

**NEGROS WOMEN FOR TOMORROW
FOUNDATION, INC.**

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2003 AND 2002**

Report of Independent Auditors

To the Board of Directors and Members of
Negros Women for Tomorrow Foundation, Inc.

We have audited the accompanying statements of assets, liabilities and fund balance of Negros Women for Tomorrow Foundation, Inc. (a non-stock, non-profit corporation) as of December 31, 2003 and 2002, and the related statements of revenues and expenses, changes in fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Negros Women for Tomorrow Foundation, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the Philippines.

Bacolod City
April 12, 2004

NEGROS WOMEN FOR TOMORROW FOUNDATION, INC.

**STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE
DECEMBER 31, 2003 AND 2002**

	Note(s)	2003	2002
<u>ASSETS</u>			
CASH AND CASH EQUIVALENTS	2 and 3	P109,730,781	P 66,453,987
RECEIVABLES, net	2 and 4	209,617,463	222,394,335
INVESTMENT IN SHARES OF STOCK	2 and 5	1,000,000	1,000,000
PROPERTY AND EQUIPMENT, net	2, 6 and 9	40,756,604	16,143,053
OTHER ASSETS	10	6,353,973	11,055,217
Total assets		P367,458,821	P317,046,592
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable and accrued expenses	7	P 33,689,547	P 28,903,585
Due to members	8	87,196,648	73,548,483
Loans payable	9	162,992,228	135,589,062
Total liabilities		283,878,423	238,041,130
FUND BALANCE		83,580,398	79,005,462
Total liabilities and fund balance		P367,458,821	P317,046,592

(See accompanying notes to financial statements)

NEGROS WOMEN FOR TOMORROW FOUNDATION, INC.

**STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	Note	2003	2002
REVENUES	2		
Interest income from loans		P 96,244,216	P 89,162,099
Service fees		10,308,559	12,079,115
Interest income on bank deposits and short-term placements	3	1,758,813	1,627,232
Others		4,775,120	-
		113,086,708	102,868,446
EXPENSES	2		
Salaries, wages and bonuses		40,904,821	30,461,416
Interest expense		16,711,407	15,904,804
Bad debts	4	15,539,953	23,823,493
Representation and entertainment		8,224,333	2,238,239
Employee benefits	11	6,326,533	8,125,827
Travel and transportation		5,110,141	4,708,313
Depreciation	6	3,634,870	5,043,024
Stationery and office supplies		2,555,573	2,023,689
Seminars and training		1,628,053	3,008,305
Postage, telephone and telegram		1,595,277	1,027,664
Light and water		1,249,090	897,254
Professional fees		921,697	650,845
Repairs and maintenance		870,300	591,009
Insurance		135,119	51,330
Miscellaneous		3,677,973	3,464,289
		109,085,140	102,019,501
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR		P 4,001,568	P 848,945

(See accompanying notes to financial statements)

NEGROS WOMEN FOR TOMORROW FOUNDATION, INC.

**STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	Note	2003	2002
BEGINNING OF YEAR		P79,005,462	P76,358,912
Grants and donations received during the year	2	573,368	1,797,605
Excess of revenues over expenses for the year		4,001,568	848,945
END OF YEAR		P83,580,398	P79,005,462

(See accompanying notes to financial statements)

NEGROS WOMEN FOR TOMORROW FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	P 4,001,568	P 848,945
Adjustments for:		
Depreciation	3,634,870	5,043,024
Loans receivable written-off	(15,539,953)	(23,823,493)
Gain on disposal of property and equipment	(198,999)	(29,999)
Interest income on bank deposits and short-term placements	(1,758,813)	(1,627,232)
Interest expense	16,711,407	15,904,804
Increase in receivables	(3,079,737)	(2,830,500)
Increase in accounts payable and accrued expenses	4,785,962	12,360,402
Net cash provided by operating activities	8,556,305	5,845,951
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (decrease) in loans receivable	31,396,562	(16,311,024)
Additions to property and equipment	(28,248,422)	(12,560,370)
Proceeds from disposal of property and equipment	199,000	30,000
(Increase) decrease in other assets	4,701,244	(10,882,442)
Interest received on bank deposits and short-term placements	1,758,813	1,627,232
Net cash provided by (used in) investing activities	9,807,197	(38,096,604)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grants and donations received during the year	573,368	1,797,605
Increase in due to members	13,648,165	19,144,556
Proceeds from loans, net of repayments	27,403,166	44,150,871
Interest paid	(16,711,407)	(15,904,804)
Net cash provided by financing activities	24,913,292	49,188,228
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	43,276,794	16,937,575
CASH AND CASH EQUIVALENTS		
Beginning of year	66,453,987	49,516,412
End of year	P109,730,781	P 66,453,987

(See accompanying notes to financial statements)

NEGROS WOMEN FOR TOMORROW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 1 - General information

Negros Women for Tomorrow Foundation, Inc. (the "Foundation") was organized and registered with the Securities and Exchange Commission on March 6, 1986 as a non-stock, non-profit corporation. Its primary purpose is to promote the total human development of the women by way of extending loans to initiate livelihood development and to generate employment especially those from low-income and depressed urban and rural communities. It is governed by a Board of Directors whose members do not receive any compensation.

The Foundation is exempt from income tax pursuant to Section 30(G) of the National Internal Revenue Code. However, income from activities conducted for profit regardless of the disposition of such income shall be subject to tax.

The Foundation, with its office located at 102 Verbena-San Sebastian Streets, Bacolod City, has 344 (2002 - 305) regular employees as at December 31, 2003.

Note 2 - Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

Basis of preparation

The financial statements have been prepared in accordance with the generally accepted accounting principles in the Philippines. The preparation of financial statements in conformity with generally accepted accounting principles in the Philippines requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

New accounting standards effective 2003

Effective January 1, 2003, the Foundation adopted the provisions of the following applicable Statements of Financial Accounting Standards/International Accounting Standards (SFAS/IAS) approved by the Accounting Standards Council (ASC) of the Philippines:

- SFAS 10/IAS 10, Events after the Balance Sheet Date, which requires the disclosure of the date of authorization for issue of the financial statements; and prescribes the accounting and disclosure related to adjusting and non-adjusting subsequent events, and prescribes the accounting and disclosure related to adjusting and non-adjusting subsequent events; and
- SFAS 37/IAS 37, Provisions, Contingent Liabilities and Assets, which provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. It also specifies the disclosures that should be included with respect to these items.

The adoption of these standards in 2003 did not result in restatements of prior year's financial statements. However, additional disclosures required by the new standards have been included in the financial statements, where applicable.

New accounting standards effective subsequent to 2003

ASC has likewise approved the following accounting standards which will be effective subsequent to 2003:

- SFAS 17/IAS 17, Leases, which prescribes the accounting policies and disclosures to apply to finance and operating leases; and
- SFAS 21/IAS 21, Changes in Foreign Exchange Rates, which provides restrictive conditions for the capitalization of foreign exchange losses.

Based on current circumstances, the Foundation believes that the effect of adoption will not be material.

Cash equivalents

Cash equivalents are highly liquid interest-bearing fund placements with original maturities of three months or less from date of acquisition.

Loans receivable

Loans receivable are stated at outstanding balance reduced by the allowance for loan losses. The adequacy of the allowance for loan losses is evaluated regularly by management. Factors considered in evaluating the adequacy of the allowance include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients and the financial condition of individual clients. The allowance for loan losses charged to expense is based on management's judgment of the amount necessary to maintain the allowance at a level adequate to absorb losses. Loan losses (write-offs) are charged against the allowance for loan losses when management believes that the related principal is unlikely to be collected.

Investment in shares of stock

Investment in shares of stock is carried at cost. An allowance is set up for any substantial decline in carrying value of the investments.

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives as follows:

Building and improvements	3-15 years
Furniture, fixtures and equipment	2-5 years

Leasehold improvements are stated at cost and are amortized over the shorter of the lease term or the estimated useful life of the improvements.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

When a depreciable asset is retired or sold, its cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in income for the period.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Foundation. Major renovations are depreciated over the remaining useful life of the related asset.

Impairment of assets

Property and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Revenue/expense recognition

Interest income on loans is recognized upon collection. Interest income on bank deposits and short-term placements is recognized when earned and is presented net of the related final tax.

Service fees are recognized in the period these are earned and billed. Other operating income are recognized when earned.

Related costs and expenses are recognized as incurred.

Grants and donations

Grants and donations are recorded in the period received and treated as direct credit to the fund balance.

Pension cost

Pension cost is actuarially computed using the projected unit credit method and consists of the current service cost and the amortization of past service liability over the remaining working lives of the employees.

Provisions

Provisions are recognized when the Foundation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Foundation expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Comparatives

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

Note 3 - Cash and cash equivalents

Details of cash and cash equivalents at December 31 follow:

	2003	2002
Cash on hand and in banks	P 43,447,089	P29,672,129
Short-term placements	66,283,692	36,781,858
	P109,730,781	P66,453,987

Short-term placements have an average maturity of thirty-five (35) days and earn interest at rates ranging from 1.75% to 6.50% (2002 - 3% to 6%) per annum. Interest income earned from these placements amounted to P1,091,323 (2002 - P982,938).

Note 4 - Receivables

Details of receivables at December 31 follow:

	2003	2002
Loans receivable	P201,623,210	P217,479,819
Accounts receivable	1,953,021	2,346,855
Advances to employees	4,999,183	3,408,944
Others	1,986,909	103,577
	210,562,323	223,339,195
Less - allowance for doubtful accounts	944,860	944,860
	P209,617,463	P222,394,335

Loans receivable are collateral-free and earn annual interest at 32%. Repayment terms range for a period of 3 months to 1 year for general loans and 6 months to 3 years for restructured loans.

Advances to employees include car loans to employees totaling P915,031 at December 31, 2003 (2002 - P1,498,722). These loans which are payable in equal semi-monthly installments over a period of 5 to 10 years through payroll deductions, are interest-free and secured by the vehicles acquired from the proceeds of the loans.

In 2003, the Foundation embarks into a loan restructuring program to address the need of delinquent clients who, for very justifiable reasons, were not able to pay their loan obligations but are still willing to repay under a longer term agreement. Restructured loans included in the loan portfolio at December 31, 2003 amount to P23,821,414.

Loans receivable ascertained to be worthless totaling to P15,539,953 (2002 - P23,823,493) were written-off and charged to operations.

Note 5 - Investment in shares of stock

This account represents investment in shares of stock of Responsible Investments for Solidarity and Empowerment (RISE) Financing Company, Inc. which is not traded in the stock exchanges. The net book value of this investment as at December 31, 2003 and 2002 approximates cost.

Note 6 - Property and equipment

Details of property and equipment at December 31 follow:

	Land	Building and improvements	Furniture, fixtures and equipment	Construction in progress	Total
Year ended December 31, 2002					
Opening net book amount	P6,407,100	P 21	P 915,992	P 1,302,595	P 8,625,708
Additions	300,000	637,599	2,463,258	9,159,513	12,560,370
Completed project	-	1,302,595	-	(1,302,595)	-
Disposals	-	-	(1)	-	(1)
Depreciation	-	(1,700,014)	(3,343,010)	-	(5,043,024)
Closing net book amount	P6,707,100	P 240,201	P 36,239	P 9,159,513	P16,143,053
At December 31, 2002					
Cost	P6,707,100	P 3,410,823	P 15,129,269	P 9,159,513	P34,406,705
Accumulated depreciation	-	(3,170,622)	(15,093,030)	-	(18,263,652)
Net book amount	P6,707,100	P 240,201	P 36,239	P 9,159,513	P16,143,053
Year ended December 31, 2003					
Opening net book amount	P6,707,100	P 240,201	P 36,239	P 9,159,513	P16,143,053
Additions	-	2,701,814	6,403,533	19,143,075	28,248,422
Completed project	-	21,645,041	6,657,547	(28,302,588)	-
Disposals	-	-	(1)	-	(1)
Depreciation	-	(335,724)	(3,299,146)	-	(3,634,870)
Closing net book amount	P6,707,100	P24,251,332	P 9,798,172	P -	P40,756,604
At December 31, 2003					
Cost	P6,707,100	P27,757,678	P 27,595,349	P -	P62,060,127
Accumulated depreciation	-	(3,506,346)	(17,797,177)	-	(21,303,523)
Net book amount	P6,707,100	P24,251,332	P 9,798,172	P -	P40,756,604

Construction in progress at December 31, 2002 pertained to the construction of the Foundation's main office building which was completed in 2003.

The gross carrying value of fully depreciated property and equipment that are still in use as of December 31, 2003 amounted to P11,830,356 (2002 - P12,356,512).

Note 7 - Accounts payable and accrued expenses

Details of accounts payable and accrued expenses at December 31 follow:

	2003	2002
Accounts payable and other liabilities	P33,689,547	P23,312,635
Accrued pension cost	-	5,590,950
	P33,689,547	P28,903,585

Note 8 - Due to members

Details of due to members at December 31 follow:

	2003	2002
Group fund	P46,231,361	P36,781,570
Mutual aid fund	31,522,093	28,416,444
Alkansya fund	9,443,194	8,350,469
	P87,196,648	P73,548,483

Group fund represents money saved by the members for emergency purposes and bears interest at prevailing bank rates on savings account.

Mutual aid fund is non-interest bearing and is intended to settle the outstanding loan obligation of a deceased member.

Alkansya fund bears interest at prevailing bank rates on savings account and can be withdrawn by members at any given time.

Note 9 - Loans payable

Details of loans payable at December 31 follow:

	2003	2002
People's Credit and Finance Corporation (PCFC)	P160,992,228	P133,589,062
Philippine National Bank (PNB)	2,000,000	2,000,000
	P162,992,228	P135,589,062

PCFC loans bear interest at rates ranging from 3% to 12% per annum and will mature on various dates up to May 2007. These loans are partly collateralized by office equipment acquired from the proceeds of the loan.

The loan obtained from PNB is collateral-free, bears interest at 6% per annum and has no definite repayment date.

Note 10 - Lease contracts

The Foundation leases several premises for its branch operations. Rental rates range from P2,000 to P10,000 a month. The lease contracts cover a period of one (1) year, renewable thereafter upon mutual agreement by both parties. The unapplied advance rental amounting to P344,852 (2002 - P368,529) is shown as part of "Other assets" account in the statements of assets, liabilities and fund balance.

Note 11 - Retirement plan

The Foundation has set up in 2003 a funded, non-contributory, defined benefit plan (the Plan) covering all eligible employees. Under the Plan, the normal retirement age is 60 but an employee may opt to retire at an earlier age after rendering 10 years of continuous service to the Foundation. Normal retirement benefit is equivalent to 100% of the employee's final basic monthly salary for each year of credited service rendered. Early retirement benefit is computed as a percentage of the employee's final basic salary for every year of credited service in accordance with the vesting schedule.

The Plan uses the projected unit credit method in determining the cost of retirement benefits. The actuarial present value of accrued benefits determined by independent actuary as of January 1, 2003 amounted to P9.7 million which was measured in terms of actuarial assumptions for discount rate and rate of salary increases.

Pension cost charged to operations, included in "Employee benefits" account in the statements of revenues and expenses, amounted to P2,047,098 (2002 - P1,244,803).

Note 12 - Approval of financial statements

The financial statements have been approved for issue by the Foundation's Board of Directors on April 12, 2004.