

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

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MANAGEMENT COMMITTEE REPORT

The Management Committee submits its report and the audited financial statements of the World Relief Cambodia – CREDIT (“the Program”) for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

World Relief Cambodia – CREDIT (Cambodia Rural Economic Development Initiatives for Transformation) Program (the “Program”) is managed by and funded through World Relief Cambodia, an international non-profit organisation registered with the Ministry of Foreign Affairs in Cambodia. The Program started on 1 October 1999 upon assignment from 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 CREDIT’s Central office is located in Phnom Penh. The Program has four branch offices: Phnom Penh (which outreaches to Takeo and Neak Leung); Kompong Cham; Kompong Chhnang and Siem Reap.

On 13 June 2003, the Program has registered a public limited company,, CREDIT (Cambodia Rural Economic Development Initiatives for Transformation) Co., Ltd., with the Ministry of Commerce on 30 April 2003. CREDIT Co., Ltd business objective is to provide credit and saving services. CREDIT Co., Ltd is owned by World Relief Corporation and World Relief Canada and the shareholders expect to transfer the assets and liabilities of the Program to CREDIT Co., Ltd in 2004 year.

On 10 October 2001, CREDIT Co., Ltd registered with the National Bank of Cambodia (NBC) for a license to operate as a microfinance institution. Although, all inspections and documentation have been completed, NBC has yet to issue the license to CREDIT Co., Ltd.

RESULTS

The results of operations for the six months ended 30 June 2003 are set out in the profit and loss account on page 5.

BAD AND DOUBTFUL LOANS

Before the financial statements of the Program were drawn up, the Management Committee took reasonable steps to ascertain that appropriate actions had been taken in relation to the writing off of bad loans and the making of provision for bad and doubtful loans. They satisfied themselves that all known bad loans had been written off and that adequate provisions had been made for bad and doubtful loans.

At the date of this report, the Management Committee is not aware of any circumstances which would render the amount of the provision for bad and doubtful loans in the financial statements of the Program inadequate to any material extent.

VALUATION OF ASSETS

Before the financial statements of the Program were drawn up, the Management Committee took reasonable steps to ensure that its assets, other than loans which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Program, had been written down to an amount which they might be expected to realise.

At the date of this report, the Management Committee is not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Program misleading in any material respect.

VALUATION METHODS

At the date of this report, the Management is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Program misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Program which has arisen since the end of the year which secures the liabilities of any other person;
- (b) any contingent liability in respect of the Program that has arisen since the end of the year other than in the ordinary course of its business operations.

No contingent or other liability of the Program has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the fiscal year which, in the opinion of the Management Committee, will or may have a material effect on the ability of the Program to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Management Committee is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Program, which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Program for the year ended 31 December 2003 were not, in the opinion of the Management Committee, materially affected by any items, transactions or events of a material and unusual nature.

THE MANAGEMENT COMMITTEE

The members of the Management Committee during the period and at the date of this report are:

Karen Lewin - Program Director
Soung Eng Chhay - Deputy Program Director
Chan Mach - Operations Director
San Huot - Kampong Chhnang Branch Manager
Teuk Kungear - Kampong Cham branch manager
Sao Ra - Phnom Penh branch manager
Tun Vibol - Siem Reap branch manager

No members held any interest in the equity of the Program. No arrangements existed to which the Program is a party with the object of enabling the members to obtain an interest in the Program or in any body corporate. No member has a benefit, other than remuneration, by reason of a contract made by the Program or related party.

AUDITORS

The management's financial statements were audited by PricewaterhouseCoopers (Cambodia) Limited.

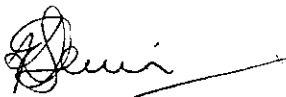
RESPONSIBILITIES OF THE MANAGEMENT COMMITTEE IN RESPECT OF THE FINANCIAL STATEMENTS

The Management Committee is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Program as at 31 December 2003, and of the results of its operations for the year then ended. In preparing these financial statements, the Management Committee is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) maintain adequate accounting records and an effective system of internal controls;
- iii) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Program will continue operations in the foreseeable future;
- iv) set overall policies for the Program, ratify all decisions and actions by the management that have a material effect on the operations and performance of the Program, and ensure they have been properly reflected in the financial statements.

The Management Committee confirms that the Program has complied with these requirements in preparing the financial statements.

On behalf of the Management Committee



Karen Lewin
Program Director
Date: 31 March 2004

**REPORT OF THE AUDITORS TO THE MEMBERS OF
WORLD RELIEF CAMBODIA - CREDIT PROGRAM**

We have audited the financial statements of World Relief Cambodia - CREDIT (Cambodia Rural Economic Development Initiatives for Transformation) Program ("the Program") for the year ended 31 December 2003, as set out on pages 3 to 16. These financial statements have been prepared in accordance with the accounting policies set out in note 2 to the financial statements. As discussed in note 2 to the financial statements, the translation in Khmer Riel is made for solely for disclosure purpose only.

Respective responsibilities of the Director and the auditors

The Program'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.

This report, including the opinion, has been prepared for and only for the members and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, except where expressly agreed by our prior consent in writing.

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 Program'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 Program for the year ended 31 December 2003, and of the results of its operations and cash flows for the year then ended, in accordance with the accounting policies set out in note 2 to the financial statements.


PriceWaterhouseCoopers (Cambodia) Limited

PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED
Phnom Penh, Kingdom of Cambodia
Date: 31 March 2004

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

**BALANCE SHEET
AS AT 31 DECEMBER 2003**

	Note	31 December 2003		31 December 2002	
		US\$	Riel'000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
ASSETS					
Cash on hand and in banks	3	788,496	3,135,060	698,687	2,745,840
Loans receivable, net	4	761,456	3,027,549	549,127	2,158,069
Other assets	6	14,008	55,696	11,975	47,061
Amount owed from CREDIT	7	2,547	10,127	-	-
Property, plant and equipment	5	38,398	152,670	32,104	126,169
TOTAL ASSETS		1,604,905	6,381,102	1,291,893	5,077,139
LIABILITIES AND EQUITY					
LIABILITIES					
Customers' deposits	8	147,346	585,848	120,853	474,952
Other liabilities	9	65,871	261,903	51,108	200,854
Deferred revenue		58,055	230,827	-	-
Total Liabilities		271,272	1,078,578	171,961	675,806
EQUITY					
Loan fund capital		1,220,634	4,853,241	1,014,676	3,987,677
Accumulated funds		112,999	449,284	105,256	413,656
Total Equity		1,333,633	5,302,525	1,119,932	4,401,333
TOTAL LIABILITIES AND EQUITY		1,604,905	6,381,102	1,291,893	5,077,139

By: 
 Ms. Karen Lewin
 Program Director

Date: 31 March 2004

The accompanying notes on pages 10 to 18 form an integral part of these financial statements.

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003**

	USAID US\$	World Relief US\$	Other donors US\$	Retained earnings US\$	Total US\$	Total Riel'000 (At year-end exchange rate)
Loan fund capital						
As at 1 January 2003	275,292	502,967	236,417	-	1,014,676	3,987,677
Receipts during the year	88,276	85,470	32,212	-	205,958	818,889
Currency revaluation at balance sheet date	-	-	-	-	-	46,675
As at 31 December 2003	<u>363,568</u>	<u>588,437</u>	<u>268,629</u>	-	<u>1,220,634</u>	<u>4,853,241</u>
Retained earnings						
As at 1 January 2003	-	-	-	105,256	105,256	413,656
Net income for the year	-	-	-	7,743	7,743	30,786
Currency revaluation at balance sheet date	-	-	-	-	-	4,842
As at 31 December 2003	-	-	-	<u>112,999</u>	<u>112,999</u>	<u>449,284</u>
Total equity						
As at 31 December 2003	<u>363,568</u>	<u>588,437</u>	<u>268,629</u>	<u>112,999</u>	<u>1,333,633</u>	<u>5,302,525</u>
As at 1 January 2003	<u>275,292</u>	<u>502,967</u>	<u>236,417</u>	<u>105,256</u>	<u>1,119,932</u>	<u>4,401,333</u>

The accompanying notes on pages 10 to 18 form an integral part of these financial statements.

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

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	For the year ended 31 December 2003		For the year ended 31 December 2002	
		US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
Interest income	11	291,436	1,158,749	282,734	1,111,145
Interest expense	12	10,757	42,769	9,573	37,622
Net interest income		280,679	1,115,980	273,161	1,073,523
Grant income	10	250,840	997,338	239,993	943,172
Other operating income		8,813	35,043	8,907	35,005
Net operating income		540,332	2,148,361	522,061	2,051,700
Operating expenses					
Administrative expenses	13	502,237	1,996,898	452,037	1,776,505
Depreciation		15,671	62,307	15,016	59,013
Loss on disposal of fixed assets		-	-	310	1,218
Total operating expenses		517,908	2,059,205	467,363	1,836,737
Provision for doubtful debts	4	14,681	58,370	79,696	313,205
Total expenses		532,589	2,117,575	547,059	2,149,942
Net income (loss) for the year		7,743	30,786	(24,998)	(98,242)
Retained earnings at the beginning of the year		105,256	418,498	130,254	511,898
Retained earnings at the end of the year		112,999	449,284	105,256	413,656

The accompanying notes on pages 10 to 18 form an integral part of these financial statements.

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

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	For the year ended 31 December 2003		For the year ended 31 December 2002	
		US\$	Riel'000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
OPERATING ACTIVITIES					
Net income/(loss)		7,743	30,786	(24,998)	(98,242)
Adjustments for:					
Provision for doubtful debts		(36,043)	(143,309)	25,107	98,671
Depreciation of fixed assets		15,671	62,307	15,016	59,013
(Loss)/profit on disposal of fixed assets		(888)	(3,531)	310	1,218
Changes in operating assets and liabilities:		-	-	-	-
Loans receivable, net		(176,286)	(700,913)	59,980	235,721
Deposits		26,493	105,336	5,517	21,682
Other assets		(4,580)	(18,210)	(5,040)	(19,807)
Other liabilities		14,763	58,698	20,132	79,119
Net cash inflow from operating activities		<u>(153,127)</u>	<u>(608,836)</u>	<u>96,024</u>	<u>377,374</u>
INVESTING ACTIVITIES					
Purchase of fixed assets		(22,816)	(90,716)	(5,141)	(20,204)
Proceeds from disposal of fixed assets		1,740	6,918	4,347	17,084
Net cash outflow from investing activities		<u>(21,076)</u>	<u>(83,798)</u>	<u>(794)</u>	<u>(3,120)</u>
FINANCING ACTIVITIES					
Grants received		264,013	1,049,716	257,341	1,011,350
Net cash inflow from financing activities		<u>264,013</u>	<u>1,049,716</u>	<u>257,341</u>	<u>1,011,350</u>
NET INCREASE IN CASH ON HAND AND IN BANKS					
		89,809	357,081	352,571	1,385,604
CASH ON HAND AND IN BANKS					
At the beginning of the year		698,687	2,745,840	346,116	1,348,122
Currency revaluation at balance sheet date		-	32,139	-	12,114
At the end of the year	3	<u>788,496</u>	<u>3,135,060</u>	<u>698,687</u>	<u>2,745,840</u>

The accompanying notes on pages 10 to 18 form an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

1. GENERAL

World Relief Cambodia – CREDIT (Cambodia Rural Economic Development Initiatives for Transformation) Program (the “Program”) is managed by and funded through World Relief Cambodia, an international non-profit organisation registered with the Ministry of Foreign Affairs in Cambodia. The Program started on 1 October 1999 upon assignment from 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 CREDIT’s Central office is located in Phnom Penh. The Program has four branch offices: Phnom Penh (which outreaches to Takeo and Neak Leung); Kompong Cham; Kompong Chhnang and Siem Reap.

On 13 June 2003, the Program has registered a public limited company,, CREDIT (Cambodia Rural Economic Development Initiatives for Transformation) Co., Ltd., with the Ministry of Commerce on 30 April 2003. CREDIT Co., Ltd business objective is to provide credit and saving services. CREDIT Co., Ltd is owned by World Relief Corporation and World Relief Canada and the shareholders expect to transfer the assets and liabilities of the Program to CREDIT Co., Ltd in 2004 year.

On 10 October 2001, CREDIT Co., Ltd registered with the National Bank of Cambodia (NBC) for a license to operate as a microfinance institution. Although, all inspections and documentation have been completed, NBC has yet to issue the license to CREDIT Co., Ltd.

The Program has currently 112 staff (2002: 89 staff).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements of the Program, which are expressed in United States Dollars (US\$), are prepared under the historical cost convention. The Company maintains its accounting records in United States dollars, the functional and widely accepted and used currency in the Kingdom of Cambodia.

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.

Purely for disclosure purpose, as at 31 December 2003, the conversion of each account of financial statement from United State Dollars (US\$) to Khmer Riel (Riel) was made at the rate of US\$ 1 to Riel 3,976 (31 December 2002: US\$ 1 to Riel 3,930).

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of aggregation

The financial statements include the financial statements of the Central Office and five branches in : Phnom Penh (which outreaches to Takeo and Neak Leung); Kompong Cham; Kompong Chhnang and Siem Reap. On aggregation of balances, all significant inter-branch balances and transactions are eliminated in full.

Loans

Loans are stated net of provision for doubtful debts.

Interest on loans is calculated using the declining balance method on monthly balances of the principal amount outstanding.

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

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

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

The amount of provision established by the Program as at balance sheet date is in full compliance with the requirement of NBC Prakas No B-7-02-186 on classification of and provisioning for bad and doubtful debts, including interest in suspense. The provision established as at balance sheet date in excess of the requirement of this Prakas amounted to US\$ 15,028 approximately Riel 60 million.

Property, plant and equipment

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 as follows:

Computer	3 years
Vehicles	5 years
Machinery	8 years

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

Revenue grants received to subsidise the Program's operating and administrative expenses are released to the income statement over the periods in which they are expected to be received as stipulated in their respective grant agreements. Grants received are shown as *Deferred revenue*.

Grants received to be used exclusively by the Program for funding its loan disbursements and which are not repayable to the donor are treated as part of shareholders' equity in the balance sheet.

Interest and fee income and expense recognition

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

Expenses other than interest are recognised on cash basis.

Provision for staff accident and disability

Provision for staff accident and disability is made monthly at USD10 for each individual staff member. This provision is reversed when the Program reimburses the individual staff member upon an accident.

Provident fund

A provision for provident fund is accrued monthly equal to 1/24 of each employee's salary.

No separate fund is maintained i.e. there is no separate interest bearing bank account or any other asset for the fund. This obligation will be fully paid to the Program's employee when they leave.

Foreign currency translation

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

Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days' maturity from the date of acquisition including: cash on hand and balances with banks.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

3. CASH ON HAND AND IN BANKS

	31 December 2003		31 December 2002	
	US\$	Riel'000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
Cash on hand	93,794	372,925	106,031	416,702
Cash in banks	694,702	2,762,135	592,656	2,329,138
	<u>788,496</u>	<u>3,135,060</u>	<u>698,687</u>	<u>2,745,840</u>

4. LOANS RECEIVABLE, NET

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

	31 December 2003		31 December 2002	
	US\$	Riel'000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
Gross loans outstanding	818,380	3,253,879	642,094	2,523,429
Provision for doubtful debts	(56,924)	(226,330)	(92,967)	(365,360)
Net	<u>761,456</u>	<u>3,027,549</u>	<u>549,127</u>	<u>2,158,069</u>
By Branch:				
Kompong Cham	319,858	1,271,755	292,441	1,149,293
Phnom Penh/Kandal	385,216	1,531,619	278,824	1,095,778
Kompong Chhnang	90,475	359,729	70,829	278,358
Siem Reap	22,831	90,776	-	-
	<u>818,380</u>	<u>3,253,879</u>	<u>642,094</u>	<u>2,523,429</u>
By Type:				
Solidarity loans (group of 2 to 12 women)	366,799	1,458,393	319,246	1,254,637
Individual loans	396,376	1,575,991	231,068	908,097
Bank loans (group of more than 12 women)	55,205	219,495	91,780	360,695
	<u>818,380</u>	<u>3,253,879</u>	<u>642,094</u>	<u>2,523,429</u>
By Currency:				
Cambodian Riel, earning interest at 4% a month	553,887	2,202,256	442,110	1,737,492
United States Dollars, earning interest at 3% a month	264,493	1,051,624	199,984	785,937
	<u>818,380</u>	<u>3,253,880</u>	<u>642,094</u>	<u>2,523,429</u>

**WORLD RELIEF CAMBODIA
CREDIT (CAMBODIA RURAL ECONOMIC DEVELOPMENT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

4. LOANS RECEIVABLE, NET (Continued)

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

	31 December 2003		31 December 2002	
	US\$	Riel'000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
Balance at the beginning of the period/year	92,967	365,360	67,965	264,724
Provision for doubtful debts	14,681	58,370	79,696	313,205
Loans written off	(50,724)	(201,679)	(54,589)	(214,535)
Bad debts recovered	-	-	(105)	(413)
Currency revaluation at balance sheet date	-	4,277	-	2,379
Balance at end of the period/year	<u>56,924</u>	<u>226,328</u>	<u>92,967</u>	<u>365,360</u>

5. PROPERTY, PLANT AND EQUIPMENT

	Computer US\$	Vehicles US\$	Equipment US\$	Total US\$	Total Riel'000 (At year-end exchange rate)
Cost					
As at 1 January 2003	36,753	45,756	14,288	96,797	384,865
Additions	-	20,966	1,850	22,816	90,716
Disposal	(2,490)	(5,497)	-	(7,987)	(31,756)
As at 31 December 2003	<u>34,263</u>	<u>61,225</u>	<u>16,138</u>	<u>111,626</u>	<u>443,825</u>
Accumulated depreciation					
As at 1 January 2003	20,288	37,749	6,656	64,693	257,219
Charge for the year	7,691	6,371	1,609	15,671	62,308
Disposals	(2,491)	(4,645)	-	(7,136)	(28,372)
As at 31 December 2003	<u>25,488</u>	<u>39,475</u>	<u>8,265</u>	<u>73,228</u>	<u>291,155</u>
Net book value					
As at 31 December 2003	<u>8,775</u>	<u>21,750</u>	<u>7,873</u>	<u>38,398</u>	<u>152,670</u>
As at 1 January 2003	<u>16,465</u>	<u>8,007</u>	<u>7,632</u>	<u>32,104</u>	<u>127,646</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

6. OTHER ASSETS

	31 December 2003		31 December 2002	
	US\$	Riel'000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
Prepayments	10,742	42,710	7,734	30,394
Staff advances	500	1,988	-	-
Others	2,766	10,998	4,241	16,667
	<u>14,008</u>	<u>55,696</u>	<u>11,975</u>	<u>47,061</u>

7. AMOUNT OWED FROM CREDIT

During the year, the Program paid Prepayment Tax on Profits and Patent tax amounting to US\$1,604 and US\$943 respectively on behalf of CREDIT for the period from 1 July 2003 to 31 December 2003. as on 1 July 2003, CREDIT Co., Ltd obtained a patent from the Tax Department, Ministry of Economy and Finance The Program has not yet transferred its assets and liabilities to CREDIT Co., Ltd (see note 1).

8. CUSTOMERS' DEPOSITS

	31 December 2003		31 December 2002	
	US\$	Riel'000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
By Branch:				
Phnom Penh	81,566	324,306	59,513	233,886
Kompong Cham	49,320	196,096	48,866	192,043
Kompong Chhang	14,476	57,557	12,474	49,023
Siem Reap	1,984	7,888	-	-
	<u>147,346</u>	<u>585,848</u>	<u>120,853</u>	<u>474,952</u>
By Type:				
Compulsory	123,770	492,110	108,472	426,295
Voluntary	23,576	93,738	12,381	48,657
	<u>147,346</u>	<u>585,848</u>	<u>120,853</u>	<u>474,952</u>

Voluntary savings bear annual interest at 2% and 5% for US\$ and Riel respectively whereas compulsory savings bear annual interest at 3% and 12% for US\$ and Riel respectively.

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9. OTHER LIABILITIES

	31 December 2003		31 December 2002	
	US\$	Riel'000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
Provision for staff accident and disability	44,128	175,453	33,171	130,362
Provision for provident fund	17,009	67,628	9,319	36,624
Others	4,734	18,822	8,618	33,869
	<u>65,871</u>	<u>261,903</u>	<u>51,108</u>	<u>200,854</u>

10. DONATIONS AND GRANTS

	USAID	World Relief	World Relief	Total	Total
	US\$	USA US\$	Canada US\$	US\$	Riel'000 (At year-end exchange rate)
Grant income					
As at 1 January 2003	417,124	354,449	133,409	904,982	3,556,579
Grants during the year	118,724	100,983	31,133	250,840	997,338
Currency revaluation at balance sheet date	-	-	-	-	41,631
As at 31 December 2003	<u>535,848</u>	<u>455,432</u>	<u>164,542</u>	<u>1,155,822</u>	<u>4,595,548</u>

11. INTEREST INCOME

	31 December 2003		31 December 2002	
	US\$	Riel'000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
Loans receivable	284,345	1,130,554	277,926	1,092,249
Interest income on cash in banks	7,091	28,195	4,808	18,895
	<u>291,436</u>	<u>1,158,749</u>	<u>282,734</u>	<u>1,111,145</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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12. INTEREST EXPENSE

Interest expense represents interest paid on customer deposits.

13. ADMINISTRATIVE EXPENSES

	31 December 2003		31 December 2002	
	US\$	Riel'000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
Salaries and staff benefits	294,619	1,171,405	299,161	1,175,703
Offices expense	44,660	177,568	24,759	97,303
Office rental	35,163	139,808	32,260	126,782
Repairs and maintenance	27,437	109,090	21,712	85,328
Personnel expenses	22,806	90,676	14,813	58,215
Professional fees	38,804	154,286	37,297	146,577
Miscellaneous expenses	18,536	73,700	2,888	11,350
Travel and business meeting	10,987	43,685	9,460	37,178
Communication	9,159	36,417	6,780	26,645
Rebates	66	262	2,907	11425
	<u>502,237</u>	<u>1,996,898</u>	<u>452,037</u>	<u>1,776,505</u>

14. CURRENCY ANALYSIS

As at 31 December 2003, all the assets and liabilities of the MFI are in US\$ except for the loans receivable in Khmer riel equivalent to US\$ 553,887 (2002: US\$ 442,110) as disclosed in note 4, and deposits of members in Khmer riel equivalent to US\$ 104,873 (2002: US\$ 93,163) as disclosed in 7, all the assets and liabilities of the MFI are in US\$.

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**NOTES TO THE FINANCIAL STATEMENTS
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15. MATURITY PROFILE

The maturity profile of assets and liabilities are as follows:

	Total US\$	Less than 1 month US\$	From 1 month to 3 months US\$	From 3 months to 1 year US\$	From 1 year to 5 years US\$	Over 5 years US\$	No fixed date of maturity US\$
31 December 2003							
ASSETS							
Cash on hand and in banks	788,496	788,496	-	-	-	-	-
Loans receivable, net	761,456	52,745	79,287	629,424	-	-	-
Other assets	14,008	380	6,350	4,588	2,690	-	-
Amount owed from CREDIT Related party	2,547	2,547	-	-	-	-	-
Property, plant and equipment	38,398	2,212	2,994	13,054	20,138	-	-
TOTAL ASSETS	1,604,905	846,380	88,631	647,066	22,828	-	-
LIABILITIES							
Customers' deposit	147,346	43,278	29,667	74,401	-	-	-
Other liabilities	65,871	65,871	-	-	-	-	-
Deferred revenue	58,055	7,852	23,682	26,521	-	-	-
TOTAL LIABILITIES	271,272	117,001	53,349	100,922	-	-	-
Net liquidity surplus/(gap)	1,333,633	729,379	35,282	546,144	22,828	-	-
31 December 2002							
Total Assets	1,291,893	818,490	70,943	383,294	19,166	-	-
Total Liabilities	171,961	101,549	20,541	49,871	-	-	-
Net liquidity surplus/(gap)	1,119,932	716,941	50,402	333,423	19,166	-	-

16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are reasonable estimates of their fair values and of the credit risk associated with these assets. In making this assessment, management assumes that loans to customers are mainly held to maturity. Fair value approximates to the book value of loans adjusted for provision for doubtful loans.