

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

**FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 DECEMBER 2002**

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

**FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 DECEMBER 2002**

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**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 three months ended 31 December 2002, as set out on pages 3 to 13. These financial statements have been prepared in accordance with the accounting policies set out in note 2 to the financial statements.

**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 Program's 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**

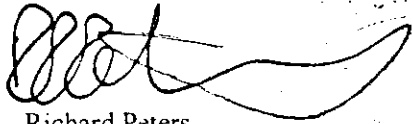
We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by management 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 three months ended 31 December 2002, and of the results of its operations and cash flows for the period then ended, in accordance with the accounting policies set out in note 2 to the financial statements.



Richard Peters

Partner

PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED

Phnom Penh, Kingdom of Cambodia

Date: 9 January 2004

**WORLD RELIEF CAMBODIA  
CREDIT (CAMBODIA RURAL ECONOMIC DEVELOPMENT  
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**BALANCE SHEET  
AS AT 31 DECEMBER 2002**

	Note	31 December 2002 US\$	30 September 2002 US\$
<b>ASSETS</b>			
Cash on hand and in banks	3	698,687	639,212
Loans receivable, net	4	549,127	553,620
Fixed assets	5	32,104	32,931
Other assets	6	11,975	9,552
<b>TOTAL ASSETS</b>		<b>1,291,893</b>	<b>1,235,315</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Customers' deposits	7	120,853	111,242
Other liabilities	8	51,108	40,699
<b>Total Liabilities</b>		<b>171,961</b>	<b>151,941</b>
<b>EQUITY</b>			
Loan fund capital		1,014,676	981,082
Retained earnings		105,256	102,292
<b>Total Equity</b>		<b>1,119,932</b>	<b>1,083,374</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,291,893</b>	<b>1,235,315</b>

By: \_\_\_\_\_

*Karen Lewin*  
Ms. Karen Lewin  
Program Director

Date: 9 January 2004

The accompanying notes on pages 7 to 13 form an integral part of these financial statements.

**WORLD RELIEF CAMBODIA  
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INITIATIVES FOR TRANSFORMATION) PROGRAM**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED 31 DECEMBER 2002**

	USAID US\$	World Relief US\$	Other Donors US\$	Retained earnings US\$	Total US\$
<b>Loan fund capital</b>					
As at 1 October 2002	275,292	502,967	202,823	-	981,082
Receipts during the period	<u>-</u>	<u>-</u>	<u>33,594</u>	<u>-</u>	<u>33,594</u>
As at 31 December 2002	<u>275,292</u>	<u>502,967</u>	<u>236,417</u>	<u>-</u>	<u>1,014,676</u>
<b>Retained earnings</b>					
As at 1 October 2002	-	-	-	102,292	102,292
Net income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,964</u>	<u>2,964</u>
As at 31 December 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,256</u>	<u>105,256</u>
<b>Total equity</b>					
As at 31 December 2002	<u>275,292</u>	<u>502,967</u>	<u>236,417</u>	<u>105,256</u>	<u>1,119,932</u>
As at 1 October 2002	<u>275,292</u>	<u>502,967</u>	<u>202,823</u>	<u>102,292</u>	<u>1,083,374</u>

The accompanying notes on pages 7 to 13 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 THREE MONTHS ENDED 31 DECEMBER 2002**

		<b>For the three months ended 31 December 2002 US\$</b>	<b>(Un-audited) For the three months ended 31 December 2001 US\$</b>
Interest income	10	65,935	102,964
Interest expense	11	<u>1,637</u>	<u>2,315</u>
Net interest income		64,298	100,649
Provision for doubtful debts	4	<u>14,996</u>	<u>18,335</u>
Net interest income after provision for doubtful debts		49,302	82,314
Other operating income		<u>1,278</u>	<u>1,297</u>
		<u>50,580</u>	<u>83,611</u>
Administrative expenses	12	122,483	97,659
Depreciation		3,566	3,950
Loss on disposal of fixed assets		-	-
		<u>126,049</u>	<u>101,609</u>
Loss before grant income		(75,469)	(17,998)
Grant income	9	<u>78,433</u>	<u>3,913</u>
Net income (loss) for the period		2,964	(14,085)
Retained earnings at the beginning of the period		<u>102,292</u>	<u>144,339</u>
Retained earnings at the end of the period		<u>105,256</u>	<u>130,254</u>

The accompanying notes on pages 7 to 13 form an integral part of these financial statements.

**WORLD RELIEF CAMBODIA  
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**CASH FLOW STATEMENT  
FOR THE THREE MONTHS ENDED 31 DECEMBER 2002**

	Note	For the three months ended 31 December 2002 US\$	(Un-audited) For the three months ended 31 December 2001 US\$
<b>OPERATING ACTIVITIES</b>			
Net income/ (loss)		2,964	(14,085)
Adjustments to reconcile net income/(loss) with funds provided by operations:			
Provision for doubtful debts		14,980	17,579
Depreciation of fixed assets		3,566	3,950
Loss on disposal of fixed assets		-	-
Changes in operating assets and liabilities:			
Other assets		(2,423)	80,303
Other liabilities		10,409	(13,596)
		<u>29,496</u>	<u>74,151</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(2,739)	-
(Increase)/decrease in loan portfolio		(10,487)	10,420
		<u>(13,226)</u>	<u>10,420</u>
<b>FINANCING ACTIVITIES</b>			
Increase in deposits		9,611	10,572
Loan fund capital received		33,594	-
		<u>43,205</u>	<u>10,572</u>
<b>NET INCREASE IN CASH ON HAND AND IN BANKS</b>		<b>59,475</b>	<b>95,143</b>
<b>CASH ON HAND AND IN BANKS</b>			
At the beginning of the period		<u>639,212</u>	<u>250,973</u>
At the end of the period	3	<u>698,687</u>	<u>346,116</u>

The accompanying notes on pages 7 to 13 form an integral part of these financial statements.

**WORLD RELIEF CAMBODIA  
CREDIT (CAMBODIA RURAL ECONOMIC DEVELOPMENT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 DECEMBER 2002**

**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 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 CREDIT’s Central office is located in Phnom Penh. The Program has three branch offices: Phnom Penh (which outreaches to Takeo and Neak Leung); Kompong Cham and Kompong Chhnang. The Program’s primary source of revenue is interest derived from providing loans to clients.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**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 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.

**Loans**

Loans are stated net of provision for doubtful debts.

Interest on loans is calculated using the declining balance method based on the loan principal amount outstanding.

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 THREE MONTHS ENDED 31 DECEMBER 2002**

**2. 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	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 Program 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 Program'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 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.

**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.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 DECEMBER 2002**

**3. CASH ON HAND AND IN BANKS**

	31 December 2002 US\$	30 September 2002 US\$
Cash on hand	106,031	62,013
Cash in banks	592,656	577,199
	<u>698,687</u>	<u>639,212</u>

**4. LOANS RECEIVABLE, NET**

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

	31 December 2002 US\$	30 September 2002 US\$
Gross loans outstanding	642,094	631,607
Allowance for doubtful debts	<u>(92,967)</u>	<u>(77,987)</u>
Net	<u>549,127</u>	<u>553,620</u>
<b>By Branch:</b>		
Kompong Cham	292,441	287,443
Phnom Penh/Kandal	278,824	281,866
Kompong Chhnang	70,829	62,298
	<u>642,094</u>	<u>631,607</u>
<b>By Type:</b>		
Solidarity loans (group of 2 to 12 women)	319,246	325,105
Individual loans	231,068	208,576
Bank loans (group of more than 12 women)	<u>91,780</u>	<u>97,926</u>
	<u>642,094</u>	<u>631,607</u>
<b>By Currency:</b>		
Cambodian Riel, earning interest at 4% a month	442,110	442,418
United States Dollars, earning interest at 3% a month	<u>199,984</u>	<u>189,189</u>
	<u>642,094</u>	<u>631,607</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**4. LOANS RECEIVABLE, NET (Continued)**

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

	From 1 October 2002 to 31 December 2002 US\$	(Un-audited) From 1 October 2001 to 30 September 2002 US\$
Balance at the beginning of the period/year	77,987	50,386
Provision for doubtful debts	14,996	83,035
Loans written off	(16)	(54,589)
Bad debts recovered	-	(845)
	<u>92,967</u>	<u>77,987</u>

**5. FIXED ASSETS**

	Computer US\$	Vehicles US\$	Equipment US\$	Total US\$
<b>Cost</b>				
As at 1 October 2002	35,034	44,736	14,288	94,058
Additions	1,719	1,020	-	2,739
Disposals	-	-	-	-
As at 31 December 2002	<u>36,753</u>	<u>45,756</u>	<u>14,288</u>	<u>96,797</u>
<b>Accumulated depreciation</b>				
As at 1 October 2002	18,365	36,505	6,257	61,127
Charge for the year	1,923	1,244	399	3,566
Disposals	-	-	-	-
As at 31 December 2002	<u>20,288</u>	<u>37,749</u>	<u>6,656</u>	<u>64,693</u>
<b>Net book value</b>				
As at 31 December 2002	<u>16,465</u>	<u>8,007</u>	<u>7,632</u>	<u>32,104</u>
As at 1 October 2002	<u>16,669</u>	<u>8,231</u>	<u>8,031</u>	<u>32,931</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**6. OTHER ASSETS**

	<b>31 December 2002</b>	<b>30 September 2002</b>
	<b>US\$</b>	<b>US\$</b>
Prepayments	7,734	8,214
Grant receivable from USAID	-	-
Grant receivable from World Relief Canada	-	-
Staff advances	-	-
Others	4,241	1,338
	<u>11,975</u>	<u>9,552</u>

**7. CUSTOMERS' DEPOSITS**

	<b>31 December 2002</b>	<b>30 September 2002</b>
	<b>US\$</b>	<b>US\$</b>
<b>By Branch:</b>		
Phnom Penh	59,513	52,131
Kompong Cham	48,866	47,877
Kompong Chhang	12,474	11,234
	<u>120,853</u>	<u>111,242</u>
<b>By Type:</b>		
Compulsory	108,472	101,581
Voluntary	12,381	9,661
	<u>120,853</u>	<u>111,242</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.

**8. OTHER LIABILITIES**

	<b>31 December 2002</b>	<b>30 September 2002</b>
	<b>US\$</b>	<b>US\$</b>
Provision for staff accident and disability insurance	33,171	30,641
Provision for severance pay	9,319	7,385
Others	8,618	2,673
	<u>51,108</u>	<u>40,699</u>

**WORLD RELIEF CAMBODIA  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**9. DONATIONS AND GRANTS**

	USAID US\$	World Relief US\$	Other Donors US\$	Total US\$
<b>Grant income</b>				
As at 1 October 2002	417,124	343,660	65,765	826,549
Grants during the period	<u>-</u>	<u>10,789</u>	<u>67,644</u>	<u>78,433</u>
As at 31 December 2002	<u>417,124</u>	<u>354,449</u>	<u>133,409</u>	<u>904,982</u>

Other donors during the year consist of only grant income from World Relief Canada.

**10. INTEREST INCOME**

	For the three months ended 31 December 2002 US\$	(Un-audited) For the three months ended 31 December 2001 US\$
Loans receivable	64,554	101,974
Cash in banks	<u>1,381</u>	<u>990</u>
	<u>65,935</u>	<u>102,964</u>

**11. INTEREST EXPENSE**

Interest expense represents interest paid on customer deposits.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**12. ADMINISTRATIVE EXPENSES**

	<b>For the three months ended 31 December 2002 US\$</b>	<b>(Un-audited) For the three months ended 31 December 2001 US\$</b>
Salaries and staff benefits	77,990	57,326
Professional fees	15,109	7,754
Office rental	10,045	5,655
Office expenses	7,215	6,870
Repairs and maintenance	5,636	4,333
Travel and business meeting	2,016	1,386
Personnel expenses	1,913	2,640
Communication	1,779	2,280
Rebates	17	9,285
Others	763	130
	<u>122,483</u>	<u>97,659</u>