

Annual Report And Accounts, 2007

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Corporate Information

Principal Officer: Mr. Godwin Ehigiamusoe
Mr. Moses Ehigiamusoe
Barrister Paul Emgbouke
Mr. Elijah Osadebamwen
Mrs. Josephine Lawal
Mr. Moses Imarayi
Mr. Taiwo Abu
Mrs. Cynthia Ikponmwosa
Mr. Kenneth Okakwu

- Executive/CEO
- General Manager
- Human Resource & Admin
- Head of Operations
- Head of Finance
- Planning & Research
- Internal Audit
- Corporate Affairs
- Head of Strategic Planning Unit

Registered Office: Plot 6, S & T Road (Opposite Uselu Market)
Uselu, Benin City,
Edo State,
Nigeria.

Company Secret: Mrs. Cynthia Ikponmwosa
Plot 6, S & T Road,
Uselu, Benin City,
Edo State,
Nigeria.

Auditors: **Messrs. Ejoh Moju & Co.**
(Chartered Accountants)
19, Deca Road,
Warri - Nigeria.

Bankers: United Bank for Africa Plc
Zenith Bank Plc
Intercontinental Bank Plc
Iyobo-Iapo Community Bank Limited
Ecobank Plc
First City Monument Bank Plc
Skye Bank Plc
Equitorial Trust Bank Plc
Oceanic Bank Plc

Report of the Directors

Year ended 31st December, 2007

The directors submit their report together with the audited Balance Sheet for the year ended 31st December, 2007, and Income and Expenditure account for the year ended on that date.

1 The Organisation

"Lift Above Poverty Organisation (LAPO) Limited/GTE", is a micro-finance organisation based in Benin City, Nigeria and registered with Corporate Affairs Commission (CAC) of Nigeria, in conformity with the Companies and Allied Matters Act, 1990, RC No. 214442, and with its registered office at LAPO Place, Plot 6, S & T Road, Uselu, Benin City.

2 Principal Activities and Objectives

The organization's mission is to achieve the goal of economic empowerment of the larger group through provisions of affordable financial services delivered in a cost-effective and innovative manner.

LAPO seeks to accomplish the following objectives, amongst others:

- (i) To strengthen the local economy through provision of financial services to micro-enterprises
- (ii) To promote self-employment within the larger group.
- (iii) To enhance the social status of the 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 incomes and savings.

3 Changes During the Year.

In the course of the year, the organisation expanded its operations from 62 to 105 branches nation-wide. However, efforts made to reach south-west region of the country have yielded success as the organisation captured Portharcourt market, in furtherance of the corporate objectives.

During the year under consideration, the organization acquired fixed assets amounting to N93 million to boost the accomplishment of the firm's objectives.

4 Accounts & Results

The organisation generated a net surplus of N192.7 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 of 88% during the period under review.

| | 2007 | 2006 |
|------------------------------------|---------------------------|---------------------------|
| | N | N |
| Net Operating Revenue | 709,561,515 | 400,263,686 |
| Total Non-Interest Expenses | (517,103,366) | (282,665,869) |
| | <hr/> | <hr/> |
| Net Operating Profit | 192,458,149 | 117,597,817 |
| Profit On Disposal of Fixed Assets | 251,985 | 204,178.00 |
| Operating Grants | - | - |
| | <hr/> | <hr/> |
| Net Surplus after Grants | <u>192,710,134</u> | <u>117,801,995</u> |

5 Reserves

The organisation's reserves are set on the statement of changes in equity in page 10.

Report of the Directors (Cont'd)

Year ended 31st December, 2007

6 Directors'

The directors who served during the year were:

- | | | | |
|---|-----------------------------------|---|--------------------|
| - | Dr. Philip Osa Emokpae | - | Chairman |
| - | Mr. Godwin Ehigiamusoe | - | Exe. Director/CEO) |
| - | Mr. Felix Ejoh | | |
| - | Dr. (Mrs.) Gloria Vincent Osaghae | | |
| - | Mr. Osunde Omoruyi | | |
| - | Mr. Macaulay Omoruyi | | |
| - | Mrs. R. Oyedo | | |

They retire at this meeting and being eligible offer themselves for re-election.

7 Fixed Assets

Movement in fixed assets are shown in note 1 on page 11

8 Employment and Employees

i) Employment of disabled persons

It is the policy of the company that there should be no unfair discrimination in considering application for employment including those of disabled persons. As at 31st December, 2007 the organisation was yet to receive an application from a disabled but qualified person for consideration.

ii) Health, safety at work and welfare of employees

Health and safety regulations are in force within the organisations premises and employees are aware of existing regulations. The organisation provides subsidy to all levels of employees for medical, transportation, housing, etc.

iii) Training and development

The organisation is committed to keeping employees fully informed as much as possible regarding the organisation's performance and progress through regular briefings and meetings. Their views are sought wherever practicable on matters which particularly affect them as employees. The organisation believes that the professional and technical expertise of its managers and staff constitute a major asset and investment in developing such skills continues to receive constant attention.

9 Post balance sheet events

There are no significant post balance sheet events which could have had a material effect on the state of affairs of the organisation as at 31st December, 2007, and on the surplus for the year ended on that date, which have not been adequately provided for or disclosed.

10 Auditors

The auditors, Messrs. Ejoh, Moju & Co. - Chartered Accountants have indicated their willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act, 1990. A resolution will be proposed to authorise the directors to determine their remuneration.

BY ORDER OF THE BOARD

SECRETARY

BENIN CITY
NIGERIA.

Accounting Policies

Year ended 31st December, 2007

The following are the principal accounting policies adopted by the company in the preparation of the accounts:

1 Accounting Convention:

The accounts are prepared under the historical cost convention.

2 Going Concern:

The organisation is under going expansion .

3 Presentation of the Report and Accounts

(i) Details of general and specific funds are disclosed by way of Notes on the Report and Accounts.

(ii) Income and expenses from the organisation's activities that are expected to be self-financing are disclosed in the Notes on the Report and Accounts and the net result is stated in the income statements.

4 Stock

Stock of stationery is valued at the lower of cost and realizable value.

5 Debtors

Debtors are carried at original amount less an estimated made for doubtful debtors based on review of all outstanding amounts at the year end.

6 Fixed Assets

Fixed Assets are stated at cost less depreciation.

7 Depreciation:

Depreciation has been provided on straight line basis over the estimated useful lives of the assets at the following rates:

| | | |
|---|-----------------------------------|-----------------|
| - | Motor Vehicles | 25% per annum |
| - | Furniture, fittings and equipment | 12.5% per annum |
| - | Plant and machinery | 12.5% per annum |
| - | Computer Equipment | 33.3% per annum |

8 Taxation

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

Accounting Policies (Cont'd)

Year ended 31st December, 2007

9 Grant Fund

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

10 Grant and Donations

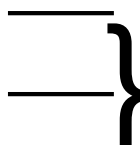
The organization records all grants for operation expenses in the income statements below the net surplus or loss. It transfers this amount to donated equity in the balance sheet on a memorandum basis. Capital grant for fixed assets and loan funds are recorded directly in the balance sheet as donated equity.

11 Loan Loss Provision

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 statements after net surplus and operating grant.

Balance Sheet
As At 31st December, 2007

| ASSETS | Note | 2007 N | 2006 N |
|-------------------------------------|-------------|----------------------|----------------------|
| CURRENT ASSETS | | | |
| Bank and cash balances | 13 | 440,386,218 | 98,062,397 |
| Loans to clients | 2 | 1,905,755,572 | 994,711,313 |
| Stock of stationeries | | 3,328,350 | 995,720 |
| Other current assets | 3 | 350,230,226 | 153,439,096 |
| TOTAL CURRENT ASSETS | | 2,699,700,366 | 1,247,208,526 |
| NON-CURRENT ASSETS | | | |
| Fixed Assets | 1 | 119,046,553 | 29,671,533 |
| Long term investments | 4 | 420,051,898 | 226,491,174 |
| Total non-current assets | | 539,098,451 | 256,162,707 |
| TOTAL ASSETS | | 3,238,798,817 | 1,503,371,233 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Members savings | 5 | 995,555,349 | 464,822,934 |
| Other liabilities | 6 | 341,930,015 | 62,481,928 |
| Total current liabilities | | 1,337,485,364 | 527,304,862 |
| NON-CURRENT LIABILITIES | | | |
| Long term debts | 7 | 1,298,945,439 | 566,408,495 |
| TOTAL LIABILITIES | | 2,636,430,803 | 1,093,713,357 |
| EQUITY | | | |
| Accumulated grants | | 189,111,663 | 189,111,663 |
| Accumulated profit | 16 | 413,256,351 | 220,546,213 |
| TOTAL EQUITY | | 602,368,014 | 409,657,876 |
| TOTAL LIABILITIES AND EQUITY | | 3,238,798,817 | 1,503,371,233 |



DIRECTORS

The notes on pages 11 to 13 form part of these accounts.

Income and Expenditure Account

For the year ended 31st December, 2007

| | Note | 2007 N | 2006 N |
|---|------|--------------------|--------------------|
| INTEREST AND INCOMES | | | |
| Interest and Fees on Loans | 8 | 839,592,707 | <u>449,986,019</u> |
| DIRECT EXPENSES | | | |
| Interest Expenses | 9 | 111,267,283 | 41,691,654 |
| Provision for Loan Loss | | 29,178,062 | <u>11,714,859</u> |
| | | 140,445,345 | 53,406,513 |
| NET INTEREST AFTER PROVISION FOR LOAN LOSS | | | |
| | | 699,147,362 | 396,579,506 |
| Other Operating Incomes | 10 | 10,414,153 | 3,684,180 |
| NET OPERATING REVENUE | | | |
| | | 709,561,515 | 400,263,686 |
| NON-INTEREST EXPENSES | | | |
| Salaries and Other benefits | | 261,790,769 | 132,392,462 |
| Administrative Expenses | 11 | 187,555,703 | 99,271,485 |
| Other Expenses and Charges | 12 | 46,315,360 | 38,992,396 |
| Depreciation on fixed assets | 1 | 21,441,534 | <u>12,009,526</u> |
| TOTAL NON-INTEREST EXPENSES | | | |
| | | 517,103,366 | 282,665,869 |
| NET PROFIT BEFORE OPERATING GRANTS | | | |
| | | 192,458,149 | 117,597,817 |
| PROFIT ON DISPOSAL OF FIXED ASSETS | | | |
| | | 251,985 | 204,178 |
| OPERATING GRANTS | | | |
| | | - | - |
| NET PROFIT AFTER OPERATING GRANTS | | | |
| | | 192,710,134 | 117,801,995 |
| LESS DEFERRED EXPENSES | | | |
| | | - | - |
| NET PROFIT AFTER DEFERRED EXPENSES | | | |
| | | 192,710,134 | 117,801,995 |

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2007

| | 2007 N | 2006 N |
|--|--------------------|--------------------|
| GRANTS RECORDED DIRECTLY TO BALANCE SHEET | | |
| a Capital Grants: | | |
| Balance Brought Forward | 30,840,252 | 30,840,252 |
| Transfer of Building Grants to LADEC | - | - |
| Balance Carried Forward | 30,840,252 | 30,840,252 |
| b Revolving Loans | | |
| Balance Brought Forward | 56,380,297 | 56,380,297 |
| Additions/repaid | - | - |
| Balance Carried Forward | 56,380,297 | 56,380,297 |
| GRANTS RECORDED THROUGH INCOME STATEMENT | | |
| c Operating Grants: | | |
| Balance Brought Forward | 101,891,114 | 101,891,114 |
| Additions | - | - |
| Balance Carried Forward | 101,891,114 | 101,891,114 |
| d Total Accumulated Grants (a + b + c) | 189,111,663 | 189,111,663 |
| e ACCUMULATED PROFIT/(LOSS) | | |
| Balance Brought Forward | 220,546,213 | 102,984,218 |
| Prior Year Adjustment | - | (240,000) |
| Profit for the Year | 192,710,134 | 117,801,995 |
| Balance Carried Forward | 413,256,347 | 220,546,213 |
| f TOTAL EQUITY (d + e) | 602,368,010 | 409,657,876 |

CASHFLOW STATEMENT

For the year ended 31st December, 2007

| | 2007 N | 2006 N |
|---|----------------------|----------------------|
| CASHFLOW FROM OPERATING ACTIVITIES | | |
| Profit for the Year | 192,710,138 | 117,801,995 |
| Provision for Loan Loss | 29,178,062 | 11,714,859 |
| Depreciation of Fixed Assets | 21,441,530 | 12,009,526 |
| Profit on Disposal of Fixed Assets | (251,985) | (204,178) |
| Profit Before Working Capital Changes | 243,077,745 | 141,322,202 |
| Changes in Working Capital Items | | |
| Stock | (995,720) | (995,720) |
| Increase in Loans to Clients | (940,222,328) | (574,570,032) |
| Increase in Other Current Assets | (196,791,130) | (29,977,537) |
| Members' Savings and Deposits | 530,732,415 | 282,965,674 |
| Increase in Other Liabilities | 59,464,668 | 16,638,562 |
| Cash Absorbed in operations | (547,812,095) | (305,939,053) |
| Net Cash flow from Operating Activities | (304,734,350) | (164,616,851) |
| CASHFLOW FROM INVESTING AND FINANCING ACTIVITIES | | |
| Purchase of Fixed Assets | (93,992,570) | (21,589,825) |
| Addition and Repayment of Investment | (309,982,305) | (207,057,496) |
| Disposal of Motor Vehicle | 252,005 | 274,503 |
| Long-term Debt | 732,536,944 | 368,044,995 |
| Grants Additions | - | - |
| Opening Balance Adjustment | (1,739,322) | (242,001) |
| Net Cashflow from Investing & Financing Activities | 327,074,752 | 139,430,176 |
| Increase/(Decrease) in Cash & Cash Equivalents | 22,340,402 | (25,186,675) |
| Cash and Cash Equivalents at the Beginning | 75,198,362 | 100,385,037 |
| Cash and Cash Equivalents at the End | 97,538,764 | 75,198,362 |

Notes on the Accounts

Year ended 31st December, 2007

| | 2007 N | 2006 N |
|--|-----------------------------|---------------------------|
| 2 CLIENTS' LOAN | | |
| Balance brought forward | 1,015,011,544 | 440,669,533 |
| Loan Granted during the Year | 4,229,154,700 | <u>2,234,755,000</u> |
| | 5,244,166,244 | 2,675,424,533 |
| Loan Repaid during the Year | <u>(3,288,932,372)</u> | <u>(1,660,184,968)</u> |
| | 1,955,233,872 | 1,015,239,565 |
| Bad Debt Written-of | (10,585,320) | <u>(228,021)</u> |
| Principal Loan Portfolio | 1,944,648,552 | 1,015,011,544 |
| Loan Loss Reserve | <u>(38,892,980)</u> | <u>(20,300,231)</u> |
| Balance Carried Forward | <u>1,905,755,572</u> | <u>994,711,313</u> |
| 3 OTHER CURRENT ASSETS | | |
| Short Deposits and Investments | 48,125,161 | 25,702,281 |
| Sundry Debtors | 255,206,884 | 110,970,549 |
| Prepayments and Accrued Interest | 46,898,181 | <u>16,766,266</u> |
| | <u>350,230,226</u> | <u>153,439,096</u> |
| 4 LONG- TERM INVESTMENTS | | |
| Balance brought forward | 226,491,174 | 19,433,678 |
| Additions During the Year | 309,982,305 | <u>207,057,496</u> |
| | 536,473,479 | 226,491,174 |
| Repayments During the Year/Transfers | 116,421,581 | - |
| Opening Balance Adjustment | - | <u>-</u> |
| Balance carried forward | <u>420,051,898</u> | <u>226,491,174</u> |
| Part of the Long term investment were fixed as colateral for the long term loans granted by Skye Bank Plc and Zenith Bank Plc, totalling N368m | | |
| 5 SAVINGS AND SHORT-TERM LOANS | | |
| Balance brought forward | 464,822,934 | 181,857,260 |
| Current Savings for the Year | 1,030,138,592 | 496,037,091 |
| Interest on Savings Capitalised | 25,946,140 | 13,949,667 |
| | 1,520,907,666 | 691,844,018 |
| Current Withdrawals for the Year | <u>(525,352,317)</u> | <u>(227,021,084)</u> |
| Balance carried forward | <u>995,555,349</u> | <u>464,822,934</u> |

Notes on the Accounts

Year ended 31st December, 2007

| | 2007 N | 2006 N |
|--------------------------------------|----------------------|--------------------|
| 6 OTHER LIABILITIES | | |
| Sundry creditors | 96,845,493 | 38,117,893 |
| Bank overdraft | 242,847,454 | 22,864,035 |
| Accrued expenses | 2,237,068 | 1,500,000 |
| Income tax -PA.Y.E | - | - |
| | 341,930,015 | 62,481,928 |
| 7 NON-CURRENT LIABILITIES | | |
| Long-term debt | 1,298,945,439 | 566,408,495 |
| 8 INTEREST AND FEES INCOME | | |
| Interest on Loans | 755,911,737 | 394,810,819 |
| Loan Application Fees/risk Premium | 83,680,970 | 55,175,200 |
| | 839,592,707 | 449,986,019 |
| 9 INTEREST EXPENSES | | |
| Interest on Loans | 85,049,975 | 27,741,987 |
| Interest on Savings Account | 26,217,308 | 13,949,667 |
| | 111,267,283 | 41,691,654 |
| 10 OTHER OPERATING INCOMES | | |
| Other Incomes Per Account | 2,746,733 | 1,835,989 |
| Bank Interest Received | 113,567 | 483 |
| Passbook Sale | 1,086,505 | 267,000 |
| Income from Investment | 6,187,555 | 1,549,426 |
| Bad Debt Recovered | 2,198 | 9,987 |
| Profit on Disposal of Motor Vehicles | 277,595 | - |
| Exchange gain | - | 21,295 |
| | 10,414,153 | 3,684,180 |
| 11 ADMINISTRATIVE EXPENSES | | |
| Office and Administration Expenses | 84,651,587 | 44,802,549 |
| Transport and Meetings | 61,490,879 | 33,293,740 |
| Training Programme and Workshop | 26,556,081 | 9,560,737 |
| Printing and Publishing | 14,857,156 | 11,614,459 |
| | 187,555,703 | 99,271,485 |

Notes on the Accounts

Year ended 31st December, 2007

| | 2007 N | 2006 N |
|--|--------------------|--------------------|
| 12 OTHER EXPENSES AND CHARGES | | |
| Bank Charges and Commission | 27,005,760 | 17,765,632 |
| Professional and Audit Fees | 4,325,455 | 8,952,309 |
| Monitoring and Inspection | 14,984,145 | 6,185,575 |
| Bad Staff Debts Written-off | - | 6,088,880 |
| | 46,315,360 | 38,992,396 |
| 13 CASH AND CASH EQUIVALENTS | | |
| Endowment deposit | - | 1,050,000 |
| Cash and Bank Balances | 440,386,218 | 97,012,397 |
| | 440,386,218 | 98,062,397 |
| 14 PROFIT OR SURPLUS FOR THE YEAR | | |
| is arrived at after charging:- | | |
| Bank Charges and Commission/interest | 27,005,760 | 17,765,632 |
| Professional and Audit Fees | 4,325,455 | 8,952,309 |
| Depreciation of Fixed Assets | 21,441,530 | 12,009,526 |
| Interest Expenses | 111,267,283 | 41,681,654 |
| | 164,040,028 | 80,409,121 |
| And After Crediting:- | | |
| Interest and Fees Income | 756,025,304 | 394,811,302 |
| Profit on Disposal of Fixed Assets | 251,985 | 204,178 |
| | 756,277,289 | 395,015,480 |
| 15 LOAN LOSS RESERVE | | |
| Balance brought forward | 20,300,229 | 8,813,391 |
| Opening Balance Adjustment | - | - |
| Provision for loan loss | 29,178,062 | 11,714,859 |
| | 49,478,291 | 20,528,250 |
| Bad Debt Written-off | (10,585,320) | (228,021) |
| Balance carried forward | 38,892,971 | 20,300,229 |
| 16 ACCUMULATED PROFIT/(LOSS) | | |
| Balance brought forward | 220,342,035 | 102,984,218 |
| Prior Year Adjustment | | (240,000) |
| Profit for the Year | 192,458,149 | 117,597,817 |
| Balance carried forward | 412,800,184 | 220,342,035 |
| 17 OPERATING GRANTS | | - |

Notes on the Accounts
Year Ended 31st December, 2007

1 FIXED ASSETS

| | Land N | Motor Vehicles N | Furniture, Fittings & Equipment N | Plant & Machinery N | Computer Equipment N | Capital W. I. P Building N | Total N |
|-----------------------|-------------------|---------------------------------|--|--|-------------------------------------|---|--------------------|
| COST | | | | | | | |
| At 01/01/2007 | - | 10,929,700 | 23,760,791 | 11,500,120 | 20,810,943 | - | 67,001,554 |
| Additions | - | 12,353,000 | 24,538,456 | 10,882,250 | 22,783,724 | 23,435,140 | 93,992,570 |
| Disposal/ Transfer | 16,290,000 | (640,000) | - | - | - | 534,000 | 16,184,000 |
| At 31/12/2007 | <u>16,290,000</u> | <u>22,642,700</u> | <u>48,299,247</u> | <u>22,382,370</u> | <u>43,594,667</u> | <u>23,969,140</u> | <u>177,178,124</u> |
| DEPRECIATION | | | | | | | |
| At 01/01/2007 | - | 9,937,831 | 10,523,790 | 3,055,218 | 13,813,182 | - | 37,330,021 |
| Charge for the year | - | 3,961,000 | 4,708,053 | 2,043,495 | 10,728,982 | - | 21,441,530 |
| Diposal | - | (639,980) | - | - | - | - | (639,980) |
| At 31/12/2007 | <u>-</u> | <u>13,258,851</u> | <u>15,231,843</u> | <u>5,098,713</u> | <u>24,542,164</u> | <u>-</u> | <u>58,131,571</u> |
| NET BOOK VALUE | | | | | | | |
| As at 31/12/2007 | <u>16,290,000</u> | <u>9,383,849</u> | <u>33,067,404</u> | <u>17,283,657</u> | <u>19,052,503</u> | <u>23,969,140</u> | <u>119,046,553</u> |
| As at 31/12/2006 | <u>-</u> | <u>991,869</u> | <u>13,237,001</u> | <u>8,444,902</u> | <u>6,997,761</u> | <u>-</u> | <u>29,671,533</u> |