)	150,222	133,014
	<u>712,494</u>	<u>367,059</u>
By Currency:		
Cambodian Riel	519,476	238,896
United States Dollars	193,018	128,163
	<u>712,494</u>	<u>367,059</u>

**WORLD RELIEF CAMBODIA
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2001**

5. LOANS RECEIVABLE, NET (Continued)

Movements in the provisions for doubtful debts are summarized as follows:

	2001 US\$	2000 US\$
Balance at the beginning of the year	11,421	13,584
Provision for doubtful debts	38,965	-
Loans written off	-	(2,163)
	<u>50,386</u>	<u>11,421</u>

6. FIXED ASSETS

	Computer US\$	Vehicles and motorcycles US\$	Machinery US\$	Total US\$
Cost				
As at 1 October 2000	8,622	46,576	8,409	63,607
Additions	24,010	2,650	5,879	32,539
Disposals	-	(3,140)	-	(3,140)
As at 30 September 2001	<u>32,632</u>	<u>46,086</u>	<u>14,288</u>	<u>93,006</u>
Accumulated depreciation				
As at 1 October 2000	5,620	26,907	3,147	35,674
Charge for the year	4,877	6,419	1,418	12,714
Disposals	-	(2,121)	-	(2,121)
As at 30 September 2001	<u>10,497</u>	<u>31,205</u>	<u>4,565</u>	<u>46,267</u>
Net book value				
As at 30 September 2001	<u>22,135</u>	<u>14,881</u>	<u>9,723</u>	<u>46,739</u>
As at 30 September 2000	<u>3,002</u>	<u>19,669</u>	<u>5,262</u>	<u>27,933</u>

**WORLD RELIEF CAMBODIA
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2001**

7. OTHER ASSETS

	2001 US\$	2000 US\$
Grant receivable from USAID (fully collected on 1 October 2001)	63,953	-
Grant receivable from World Relief Canada	15,627	-
Prepayments	6,884	7,128
Staff advances	440	-
Others	334	2,368
	<u>87,238</u>	<u>9,496</u>

8. CUSTOMERS' DEPOSITS

	2001 US\$	2000 US\$
Kompong Cham	50,026	42,794
Phnom Penh	34,701	18,511
Kompong Chhang	20,037	505
	<u>104,764</u>	<u>61,810</u>

9. OTHER LIABILITIES

	2001 US\$	2000 US\$
Provision for staff accident and disability insurance	20,473	10,441
Provision for severance pay	7,914	13,977
Others	16,185	135
	<u>44,572</u>	<u>24,553</u>

10. DONATIONS AND GRANTS

	USAID US\$	World Relief US\$	Other Donors US\$	Total US\$
Loan fund capital				
As at 1 October 2000	-	468,918	57,775	526,693
Receipts during the year	<u>135,623</u>	<u>-</u>	<u>91,067</u>	<u>226,690</u>
As at 30 September 2001	<u>135,623</u>	<u>468,918</u>	<u>148,842</u>	<u>753,383</u>

**WORLD RELIEF CAMBODIA
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**NOTES TO THE FINANCIAL STATEMENTS
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10. DONATIONS AND GRANTS (Continued)

	USAID US\$	World Relief US\$	Other Donors US\$	Total US\$
Grant income				
As at 1 October 2000	67,890	186,247	9,822	263,959
Grants during the year	<u>268,904</u>	<u>83,474</u>	<u>44,739</u>	<u>397,117</u>
As at 30 September 2001	<u>336,794</u>	<u>269,721</u>	<u>54,561</u>	<u>661,076</u>
Accumulated donations and grants				
As at 30 September 2001	<u>472,417</u>	<u>738,639</u>	<u>203,403</u>	<u>1,414,459</u>
As at 1 October 2000	<u>67,890</u>	<u>655,165</u>	<u>67,597</u>	<u>790,652</u>

11. INTEREST INCOME

	2001 US\$	2000 US\$
Loans receivable	398,863	237,789
Cash in banks	<u>5,401</u>	<u>4,674</u>
	<u>404,264</u>	<u>242,463</u>

12. INTEREST EXPENSE

Interest expense represents interest paid on customer deposits.

**WORLD RELIEF CAMBODIA
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**NOTES TO THE FINANCIAL STATEMENTS
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13. ADMINISTRATIVE EXPENSES

	2001	2000
	US\$	US\$
Salaries and staff benefits	318,508	321,630
Professional fees	95,192	22,726
Rebates	47,242	-
Office expenses	45,771	30,433
Repairs and maintenance	30,548	27,383
Personnel expenses	29,976	8,394
Office rental	22,400	13,580
Travel and business meeting	16,949	23,085
Communication	8,300	9,455
Others	6,561	12,682
	<u>621,447</u>	<u>469,368</u>