

LIFT ABOVE POVERTY OREGANISATION

ACCOUNTS FOR THE YEAR
ENDED 31ST DECEMBER, 2003

ANDREW EJOH & CO
(Chartered Accountants)
19, DECO ROAD,
WARRI, NIGERIA.

LIFT ABOVE POVERTY ORGANISATION

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LIFT ABOVE POVERTY ORGANISATION

REPORT OF THE DIRECTORS

The directors hereby submit their report, together with the audited Balance Sheet as at 31st December, 2003 and the Income and Expenditure Account for the year ended on that date.

1. PRINCIPAL ACTIVITIES AND OBJECTIVES

“The organisation’s mission is to achieve the goal of economic empowerment of the target group through provision of affordable financial services delivered in a cost-effective and innovative manner”.

LAPO seeks to accomplish the following objectives:-

- i. To strengthen the local economy through provision of financial services to micro-enterprises.
- ii. To promote self-employment within the target group.
- iii. To enhance the social status of women through economic empowerment which facilitates their involvement in decision-making.
- iv. To help clients to strive for and make progress towards self-reliance through generation of income and savings.
- v. To introduce an alternative banking system for the poor to have the opportunity of having access to credit and savings.

2. CHANGES DURING THE YEAR

In the course of the year, the organization expanded its operations from 18 to 27 branches.

LIFT ABOVE POVERTY ORGANISATION

3. ACCOUNT AND RESULTS

The organization generated a net profit of N15.8 million and a net profit of N16.5 million, after operating grants for the year. However, there is a remarkable improvement towards financial sustainability; which shows that there is an increase in the revenue base by 88%.

	2003	2002
	N	N
Net Operating Revenue	72,486,087	40,309,687
Total Non-Interest Expenses	<u>56,697,837</u>	<u>32,510,263</u>
Net Operating Profit	15,788,250	7,799,424
Operating Grants	<u>748,200</u>	<u>14,552,119</u>
Net Profit After Grants	<u>16,536,450</u> =====	<u>22,351,543</u> =====

4. RESERVES

The organisation's reserves are set out on the statement of changes in equity in page 8.

5. DIRECTORS

The directors who served during the year were: Dr. (Mrs.) Gloria Vicent-Osaghae (Chairman), Godwin Ehigiamusoc (Exec./Director/CFO), J.I. Obazele, M. Omoruyi, Mrs. E. Iyamu, Mrs. A. Umoru and Mrs. J. Idubor. They retire at this meeting and being eligible offer themselves for re-election.

6. AUDITORS

The auditors, Messrs Andrew Ejoh & Co. have indicated their willingness to continue in office, in accordance with the provisions of section 357 (2) of the Companies and Allied Matters Act of 1990.

BY ORDER OF THE BOARD



SECRETARY

09/30/2004

DATE



Andrew Ejoh & Co.

(CHARTERED ACCOUNTANTS)

Head Office:
No. 19 Deco Road,
Warri.

Tel: 053-255431
08042130392
E-mail: ejoh@a@yahoo.com

Our Ref: _____

Your Ref: _____

Date: _____

REPORT OF THE AUDITORS TO THE MEMBERS OF LIFT ABOVE POVERTY ORGANISATION

We have audited the financial statements on pages 6 to 15.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

In accordance with the provisions of section 334 and 335 of the Companies and Allied Matters Act 1990, the organization's directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the organization as at the end of the financial year and of its results for that period and comply with the Act. These responsibilities include ensuring that:-

- i) Adequate internal control procedures are instituted to safeguard assets, prevent and detect fraud and other irregularities.
- ii) Proper accounting records are maintained.
- iii) Applicable accounting standards are followed.
- iv) Suitable accounting policies are used and consistently applied.
- v) The financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the organization will continue in business.

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

BASIS OF OPINION

We conducted our audit in accordance with auditing standards and accounting standards issued by Nigerian Accounting Standards Board. 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the organization 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 that the financial statements are free from material misstatements, whether caused by fraud or other irregularities or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and assessed whether the organisation's books of accounts have been properly kept.

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LIFT ABOVE POVERTY ORGANISATION

REPORT OF THE AUDITORS CONTINUED.

The organization has changed the accounting policy on the treatment of grants to be in line with the guidelines of the Consultative Group to Assist the Poorest (CGAP), whereby all grants are recognized as equity on the balance sheet whether recorded through the income statement or directly to the balance sheet. This treatment provided that the value of the capital grants is not written down to reflect the carrying value of the relevant assets and that the operating grants are shown on a memorandum basis and not offset in the income statement as are both required by International Accounting Standards (IAS) No. 20.

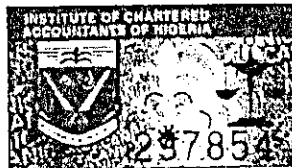
We agree with this change in the accounting policy as the disclosure of accumulated grants in the micro-finance environment recognizes grants as financing resources for eventual sustainability, while simultaneously allowing for recognition of the accumulated losses from operations.

OPINION

The financial statements are in agreement with the books, which, in our opinion, have been properly kept; we obtained the information and explanations required.

In our opinion, the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the organisation as at 31st December, 2003 and of the excess of income over expenditure, changes in equity and cashflow for the year ended on that date.


ANDREW EJOH & CO.
(Chartered Accountants)
WARRI, NIGERIA.



SEPTEMBER, 2004.

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LIFT ABOVE POVERTY ORGANISATION

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2003

	NOTES	2003 N	2002 N
INTEREST INCOME			
Interest and fees on loans	9	<u>74,271,477</u>	<u>39,508,610</u>
DIRECT EXPENSES			
Interest expense	10	1,165,362	666,855
Provision for loan losses		<u>5,138,111</u>	<u>3,252,276</u>
		<u>6,303,473</u>	<u>3,919,131</u>
NET INTEREST AFTER PROVISION FOR LOAN LOSSES			
		<u>67,968,004</u>	<u>35,589,479</u>
Other operating incomes	11	<u>4,518,083</u>	<u>4,720,208</u>
NET OPERATING REVENUE			
		<u>72,486,087</u>	<u>40,309,687</u>
NON-INTEREST EXPENSES			
Salaries and other benefits		28,575,287	19,585,226
Administrative expenses	12	22,676,697	8,299,631
Other expenses and charges	13	1,791,506	1,188,136
Depreciation on fixed assets	4	3,654,347	3,437,270
TOTAL NON-INTEREST EXPENSES			
		<u>56,697,837</u>	<u>32,510,263</u>
NET OPERATING PROFIT			
		<u>15,788,250</u>	<u>7,799,424</u>
OPERATING GRANTS	18	<u>748,200</u>	<u>14,552,119</u>
NET OPERATING PROFIT AFTER GRANTS			
		<u>16,536,450</u>	<u>22,351,543</u>
		=====	=====

LIFT ABOVE POVERTY ORGANISATION .

BALANCE SHEET AS AT 31ST DECEMBER, 2003

	NOTES	2003 N	2002 N
ASSETS			
Current Assets			
Bank and cash balances	14	15,619,842	13,364,538
Loans to clients	2	176,219,710	119,749,990
Other current assets	3	18,331,658	11,165,327
Total Current Assets		<u>210,171,210</u>	<u>144,279,855</u>
NON-CURRENT ASSETS			
Fixed Assets	4	39,314,251	36,451,383
Long-term investments	5	22,900,091	-
Total Non-Current Assets		<u>62,214,342</u>	<u>36,451,383</u>
TOTAL ASSETS		<u>272,385,552</u> =====	<u>180,731,238</u> =====
LIABILITIES AND EQUITY			
Current Liabilities			
Members' savings	6	58,799,344	31,019,027
Other liabilities	7	5,574,008	334,552
Total Current Liabilities		<u>64,373,352</u>	<u>31,353,579</u>
NON CURRENT LIABILITY			
Long-term debt	8	53,679,600	2,000,000
TOTAL LIABILITIES		<u>118,052,952</u>	<u>33,353,579</u>
EQUITY			
Accumulated grants		142,244,140	148,682,449
Accumulated profit/(loss)	17	12,088,460	(3,699,790)
Loan loss reserve	16	-	2,395,000
TOTAL EQUITY		<u>154,332,600</u>	<u>147,377,659</u>
TOTAL LIABILITIES AND EQUITY		<u>272,385,552</u> =====	<u>180,731,238</u> =====



LIFT ABOVE POVERTY ORGANIZATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2003

	2003 N	2002 N
GRANTS RECORDED DIRECTLY TO BALANCE SHEET		
a. Capital Grants:		
Balance brought forward	25,416,318	25,416,318
Additions	11,697,260	-
Balance carried forward	<u>37,113,578</u>	<u>25,416,318</u>
b. Revolving Grants:		
Balance brought forward	83,096,609	58,945,929
Additions/repaid	(18,883,769)	24,150,680
Balance carried forward	<u>64,212,840</u>	<u>83,096,609</u>
	=====	=====
GRANTS RECORDED THROUGH INCOME STATEMENT		
c. Operating Grants:		
Balance brought forward	40,169,522	25,617,403
Additions	748,200	14,552,119
Balance carried forward	<u>40,917,722</u>	<u>40,169,522</u>
	=====	=====
d. Total Accumulated Grants (a + b + c)	142,244,140	148,682,449
e. ACCUMULATED PROFIT/(LOSS)		
Balance brought forward	(3,699,790)	(11,499,214)
Profit for the year	15,788,250	7,799,424
Balance carried forward	<u>12,088,460</u>	<u>(3,699,790)</u>
f. TOTAL EQUITY (d - e)	154,332,600	144,982,659
g. LOAN LOSS RESERVE	-	2,395,000
	<u>154,332,600</u>	<u>147,377,659</u>
	=====	=====

LIFT ABOVE POVERTY ORGANIZATION

CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2003

	2003	2002
	N	N
CASHFLOW FROM OPERATING ACTIVITIES		
Profit for the year	15,788,250	7,799,424
Depreciation on fixed assets	3,654,347	3,437,270
Provision for loan loss	5,138,111	3,252,276
Profit Before Working Capital Changes	24,580,708	14,488,970
Changes in Working Capital Items		
Loans to clients	(58,864,720)	(51,239,325)
Other current assets	(6,203,931)	(8,901,891)
Members' savings and deposits	27,780,317	10,169,640
Other liabilities	2,859,946	(720,422)
Cash Absorbed in Operations	(34,428,388)	(50,691,998)
Net Cashflow from Operating Activities	(9,847,680)	(36,203,028)
CASHFLOW FROM INVESTING/FINANCING ACTIVITIES		
Purchase of fixed assets	(6,608,715)	(7,439,407)
Addition to investments	(23,862,491)	-
Long-term debt	53,679,600	-
Repayment of long-term debt and grants	(25,930,380)	(2,434,400)
Grants additions	12,445,460	38,702,699
Net Cashflow From Investing/Financing Activities	9,723,474	28,828,892
Net Increase/(Decrease) in Cash and Cash Equivalents	(124,206)	(7,374,136)
Cash and Cash Equivalents at Beginning of the Year	13,364,538	20,738,674
Cash and Cash Equivalents at End of the Year	13,240,332	13,364,538
	=====	=====

LIFT ABOVE POVERTY ORGANIZATION

NOTES TO THE ACCOUNTS YEAR ENDED 31ST DECEMBER, 2003

I. ACCOUNTING POLICIES

A BASIS OF PREPARATION OF ACCOUNTS

The accounts of the organization are prepared on historical cost convention. No adjustments have been made to reflect the impact of inflation and changes in specific and general price levels.

B FUNDING OF OPERATIONS

The operations are funded through grants received from donor worldwide and borrowing from financial institutions in Nigeria.

C DEPRECIATION

Depreciation is provided to write-off the cost or valuation of fixed assets over their estimated useful life in equal instalments at the following rates:-

Land and building	2%
Motor vehicles	25%
Furniture fittings and equipment	12.5%
Generator plant	12.5%
Computer equipment	33.33%

D TAXATION

The organization is non-profit making and the proceeds of grants are not subject to tax in Nigeria and the results are therefore not taxable.

E GRANTS

The organization records unrestricted grants in the income statement in the period they are received, and records restricted grants as liabilities in the balance sheet and transfers specific amounts to income statement when restrictions end.

F GRANTS AND DONATIONS

The organization records all grants for operations expenses in the income statement on memorandum basis below the net surplus or loss.

G LOAN LOSS RESERVE POLICY

The organization provides for the loan loss at the rate of 2% based on net portfolio after specific provisions for debts doubtful of recovery.

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NOTES TO THE ACCOUNTS CONTINUED FOR YEAR ENDED 31ST DECEMBER, 2003

	2003	2002
	N	N
2. CLIENTS' LOANS		
Balance brought forward	119,749,990	74,285,124
Less: Prior-year adjustment for loan loss reserve	(2,395,000)	-
	<u>117,354,990</u>	<u>74,285,124</u>
Loans granted during the year	361,190,000	254,353,200
	<u>478,544,990</u>	<u>328,638,324</u>
Loans repaid during the year	(298,728,959)	(203,113,875)
	<u>179,816,031</u>	<u>125,524,449</u>
Bad debts written-off	-	(5,774,459)
Loan loss reserve	(3,596,321)	-
Balance carried forward	<u>176,219,710</u>	<u>119,749,990</u>
	=====	=====
3. OTHER CURRENT ASSETS		
Stock of stationery	178,480	178,480
Short-term investments in commercial banks and others	9,000,000	8,037,600
Sundry debtors	7,839,937	1,183,095
Prepayments and accrued interest	1,313,241	1,766,152
	<u>18,331,658</u>	<u>11,165,327</u>
	=====	=====

LIFT ABOVE POVERTY ORGANIZATION

NOTES TO THE ACCOUNTS CONTINUED FOR YEAR ENDED 31ST DECEMBER, 2003

FIXED ASSETS

	Land and building	Motor vehicles	Furniture, fittings and equipment,	Plant and machinery	Computer equipment	Total
COST		N	N	N	N	N
At 1:1:2003	31,668,081	8,808,700	7,581,900	-	-	48,058,681
Additions	1,131,325	-	870,100	2,725,975	1,881,315	6,608,715
Disposal/written off	-	(91,500)	-	-	-	(91,500)
At 31:12:2003	<u>32,799,406</u>	<u>8,717,200</u>	<u>8,452,000</u>	<u>2,725,975</u>	<u>1,881,315</u>	<u>54,575,896</u>

DEPRECIATION

At 1:1:2003	3,050,011	5,916,845	2,640,442	-	-	11,607,298
For the year	655,988	974,008	1,056,500	340,747	627,104	3,654,347
At 31:12:2003	<u>3,705,999</u>	<u>6,890,853</u>	<u>3,696,942</u>	<u>340,747</u>	<u>627,104</u>	<u>15,261,645</u>

NET BOOK VALUE

At 31:12:2003	29,093,407	1,826,347	4,755,058	2,385,228	1,254,211	39,314,251
At 31:12:2002	=====	=====	=====	=====	=====	=====
	28,618,070	2,891,855	4,941,458	-	-	36,451,383
	=====	=====	=====	=====	=====	=====

LONG-TERM INVESTMENTS

	2003 N	2002 N
Balance brought forward	-	-
Additions during the year	22,900,091	-
	<u>22,900,091</u>	<u>-</u>
Investment/loan repaid	-	-
Balance carried forward	22,900,091	-
	=====	=====

SAVINGS/SHORT-TERM LOANS

Balance brought forward	31,019,027	20,849,387
Current savings	51,635,929	26,637,005
	<u>82,654,956</u>	<u>47,486,392</u>
Current withdrawals	(23,855,612)	(16,467,365)
Balance carried forward	<u>58,799,344</u>	<u>31,019,027</u>
	=====	=====

LIFT ABOVE POVERTY ORGANIZATION

NOTES TO THE ACCOUNTS CONTINUED FOR YEAR ENDED 31ST DECEMBER, 2003

	2003	2002
	N	N
7. OTHER LIABILITIES		
Sundry creditors	2,934,498	104,552
Bank overdraft	2,379,510	-
Accrued expenses	260,000	230,000
	5,574,008	334,552
	=====	=====
8. NON-CURRENT LIABILITY		
Long-term debt	53,679,600	2,000,000
	=====	=====
9. INTEREST AND FEES INCOME		
Interest on loans	67,290,872	35,609,806
Loan application fees/risk premium	6,980,605	3,898,804
	74,271,477	39,508,610
	=====	=====
10. INTEREST EXPENSES		
Interest on loans	124,704	597,451
Interest on savings account	1,040,658	69,404
	1,165,362	666,855
	=====	=====
11. OTHER OPERATING INCOMES		
Other income per account	321,686	681,134
Client registration fees/enlistment income	3,704,000	2,784,350
Training fees/consultancy received (net)	-	1,235,500
Bank interest received	9,529	13,174
Pass book sale	228,660	6,050
Income from investment	254,208	-
	4,518,083	4,720,208
	=====	=====

LIFT ABOVE POVERTY ORGANIZATION

NOTES TO THE ACCOUNTS CONTINUED FOR YEAR ENDED 31ST DECEMBER, 2003

	2003	2002
12. ADMININSTRATIVE EXPENSES	N	N
Office and administrative expenses	8,274,920	2,756,372
Transport and meetings	9,250,032	4,155,650
Training and workshops	1,273,239	639,360
Printing and publishing	3,878,506	350,359
Exchange visits and network	-	397,890
	22,676,697	8,299,631
	=====	=====
13. OTHER EXPENSES AND CHARGES		
Bank charges and commissions	1,211,376	746,731
Professional and audit fees	580,130	441,405
	1,791,506	1,188,136
	=====	=====
14. CASH AND CASH EQUIVALENTS		
Fixed deposit	1,950,000	1,950,000
Endowment deposit	450,000	450,000
Cash and banks	13,219,842	10,964,538
	15,619,842	13,364,538
	=====	=====

LIFT ABOVE POVERTY ORGANIZATION

NOTES TO THE ACCOUNTS CONTINUED FOR YEAR ENDED 31ST DECEMBER, 2003

15. Profit or surplus for the year is arrived at after charging:	2003	2002
	N	N
Bank charges and commission/interest	1,211,376	746,731
Audit and professional fees	580,130	441,405
Depreciation on fixed assets	3,654,347	3,437,270
Interest expenses	1,165,362	666,855
	=====	=====
And after crediting:-		
Interest and fees income	74,271,477	39,508,610
	=====	=====
16. LOAN LOSS RESERVE		
Balance brought forward	2,395,000	4,917,183
Provision for loan loss	5,138,111	3,252,276
	<u>7,533,111</u>	<u>8,169,459</u>
Bad debt written-off	(3,936,790)	(5,774,459)
Balance carried forward	<u>3,596,321</u>	<u>2,395,000</u>
	=====	=====
17. ACCUMULATED PROFIT/(LOSS)		
Balance brought forward	(3,699,790)	(11,499,214)
Profit for the year	15,788,250	7,799,424
Balance carried forward	<u>12,088,460</u>	<u>(3,699,790)</u>
	=====	=====
18. OPERATING GRANTS	748,200	14,552,119
	=====	=====