

LIFT ABOVE POVERTY ORGANISATION

**ACCOUNTS FOR THE YEAR
ENDED 31ST DECEMBER, 2004**

MESSRS 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, 2004, and the Income and Expenditure Account for the year ended on that date.

1. PRINCIPAL ACTIVITIES AND OBJECTIVES

The organization'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, amongst others include;-

- i. Strengthen the local economy through provision of financial services to micro-enterprises.
- ii. Promote self-employment within the target group.
- iii. Enhance the social status of women through economic 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 saving.

2. CHANGES DURING THE YEAR.

In the course of the year, the organization expanded its operations from 22 to 27 branches nation-wide. However, efforts made to reach South-west region of the country had yielded success as the organization captured Lagos market, in furtherance of the corporate objectives.

During the year under consideration, the organization acquired fixed assets amounted to N15 million to boost the accomplishment of the firm's objectives.

LIFT ABOVE POVERTY ORGANISATION

3 ACCOUNTS AND RESULTS

The organisation generated a net surplus of N28 million for the year under review. However, there is a remarkable improvement towards financial sustainability, which indicated that there was an overall increase in revenue base by 84% during the period under review.

| | 2004 N | 2003 N |
|-----------------------------|--------------------------|--------------------------|
| Net Operating Revenue | 126,296,899 | 72,486,087 |
| Total Non-Interest Expenses | 98,308,474 | 56,697,837 |
| Net Operating Profit | <u>27,988,425</u> | <u>15,788,250</u> |
| Operating Grants | 0 | 748,200 |
| Net Profit After Grants | <u><u>27,988,425</u></u> | <u><u>16,536,450</u></u> |

4 RESERVES

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

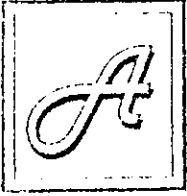
5 DIRECTORS

The directors who serve during the year were: Mrs. I. E. Emokpae (Chairperson), Godwin Ehigiamusoe (Exe. Director/CEO), 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.

BY ORDER OF THE BOARD

SECRETARY

DATE



Andrew Ejoh & Co.

(CHARTERED ACCOUNTANTS)

Head Office:
No. 19 Deco Road,
Warri.

Tel: 053-255431
08042130392
E-mail: ejohea@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 14 and statement of accounting policies on page thereon.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

In accordance with the provisions of section 334 and 335 of the Companies and Allied Matters Act of 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 organisation as at the end of the financial year and of its results for that period and comply with the provisions of the Act. These responsibilities include ensuring that:-

- i) Adequate internal control procedures are instituted to safeguard assets and 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 company 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 thereon to you.

BASIS OF OPINION

We conducted our audit in accordance with International Auditing Standards and Accounting Standards issued by the 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.

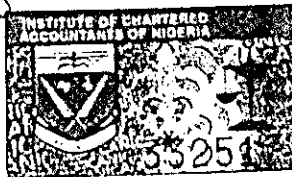
In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and assessed whether the organization's books of account have been properly kept.

The organization's accounting policy on the treatment of grants is 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.

OPINION

The financial statements are in agreement with the books, which in our opinion, have been properly kept; we obtained the information and explanations we 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 Organization as at 31st December, 2004 and of the operating profit and cash flow for the year ended on that date.


ANDREW ELOH & CO.
(Chartered Accountants)
WARRI NIGERIA
MAY, 2005.



LIFT ABOVE POVERTY ORGANISATION

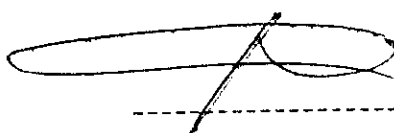
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2004

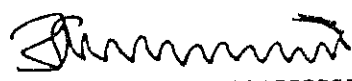
| | | 2004 N | 2003 N |
|---|----|---------------------------------|---------------------------------|
| INTEREST INCOMES | | | |
| Interest and Fees on Loans | 9 | <u>136,895,954</u> | <u>74,271,477</u> |
| DIRECT EXPENSES | | | |
| Interest Expenses | 10 | 3,923,802 | 1,165,362 |
| Provision for Loan Loss | | 8,839,446 | 5,138,111 |
| | | <u>12,763,248</u> | <u>6,303,473</u> |
| NET INTEREST AFTER PROVISION FOR LOAN LOSS | | 124,132,706 | 67,968,004 |
| Other Operating Incomes | 11 | 2,164,193 | 4,518,083 |
| NET OPERATING REVENUE | | <u>126,296,899</u> | <u>72,486,087</u> |
| NON-INTEREST EXPENSES | | | |
| Salaries and Other benefits | | 45,340,829 | 28,575,287 |
| Administrative Expenses | 12 | 38,579,275 | 22,676,697 |
| Other Expenses and Charges | 13 | 8,181,004 | 1,791,506 |
| Depreciation on Fixed Assets | 4 | 6,207,366 | 3,654,347 |
| TOTAL NON-INTEREST EXPENSES | | <u>98,308,474</u> | <u>56,697,837</u> |
| NET OPERATING PROFIT | | 27,988,425 | 15,788,250 |
| OPERATING GRANTS | 18 | 0 | 748,200 |
| NET OPERATING PROFIT | | <u><u>27,988,425</u></u> | <u><u>16,536,450</u></u> |

LIFT ABOVE POVERTY ORGANISATION

BALANCE SHEET AS AT DECEMBER, 2004

| | NOTES | 2004 N | 2003 N |
|-------------------------------------|-------|----------------------------------|----------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Bank and Cash Balances | 14 | 20,319,296 | 15,619,842 |
| Loans to Clients | 2 | 243,897,183 | 176,219,710 |
| Other Current Assets | 3 | 29,085,182 | 18,331,658 |
| TOTAL CURRENT ASSETS | | <u>293,301,661</u> | <u>210,171,210</u> |
| NON-CURRENT ASSETS | | | |
| Fixed Assets | 4 | 48,203,883 | 39,314,251 |
| Long-term Investments | 5 | 25,135,959 | 22,900,091 |
| Total Non-current Assets | | <u>73,339,842</u> | <u>62,214,342</u> |
| TOTAL ASSETS | | <u><u>366,641,503</u></u> | <u><u>272,385,552</u></u> |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Members' Savings | 6 | 101,061,662 | 58,799,344 |
| Other Liabilities | 7 | 9,924,845 | 5,574,008 |
| Total Current Liabilities | | <u>110,986,507</u> | <u>64,373,352</u> |
| NON CURRENT LIABILITY | | | |
| Long-term debt | 8 | 54,805,062 | 53,679,600 |
| TOTAL LIABILITIES | | <u>165,791,569</u> | <u>118,052,952</u> |
| EQUITY | | | |
| Accumulated Grants | | 160,773,049 | 142,244,140 |
| Accumulated Profit | 17 | 40,076,885 | 12,088,460 |
| TOTAL EQUITY | | <u>200,849,934</u> | <u>154,332,600</u> |
| TOTAL LIABILITIES AND EQUITY | | <u><u>366,641,503</u></u> | <u><u>272,385,552</u></u> |



 Directors


LIFT ABOVE POVERTY ORGANISATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2004

| | 2004 N | 2003 N |
|---|--------------------|---------------------|
| GRANTS RECORDED DIRECT TO BALANCE SHEET | | |
| a Capital Grants: | | |
| Balance Brought Forward | 37,113,578 | 25,416,318 |
| Additions | <u>26,361,452</u> | <u>11,697,260</u> |
| Balance Carried Forward | <u>63,475,030</u> | <u>37,113,578</u> |
| b Revolving Loans: | | |
| Balance Brought Forward | 64,212,840 | 83,096,609 |
| Additions/repaid | <u>(7,832,543)</u> | <u>(18,883,769)</u> |
| Balance Carried Forward | <u>56,380,297</u> | <u>64,212,840</u> |
| GRANTS RECORDED THROUGH INCOME STATEMENT | | |
| c Operating Grants: | | |
| Balance Brought Forward | 40,917,722 | 40,169,522 |
| Additions | <u>0</u> | <u>748,200</u> |
| Balance Carried Forward | <u>40,917,722</u> | <u>40,917,722</u> |
| d Total Accumulated Grants (a + b + c) | <u>160,773,049</u> | <u>142,244,140</u> |
| e ACCUMULATED PROFIT/(LOSS) | | |
| Balance Brought Forward | 12,088,460 | (3,699,790) |
| Profit for the Year | <u>27,988,425</u> | <u>15,788,250</u> |
| Balance Carried Forward | <u>40,076,885</u> | <u>12,088,460</u> |
| f TOTAL EQUITY (d + e) | <u>200,849,934</u> | <u>154,332,600</u> |

LIFT ABOVE POVERTY ORGANISATION

CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2004

| CASHFLOW FROM OPERATING ACTIVITIES | 2004 | 2003 |
|---|---------------------|---------------------|
| | N | N |
| Profit for the Year | 27,988,425 | 15,788,250 |
| Provision for Loan Loss | 8,839,446 | 5,138,111 |
| Depreciation on Fixed Assets | 6,207,366 | 3,654,347 |
| Profit on Sale of Motor Vehicle | (99,990) | 0 |
| Profit Before Working Capital Changes | <u>42,935,247</u> | <u>24,580,708</u> |
| Changes in Working Capital Items | | |
| Increase in Loans to Clients | (67,677,473) | (58,864,720) |
| Increase in Other Current Assets | (10,753,524) | (6,203,931) |
| Members' Savings and Deposits | 42,262,318 | 27,780,317 |
| Increase in Other Liabilities | 4,350,837 | 2,859,946 |
| Cash Absorbed in Operations | <u>(31,817,842)</u> | <u>(34,428,388)</u> |
| Net Cashflow from Operating Activities | 11,117,405 | (9,847,680) |
| CASHFLOW FROM INVESTING AND FINANCING ACTIVITIES | | |
| Purchase of Fixed Assets | (15,097,008) | (6,608,715) |
| Addition and Repayment of Investments | (2,235,868) | (23,862,491) |
| Disposal of Motor Vehicle | 100,000 | 0 |
| Long-term Debt | 1,125,462 | 53,679,600 |
| Repayment of Long-term Debt and Grants | 0 | (25,930,380) |
| Grants Additions | 26,361,452 | 12,445,460 |
| Opening Balance Adjustments | (6,584,157) | 0 |
| Revolving Loans Additions | (7,832,543) | 0 |
| Net Cashflow from Investing & Financial Activities | <u>(4,162,662)</u> | <u>9,723,474</u> |
| Increase/(Decrease) in Cash & Cash Equivalents | 6,954,743 | (124,206) |
| Cash and Cash Equivalents at Beginning | <u>13,240,332</u> | <u>13,364,538</u> |
| Cash and Cash Equivalents at End | <u>20,195,075</u> | <u>13,240,332</u> |

LIFT ABOVE POVERTY ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2004

1. STATEMENT OF 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 on the accounts of specific price change or changes in general level of prices.

B FUNDING OF OPERATION

The operations of the organisation are funded by grants received from philanthropic organizations worldwide and borrowing from financial institutions within and outside the country.

C DEPRECIATION

Depreciation is provided to write off the cost of fixed assets over their estimated useful life in equal annual instalments on the straight-line basis at the following rates: -

| | |
|-----------------------------------|-------|
| Land and Building | 2% |
| Motor Vehicles | 25% |
| Furniture, Fittings and Equipment | 12.5% |
| Plant and Machinery | 12.5% |
| Computers Equipment | 33.3% |

D. TAXATION

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

E GRANTS FUND

The organization records unrestricted grants in the income statement in the period they are received.

It 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 operation expenses in the income statement below the net surplus or loss. It transfers this amount to donated equity in the balance sheet on a memorandum basis.

Capital grants for fixed assets and loan funds are recorded directly in the balance sheet as donated equity.

G LOAN LOSS POLICY

The organization provides for loan loss expense of 2% based on net portfolio, after deducting bad and debts doubtful of collection. This amount is charged to the income statement after net surplus and operating grants.

LIFT ABOVE POVERTY ORGANISATION

NOTES TO THE ACCOUNTS CONTINUED FOR THE YEAR ENDED 31ST DECEMBER, 2004

| | 2004 N | 2003 N |
|-------------------------------------|---------------------------|---------------------------|
| 2 CLIENTS' LOANS | | |
| Balance brought forward | 179,816,031 | 119,749,990 |
| Prior-year adjustment for loan loss | <u>0</u> | <u>2,395,000</u> |
| | 179,816,031 | 117,354,990 |
| Loans granted during the year | <u>620,532,150</u> | <u>361,190,000</u> |
| | 800,348,181 | 478,544,990 |
| Loans repaid during the year | <u>543,696,104</u> | <u>(298,728,959)</u> |
| | 256,652,077 | 179,816,031 |
| Bad debt written-off | <u>7,777,400</u> | <u>0</u> |
| | 248,874,677 | 179,816,031 |
| Loans loss reserve | <u>(4,977,494)</u> | <u>(3,596,321)</u> |
| Balance carried forward | <u><u>243,897,183</u></u> | <u><u>176,219,710</u></u> |
| 3 OTHER CURRENT ASSETS | | |
| Stock of stationery | 0 | 178,480 |
| Short deposits and investments | 3,450,000 | 9,000,000 |
| Sundry debtors | 23,827,771 | 7,839,937 |
| Prepayments and accrued interest | <u>1,807,411</u> | <u>1,313,241</u> |
| | <u><u>29,085,182</u></u> | <u><u>18,331,658</u></u> |

LIFT ABOVE POVERTY ORGANISATION

NOTES TO THE ACCOUNTS CONTINUED FOR THE YEAR ENDED 31ST DECEMBER, 2004

4 FIXED ASSETS

| | Land and Building | Motor Vehicles | Furniture, Fitting and Equipment | Plant and Machinery | Computer Equipment | Total |
|-----------------------|----------------------|-------------------|--|------------------------|-----------------------|-------------------|
| COST | N | N | N | N | N | N |
| At 1:1:2004 | 32,799,406 | 8,717,200 | 8,452,000 | 2,725,975 | 1,881,315 | 54,575,896 |
| Additions | 1,908,170 | 850,000 | 5,124,248 | 1,466,100 | 5,748,490 | 15,097,008 |
| Disposals | 0 | (500,000) | 0 | 0 | 0 | (500,000) |
| At 31:12:2004 | <u>34,707,576</u> | <u>9,067,200</u> | <u>13,576,248</u> | <u>4,192,075</u> | <u>7,629,805</u> | <u>69,172,904</u> |
| DEPRECIATION | | | | | | |
| At 1:1:2004 | 3,705,999 | 6,890,853 | 3,696,942 | 340,747 | 627,104 | 15,261,645 |
| For the year | 694,152 | 748,908 | 1,697,031 | 524,009 | 2,543,266 | 6,207,366 |
| Disposals | 0 | (499,990) | 0 | 0 | 0 | (499,990) |
| At 31:12:2004 | <u>4,400,151</u> | <u>7,139,771</u> | <u>5,393,973</u> | <u>864,756</u> | <u>3,170,370</u> | <u>20,969,021</u> |
| NET BOOK VALUE | | | | | | |
| At 31:12: 2004 | <u>30,307,425</u> | <u>1,927,429</u> | <u>8,182,275</u> | <u>3,327,319</u> | <u>4,459,435</u> | <u>48,203,883</u> |
| At 31:12:2003 | <u>29,093,407</u> | <u>1,826,347</u> | <u>4,755,058</u> | <u>2,385,228</u> | <u>1,254,211</u> | <u>39,314,251</u> |

5 LONG-TERM INVESTMENTS

| | 2004 N | 2003 N |
|-------------------------------------|-------------------|-------------------|
| Balance brought forward | 22,900,091 | 0 |
| Additions/transfers during the year | 10,131,631 | 22,900,091 |
| | <u>33,031,722</u> | <u>22,900,091</u> |
| Repayments during the year | (9,000,000) | 0 |
| Opening balance adjustment | 1,104,237 | 0 |
| Balance carried forward | <u>25,135,959</u> | <u>22,900,091</u> |

6 SAVINGS AND SHORT-TERM LOANS

| | | |
|----------------------------------|--------------------|-------------------|
| Balance brought forward | 58,799,344 | 31,019,027 |
| Current savings for the year | 90,679,038 | 51,635,929 |
| Interest on savings capitalised | 3,893,802 | |
| | <u>153,372,184</u> | <u>82,654,956</u> |
| Current withdrawals for the year | (52,310,522) | |
| Balance carried forward | <u>101,061,662</u> | <u>82,654,956</u> |

LIFT ABOVE POVERTY ORGANISATION

NOTES TO THE ACCOUNTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER, 2004

| | 2004 | 2003 |
|-------------------------------------|--------------------|-------------------|
| | N | N |
| 7 OTHER LIABILITIES | | |
| Sundry creditors | 9,186,219 | 2,934,498 |
| Bank overdraft | 124,221 | 2,379,510 |
| Accrued expenses | 400,000 | 260,000 |
| Income tax - PAYE | 214,405 | 0 |
| | <u>9,924,845</u> | <u>5,574,008</u> |
| | | |
| 8 NON-CURRENT LIABILITY | | |
| Long-term debt | <u>54,805,062</u> | <u>53,679,600</u> |
| | | |
| 9 INTEREST AND FEES INCOME | | |
| Interest on loans | 128,777,504 | 67,290,872 |
| Loans application fees/risk premium | 8,118,450 | 6,980,605 |
| | <u>136,895,954</u> | <u>74,271,477</u> |
| | | |
| 10 INTEREST EXPENSES | | |
| Interest on loans | 30,000 | 124,704 |
| Interest on savings account | 3,893,802 | 1,040,658 |
| | <u>3,923,802</u> | <u>1,165,362</u> |
| | | |
| 11 OTHER OPERATING INCOMES | | |
| Other incomes per account | 1,102,186 | 321,686 |
| Bank interest received | 13,511 | 9,529 |
| Passbook sale | 184,550 | 228,660 |
| Income from investment | 260,490 | 254,208 |
| Bad debts recovered | 503,466 | 0 |
| Profit on disposal of motor vehicle | 99,990 | 0 |
| Registration fees | 0 | 3,704,000 |
| | <u>2,164,193</u> | <u>4,518,083</u> |
| | | |
| 12 ADMINISTRATIVE EXPENSES | | |
| Office and administration expenses | 20,323,008 | 8,274,920 |
| Transport and meetings | 13,393,005 | 9,250,032 |
| Training programme and workshops | 2,315,200 | 1,273,239 |
| Printing and publishing | 2,548,062 | 3,878,506 |
| | <u>38,579,275</u> | <u>22,676,697</u> |

LIFT ABOVE POVERTY ORGANISATION

NOTES TO THE ACCOUNTS CONTINUED FOR THE YEAR ENDED 31ST DECEMBER, 2004

| | 2004 | 2003 |
|--|--------------------|-------------------|
| | N | N |
| 13 OTHER EXPENSES AND CHARGES | | |
| Bank charges and commissions | 1,958,372 | 1,211,376 |
| Professional and audit fees | 3,547,697 | 580,130 |
| Monitoring and inspection | 2,674,935 | 0 |
| | <u>8,181,004</u> | <u>1,791,506</u> |
| 14 CASH AND CASH EQUIVALENTS | | |
| Fixed deposit | 0 | 1,950,000 |
| Endowment deposit | 0 | 450,000 |
| Cash and bank balances | 20,319,296 | 13,219,842 |
| | <u>20,319,296</u> | <u>15,619,842</u> |
| 15 PROFIT OR SURPLUS FOR THE YEAR | | |
| Is arrived at after charging:- | | |
| Bank charges and commissions/interest | 1,958,372 | 1,211,376 |
| Audit and professional fees | 3,547,679 | 580,130 |
| Depreciation on fixed assets | 6,207,366 | 3,654,347 |
| Interest expenses | 3,923,802 | 1,165,362 |
| And after crediting:- | | |
| Interest and fees income | 128,791,015 | 74,271,477 |
| Profit on disposal of motor vehicle | 99,990 | 0 |
| | <u>128,891,005</u> | <u>74,271,477</u> |
| 16 LOAN LOSS RESERVE | | |
| Balance brought forward | 3,596,321 | 2,395,000 |
| Opening balance adjustment | 319,127 | 0 |
| Provision for loan loss | 8,839,446 | 5,138,111 |
| | <u>12,754,894</u> | <u>7,533,111</u> |
| Bad debt written-off | (7,777,400) | (3,936,790) |
| Balance carried forward | <u>4,977,494</u> | <u>3,596,321</u> |
| 17 ACCUMULATED PROFIT/(LOSS) | | |
| Balance brought forward | 12,088,460 | (3,699,790) |
| Profit for the year | 27,988,425 | 15,788,250 |
| Balance carried forward | <u>40,076,885</u> | <u>12,088,460</u> |
| 18 OPERATING GRANTS | <u>0</u> | <u>748,200</u> |