

VISIONFUND (CAMBODIA) LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

VISIONFUND (CAMBODIA) LTD

**FINANCIAL STATEMENTS
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*** This Appendix does not form part of the financial statements**

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors ("BOD") submits its report and the audited financial statements of VisionFund (Cambodia) Ltd ("the Company") for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The Company is engaged primarily in the provision of micro-finance services to the rural population of Cambodia through its headquarters in Phnom Penh and various provincial offices in the Kingdom of Cambodia.

RESULTS

The results of operations for the year ended 31 December 2005 are set out in the income statement on page 7

BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were drawn up, the BOD took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans and the making of provision for bad and doubtful loans. They satisfied themselves that all known bad loans had been written off and that adequate provisions have been made for bad and doubtful loans.

At the date of this report, the BOD is not aware of any circumstances which would render the amount of the provision for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

CURRENT ASSETS

At the date of this report, the BOD is not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading in any material respect.

EVENTS SINCE THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

VALUATION METHODS

At the date of this report, the BOD is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of micro-finance business.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of 12 months after the end of the year which, in the opinion of the BOD, will or may have a material effect on the ability of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the BOD is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the year ended 31 December 2005 were not, in the opinion of the BOD, materially affected by any items, transactions or events of a material and unusual nature.

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the BOD, to substantially affect the results of the operations of the Company for the current year in which this report is made.

THE BOARD OF DIRECTORS

The members of BOD during the year and at the date of this report are:

- Ms Esther Halim, Chairperson
- Mr Talmage Mark Payne, Member
- Mr Jonathan Peter Hartley, Member
- Ms Ruth Louise Ellison, Member
- Mr Fredrick Christopher Arulandam, Member
- Mr Rommel Caringal, Member
- Ms Nop Vanthy, Member
- Mr Om Seng Bora, Non-voting Member

No members held any controlling interest in the equity of the Company. No arrangements existed to which the Company is a party with the object of enabling the members to obtain an interest in the Company or in any body corporate. No member has a benefit, other than Mr Om Seng Bora and Mr Rommel Caringal who receive remuneration, by reason of a contract made by the Company or related party.

RESPONSIBILITIES OF THE BOD IN RESPECT OF THE FINANCIAL STATEMENTS

The BOD is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2005, and of the results of its operations and cash flows for the year then ended. In preparing these financial statements, the BOD is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of the National Bank of Cambodia ("Central Bank") or, if there has been any departure in the interests of true and fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future;
- v) effectively control and direct the Company and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The BOD confirms that the Company has complied with these requirements in preparing the financial statements.

On behalf of the BOD of the Company, we do hereby state that the accompanying balance sheet, income statement and cash flow together with the notes give a true and fair view of the financial position of the Company as at 31 December 2005, and of the results of its operations and cash flows for the year then ended in accordance with Cambodian Accounting Standards and guidelines issued by the Central Bank.

On behalf of the BOD,



Ms Ruth Louise Ellison – Member
Date: 4 April 2006

**REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF VISIONFUND (CAMBODIA) LTD**

We have audited the accompanying balance sheet of VisionFund (Cambodia) Ltd (“the Company”) as of 31 December 2005, and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company’s Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

This report, including the opinion, has been prepared for and only for the shareholders of The Company 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.

We conducted our audit in accordance with International Standards on Auditing. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements set out on page 5 to page 34 give a true and fair view of the financial position of the Company as of 31 December 2005, and of the results of its operations and cash flows for the year then ended in accordance with Cambodian Accounting Standards and guidelines issued by the Central Bank.

We draw attention to note 2 to the financial statements. Each balance of the financial statements was translated into Khmer Riel at the official rate of exchange as at the reporting date as regulated by the Central Bank, in accordance with Announcement No. B795-139-AN issued on 5 December 1995 by the Central Bank. The financial statements which were expressed in Khmer Riel do not form part of the audited financial statements and we therefore do not express an opinion on the financial statements expressed in Khmer Riel.




Senaka Fernando
Authorised signatory
PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED
Date: 4 April 2006
Phnom Penh, Kingdom of Cambodia

VISIONFUND (CAMBODIA) LTD

**BALANCE SHEET
AS AT 31 DECEMBER 2005**

	Notes	31 December 2005		31 December 2004	
		US\$	Riel' 000	US\$	Riel' 000
		(At year-end exchange rate)		(At year-end exchange rate)	
ASSETS					
Cash on hand	3	34,537	142,016	28,994	116,759
Balances with the Central Bank	4	38,428	158,016	37,755	152,040
Balances with banks	5	425,964	1,751,564	460,807	1,855,669
Loans and advances to customers	6	3,431,316	14,109,571	1,555,167	6,262,658
Other assets	7	53,380	260,619	58,105	233,989
Deferred income tax assets	8	15,314	62,972	-	-
Intangible assets	9	18,728	77,010	298	1,200
Property and equipment	10	113,061	464,907	58,157	234,198
Total assets		<u>4,140,728</u>	<u>17,026,675</u>	<u>2,199,283</u>	<u>8,856,513</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Customers' deposits	11	605	2,488	6,007	24,191
Current income tax liabilities		76,069	312,796	537	2,162
Amounts due to related parties	12	996,848	4,099,039	481,892	1,940,579
Accruals and other liabilities	13	121,921	501,340	55,279	262,879
Total liabilities		<u>1,195,443</u>	<u>4,915,663</u>	<u>553,715</u>	<u>2,229,811</u>
SHAREHOLDERS' EQUITY					
Share capital	14	757,916	3,116,551	757,916	3,052,128
Loan capital funds	15	1,752,016	7,204,290	796,571	3,207,791
Property and equipment funds	16	150,476	618,757	39,227	359,317
Retained earnings		284,877	1,171,414	1,854	7,466
Total shareholders' equity		<u>2,945,285</u>	<u>12,111,012</u>	<u>1,645,568</u>	<u>6,626,702</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>4,140,728</u>	<u>17,026,675</u>	<u>2,199,283</u>	<u>8,856,513</u>

The accompanying notes on pages 9 to 34 form an integral part of these financial statements.

VISIONFUND (CAMBODIA) LTD

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Share capital US\$	Loan Capital Funds US\$	Property and equipment funds US\$	Retained earnings US\$	Total US\$	Total Riel' 000 (At year-end exchange rate)
From 1 December 2003 to 31 December 2004						
As at 1 December 2003	-	-	-	-	-	-
Initial capitalisation (note 27)	757,916	55,698	73,172	-	886,786	3,571,087
Funds received during the period	-	-	-	1,854	1,854	7,466
Refunds during the period	-	750,255	16,055	-	766,310	3,085,930
Net income for the period	-	(9,382)	-	-	(9,382)	(37,781)
Currency revaluation at balance sheet	-	-	-	-	-	139,877
Year ended 31 December 2005						
As at 1 January 2005	757,916	796,571	89,227	1,854	1,645,568	6,766,579
Funds received during the year	-	-	-	283,023	283,023	1,163,791
Net income for the year	-	955,445	61,249	-	1,016,694	4,180,642
As at 31 December 2005	<u>757,916</u>	<u>1,752,016</u>	<u>150,476</u>	<u>284,877</u>	<u>2,945,285</u>	<u>12,111,012</u>

The accompanying notes on pages 9 to 34 form an integral part of these financial statements.

VISIONFUND (CAMBODIA) LTD

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	For the year ended 31 December 2005		From 1 December 2003 to 31 December 2004	
		US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Interest income	18	1,022,781	4,205,675	558,960	2,250,932
Interest expense	19	<u>29,970</u>	<u>123,237</u>	-	-
Net interest income		992,811	4,082,438	558,960	2,250,932
Other operating income	20	<u>17,442</u>	<u>71,722</u>	<u>17,990</u>	<u>72,446</u>
Operating income		1,010,253	4,154,160	576,950	2,323,378
Provision for doubtful loans	6	18,477	75,977	13,773	55,464
Operating and other expenses	21	<u>914,882</u>	<u>3,761,995</u>	<u>711,441</u>	<u>2,864,973</u>
		933,359	3,837,972	725,214	2,920,437
Income/(loss) from operations		76,894	316,188	(148,264)	(597,059)
Grant income	22	<u>278,784</u>	<u>1,146,360</u>	<u>155,703</u>	<u>627,016</u>
Income before income tax		355,678	1,462,548	7,439	29,957
Income tax expense	23	<u>72,655</u>	<u>298,757</u>	<u>5,585</u>	<u>22,491</u>
NET INCOME FOR THE YEAR		<u><u>283,023</u></u>	<u><u>1,163,791</u></u>	<u><u>1,854</u></u>	<u><u>7,466</u></u>

The accompanying notes on pages 9 to 34 form an integral part of these financial statements.

VISIONFUND (CAMBODIA) LTD
**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	31 December 2005		1 December 2003 to 31 December 2004	
		US\$	Riel' 000	US\$	Riel' 000
		(At year-end exchange rate)		(At year-end exchange rate)	
Operating activities					
Net income before tax		355,678	1,462,548	7,439	29,957
Adjustments for:					
Net movement in provision for doubtful loans		5,297	21,781	5,272	55,464
Currency revaluation at balance sheet date		779	44,842	-	-
Depreciation charges	10	26,321	108,232	26,087	105,052
Amortisation	9	9,319	38,316	482	1,941
Loss on disposal of property and equipment		558	2,294	16,161	65,080
Property and equipment written off		625	2,570	979	3,943
Cash flows from operating income before changes in operating assets and liabilities		398,577	1,680,583	56,420	261,437
Changes in operating assets and liabilities:					
Capital guarantee with the Central Bank		-	-	(37,745)	(151,999)
Loans and advances to customers		(1,881,446)	(7,736,506)	(830,798)	(3,379,857)
Other assets		(5,275)	(21,691)	(53,919)	(217,132)
Customers' deposits		(5,402)	(22,213)	(997)	(4,015)
Amount due to related parties		(250,410)	(1,029,686)	208,589	839,988
Accruals and other liabilities		56,642	232,912	32,779	132,001
Net cash used in operations		(1,687,314)	(6,896,601)	(625,671)	(2,519,577)
Income tax paid		(12,436)	(51,137)	(5,048)	(20,328)
Net cash outflow used in operating activities		(1,699,750)	(6,947,738)	(630,719)	(2,539,905)
Investing activities					
Purchases of property and equipment	10	(83,249)	(342,320)	(36,353)	(146,394)
Purchases of intangible asset	9	(27,749)	(114,104)	-	-
Proceeds from disposals of property and equipments		841	3,458	28,803	115,990
Net cash outflow used in investing activities		(110,157)	(452,966)	(7,550)	(30,404)
Financing activities					
Capital contribution		-	-	147,677	594,695
Borrowings		765,366	3,147,185	223,475	899,934
Funds for loan capital		955,445	3,928,790	740,873	2,983,496
Funds for property and equipment		61,249	251,856	16,055	64,653
Net cash inflow from financing activities		1,782,060	7,327,831	1,128,080	4,542,778
Net (decrease)/increase in cash and cash equivalents		(27,847)	(72,873)	489,811	1,972,469
Cash and cash equivalents at beginning of the year		489,811	1,972,469	-	-
Cash and cash equivalents at end of the year	17	461,964	1,899,596	489,811	1,972,469

The accompanying notes on pages 9 to 34 form an integral part of these financial statements.

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. BACKGROUND INFORMATION

VisionFund (Cambodia) Ltd. ("the Company") was incorporated in Cambodia on 25 November 2003 under registration no. Co.1846/03E from the Ministry of Commerce and commenced its operations on 1 December 2003. On 18 May 2004 the Company obtained its license as a micro-finance institution from the National Bank of Cambodia ("the Central Bank").

All assets and liabilities of a Micro-Enterprise Development Program of World Vision Cambodia as of 30 November 2003, was transferred to the Company effective 1 December 2004 (note 27).

The Company is engaged primarily in the provision of micro-finance services to the rural population of Cambodia through its headquarters in Phnom Penh and various provincial offices in the Kingdom of Cambodia.

On 1 March 2005, the Ministry of Commerce approved a revised Memorandum and Articles of Association, effectively transferred:

- all 30,399 shares previously held by World Vision International to VisionFund International, a company registered in the United States of America; and
- a share previously held by Mr. Ray Sano to World Vision International, an organization registered in the United States of America

The headquarters is located at house #20, street 71 Sangkat Tonle Bassac, Khan Chamcarmorn, Phnom Penh, Cambodia.

As at 31 December 2005, the Company employed 191 employees (2004: 136 employees).

These financial statements have been approved for issued by the Board of Directors on 4 April 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of presentation

The financial statements of the Company, which are expressed in United States Dollars ("US\$"), are prepared under the historical cost convention and drawn up in accordance with Cambodian Accounting Standards ("CAS"). The Company maintains its accounting records in US\$, the functional and widely accepted currency in Cambodia. Certain comparative figures have been reclassified to agree with the current year's presentation.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are only addressed to those who are familiar with CAS.

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

For the sole purpose of complying with the Announcement no. B795-139-AN dated 5 December 1995 of the Central Bank, each account of the financial statements has to be converted into Khmer Riel ("Riel") at the official rate of exchange regulated by the Central Bank as at reporting date. The financial statements expressed in Riel do not form part of the audited financial statements and are not for use of other parties other than the Central Bank. As at 31 December 2005, such conversion was made at the rate of US\$1 to Riel 4,112 (2004: US\$1 to Riel 4,027).

Basis of aggregation

The financial statements include those of the Company's headquarters in Phnom Penh and its provincial offices within Cambodia. On aggregation of balances, all significant inter-office transactions and balances are eliminated in full.

Loans and advance to customers

Loans and advances to customers are stated in the balance sheet at the amount of the principal outstanding less any amounts written off and specific and general provision.

The adequacy of the provision for bad and doubtful loans is evaluated monthly by management. Factors considered in evaluating the adequacy of the provision include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients, and the performance of loans in relation to contract terms.

The provision for bad and doubtful loans charged to expense is based on management's judgment which consistent with the Central Bank's guidelines of the amount necessary to maintain the provision at a level adequate to absorb losses. Presently, the amount of provision is being determined by applying defined percentages to the respective categories to which each of the loans belong, as set out below:

Loan status/classification	Percentages applied (%)
<i>Loan of one year or less</i>	
Standard	0%
Sub standard loans (where repayments are more than 30 days overdue)	10%
Doubtful loans (where repayments are more than 60 days overdue)	30%
Loss (where repayments are more than 90 days overdue)	100%
<i>Loan of more than one year</i>	
Standard	0%
Sub standard loans (where repayments are more than 30 days overdue)	10%
Doubtful loans (where repayments are more than 180 days overdue)	30%
Loss (where repayments are more than 360 days overdue)	100%

Loans are written off when the loans remain unpaid after 180 days for loan with maturity of one year or less and 360 days for loan with maturity of more than one year. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for loan loss.

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Overdue loan

In accordance with Prakas B 700-51K issued by the Central Bank on 17 February 2000, overdue loans are defined as all outstanding principal where principal or interest past due unless the payment terms on interest or principal have been adjusted.

Rescheduling/renegotiating and refinancing of loans and advances to customers

Loans are not allowed to be restructured. However, on a rare case by case basis, loans are allowed to be restructured once per cycle. The maximum additional extension of its term is up to 5 months and 50% of the original amount only.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged at rates calculated to write off the property and equipment to their residual value on a straight-line basis over estimated useful lives as follows:

	Years
Computers and equipment	3
Office furniture and fittings	5-10
Motor vehicles	2-10

Expenditure for maintenance and repairs that do not extend the useful lives of assets are charged to the income statement.

When assets are sold, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the income statement. Gains or losses arising from the disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of disposal.

Intangible assets

Acquired computer software licenses and E-merge implementation costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, not exceeding three years.

Costs associated with development or maintaining computer software programmers are recognised as expenses when incurred.

Grants

Grants received to finance operating expenses are recognised as income in the same period as the related expenses is recorded.

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income and expense recognition

Interest income earned on loans is recognised on an accrual basis taking into consideration the principle amount of loans outstanding. Interest on loans is calculated on a monthly basis using the balances of the principal amount outstanding as at the previous month end. When a loan is classified as less than standard, the recording of interest as income is suspended until it is realised on a cash basis.

Expenses are recognised on an accrual basis.

Provident Fund

The Company has a contribution plan ("the Provident Fund") for all employees. The Company's contributions are deposited into an interest-bearing account held by the Company. These contributions and related interest income are fully paid to employees upon their retirement or resignation.

The Provident Fund is contributed as follow:

Number of working years	Percentage of annual salary
Less than one year	0%
One to five years	8%
Five to ten years	10%
Above ten years	12%

Foreign currency translation

The financial statements are expressed in US\$. Assets and liabilities denominated in currencies other than US\$ are converted into US\$ at the rate of exchange ruling at the balance sheet date. Transactions in currencies other than US\$ are converted into US\$ at the respective rates of exchange prevailing on the transaction dates. Any resulting gains or losses are taken to the income statement.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income taxes are calculated using a principal tax rate of 20%.

Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents include cash on hand, current account with the Central Bank and balances with banks with less than 90 days' maturity from the date of acquisition.

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Operating leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3. CASH ON HAND

	31 December 2005		31 December 2004	
	US\$	Riel' 000	US\$	Riel' 000
		(At year-end exchange rate)		(At year-end exchange rate)
Headquarters - Phnom Penh	2,821	11,601	2,136	8,602
Provincial branches				
Battambang	3,209	13,195	4732	19,056
Kampong Speu	4,848	19,934	2,894	11,654
Takeo	1,667	6,854	1,854	7,466
Kandal	4,925	20,250	4,752	19,136
Kampong Thom	2,965	12,193	6,616	26,643
Kampong Chhnang	9,833	40,434	5,755	23,175
Preah Vihear	4,269	17,555	255	1,027
	<u>34,537</u>	<u>142,016</u>	<u>28,994</u>	<u>116,759</u>

4. BALANCES WITH THE CENTRAL BANK

	31 December 2005		31 December 2004	
	US\$	Riel' 000	US\$	Riel' 000
		(At year-end exchange rate)		(At year-end exchange rate)
Capital guarantee deposit	36,965	152,000	37,745	152,000
Current account	1,463	6,016	10	40
	<u>38,428</u>	<u>158,016</u>	<u>37,755</u>	<u>152,040</u>

Following the Central Bank's Prakas no. B700-006 on the *Licensing of Micro-Finance Institutions*, The Company maintains an amount equal to 5% of its registered capital amounting to US\$36,965 equivalent to Riel 152,000,000 as at 31 December 2005 (2004: US\$ 37,745 equivalent to Riel 152,000,000) in a permanent non-interest earning account with Central Bank.

VISIONFUND (CAMBODIA) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

5. BALANCES WITH BANKS

	31 December 2005		31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
<i>Savings accounts</i>				
Cambodian Commercial Bank Limited	115,908	476,615	3,911	15,749
Rural Development Bank of Cambodia	3,872	15,922	3,918	15,777
Aceda Bank Plc.	257,268	1,057,887	101,939	410,509
ANZ Royal Bank (Cambodia) Ltd	17,089	70,269	-	-
<i>Current account</i>				
Cambodian Commercial bank Limited	1,250	5,141	1,039	4,184
ANZ Royal Bank (Cambodia) Ltd	577	2,368	-	-
<i>Fixed deposits</i>				
Aceda Bank Plc.	<u>30,000</u>	<u>123,362</u>	<u>350,000</u>	<u>1,409,450</u>
	<u>425,964</u>	<u>1,751,564</u>	<u>460,807</u>	<u>1,855,669</u>

Deposit wit banks bear interest rates per annum as below:

Current account	Nil
Saving account:	
Rural Development Bank of Cambodia	1%-1.5%
Cambodian Commercial Bank Limited	0.3%-1.25%
Aceda Bank Plc.	2%-3%
ANZ Royal Bank (Cambodia) Ltd	0.5%
Fixed deposits:	
Aceda Bank Plc. (three months term)	4%

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS
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6. LOANS AND ADVANCES TO CUSTOMERS

a) Analysis by branches

	31 December 2005		31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Battambang	942,931	3,877,331	378,628	1,524,735
Kampong Speu	504,012	2,072,498	380,819	1,533,559
Takeo	509,536	2,095,213	205,301	826,743
Kandal	481,164	1,978,544	233,914	941,973
Kampong Thom	427,166	1,756,507	167,387	674,066
Kampong Chhnang	469,000	1,928,531	190,326	766,444
Preah Vihear	111,958	460,372	7,946	32,000
	<u>3,445,767</u>	<u>14,168,996</u>	<u>1,564,321</u>	<u>5,299,520</u>
Provision for doubtful loans	<u>(14,451)</u>	<u>(59,425)</u>	<u>(9,154)</u>	<u>(36,862)</u>
Loans receivable, net	<u>3,431,316</u>	<u>14,109,571</u>	<u>1,555,167</u>	<u>5,262,658</u>

b) Analysis by type of Methodology loan

	31 December 2005		31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Community banking loans	1,678,999	6,904,043	1,091,447	4,395,257
Individual loans	1,442,761	5,932,634	-	-
Solidarity group loans	<u>324,007</u>	<u>1,332,319</u>	<u>472,874</u>	<u>1,904,263</u>
	<u>3,445,767</u>	<u>14,168,996</u>	<u>1,564,321</u>	<u>6,299,520</u>

Group loan is granted in Riel or US\$ while Individual loan is granted mainly in US\$.

Type of loan	Interest rates	Tenure	Repayments of principal	Repayments of interest
Community banking loans	3%-4% per month	3-12 months	Any time	Monthly
Individual loans	2%-4% per month	3-18 months	Any time	Monthly
Solidarity group loans	3%-4% per month	3-12 months	Any time	Monthly

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

6. LOANS AND ADVANCES TO CUSTOMERS (continued)

c) Analysis by performing and non-performing loans

	31 December 2005		31 December 2004	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Standard loans	3,417,759	14,053,825	1,553,294	6,255,116
Substandard loans	6,306	25,929	1,029	4,146
Doubtful loans	11,646	47,887	1,352	5,444
Losses	10,056	41,355	8,646	34,814
	<u>3,445,767</u>	<u>14,168,996</u>	<u>1,564,321</u>	<u>6,299,520</u>

As of 31 December 2005, there were no rescheduled/renegotiated and refinanced loans.

d) Analysis by type of industry

	31 December 2005		31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Agriculture	1,203,349	4,948,169	809,686	3,260,603
Trade and commerce	2,242,418	9,220,827	754,635	3,038,917
	<u>3,445,767</u>	<u>14,168,996</u>	<u>1,564,321</u>	<u>6,299,520</u>

e) Analysis by relationship

	31 December 2005		31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Non related parties	3,445,767	14,168,996	1,564,321	6,229,520
Staff loan	-	-	-	-
	<u>3,445,767</u>	<u>14,168,996</u>	<u>1,564,321</u>	<u>6,229,520</u>

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS
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6. LOANS AND ADVANCES TO CUSTOMERS (continued)

f) Analysis by maturity

	31 December 2005		31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Maturity within one year	2,754,148	11,325,059	1,564,321	6,299,520
Over one year but within three years	691,619	2,843,937	-	-
Over three years but within five years	-	-	-	-
Over five years	-	-	-	-
	<u>3,445,767</u>	<u>14,168,996</u>	<u>1,564,321</u>	<u>6,299,520</u>

g) Provision for bad and doubtful loans

	31 December 2005		31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Specific provision in accordance with NBC	14,451	59,424	9,154	36,863
General provision	-	-	-	-
	<u>14,451</u>	<u>59,424</u>	<u>9,154</u>	<u>36,863</u>

The movements in provision for bad and doubtful loans are as follows:

	31 December 2005		1 December 2003 to 31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Opening balance	9,154	37,640	3,882	15,633
Provision for the period	18,477	75,977	13,773	55,464
Write-off during period	(13,038)	(53,612)	(8,432)	(33,956)
Exchange difference	(142)	(581)	(69)	(278)
Closing balance	<u>14,451</u>	<u>59,424</u>	<u>9,154</u>	<u>36,863</u>

VISIONFUND (CAMBODIA) LTD

**NOTES TO THE FINANCIAL STATEMENTS
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7. OTHER ASSETS

	31 December 2005		31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Accrued interest income - net	56,671	233,031	29,899	120,403
Receivable from staff	6,095	25,062	18,997	76,501
Others	614	2,526	9,209	37,085
	<u>63,380</u>	<u>260,619</u>	<u>58,105</u>	<u>233,989</u>

Receivable from staff represents amounts receivable from Credit Officers with regard to sales on credit of the Company's motorbikes. This will be deducted from their monthly salary over two year period.

8. DEFERRED INCOME TAX ASSETS

	31 December 2005		December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Deferred income tax assets	20,794	85,505	-	-
Deferred income tax liabilities	<u>(5,480)</u>	<u>(22,533)</u>	<u>-</u>	<u>-</u>
	<u>15,314</u>	<u>62,972</u>	<u>-</u>	<u>-</u>

The gross movement on the deferred income tax account is as follows:

	31 December 2005		December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Beginning of the year	-	-	-	-
Income statement charge	<u>15,314</u>	<u>62,972</u>	<u>-</u>	<u>-</u>
End of the year	<u>15,314</u>	<u>62,972</u>	<u>-</u>	<u>-</u>

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

VISIONFUND (CAMBODIA) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

8. DEFERRED INCOME TAX ASSETS (continued)

Deferred tax assets:

	Provident fund US\$	Accrued staff bonus US\$	Loss on exchange translation US\$	Total US\$	Total Riel' 000 (At year-end exchange rate)
As at 1 December 2003	-	-	-	-	-
Charged to the income statement	-	-	-	-	-
As at 31 December 2004	-	-	-	-	-
Credited to the income statement	<u>(8,410)</u>	<u>(4,429)</u>	<u>(7,955)</u>	<u>(20,794)</u>	<u>(85,505)</u>
As at 31 December 2005	<u><u>(8,410)</u></u>	<u><u>(4,429)</u></u>	<u><u>(7,955)</u></u>	<u><u>(20,794)</u></u>	<u><u>(85,505)</u></u>

Deferred tax liabilities:

	Accelerated tax depreciation US\$	Total US\$	Total Riel '000 (At year-end exchange rate)
As at 1 December 2003	-	-	-
Charged to the income statement	-	-	-
As at 31 December 2004	-	-	-
Charged to the income statement	<u>5,480</u>	<u>5,480</u>	<u>22,533</u>
As at 31 December 2005	<u><u>5,480</u></u>	<u><u>5,480</u></u>	<u><u>22,533</u></u>

VISIONFUND (CAMBODIA) LTD

**NOTES TO THE FINANCIAL STATEMENTS
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9. INTANGIBLE ASSETS

	Accounting systems US\$	Total US\$
As at 1 December 2003		
Cost	-	-
Accumulated depreciation	-	-
Net book value	<u>-</u>	<u>-</u>
Equivalent to Riel' 000	<u>-</u>	<u>-</u>
1 December 2003 to 31 December 2004		
Opening net book value, 1 December 2003	-	-
Initial capitalisation (note 27)	780	780
Addition	-	-
Charge for the year	(482)	(482)
Closing net book value	<u>298</u>	<u>298</u>
As at 31 December 2004		
Cost	1,338	1,338
Accumulated depreciation	(1,040)	(1,040)
Net book value	<u>298</u>	<u>298</u>
Equivalent to Riel' 000	<u>1,200</u>	<u>1,200</u>
As at 1 January 2005		
Cost	1,338	1,338
Accumulated depreciation	(1,040)	(1,040)
Net book value	<u>298</u>	<u>298</u>
Equivalent to Riel' 000	<u>1,200</u>	<u>1,200</u>
Year ended 31 December 2005		
Opening net book value	298	298
Addition	27,749	27,749
Charge for the year	(9,319)	(9,319)
Closing net book value	<u>18,728</u>	<u>18,728</u>
As at 31 December 2005		
Cost	29,086	29,086
Accumulated depreciation	(10,358)	(10,358)
Net book value	<u>18,728</u>	<u>18,728</u>
Equivalent to Riel' 000	<u>77,010</u>	<u>77,010</u>

VISIONFUND (CAMBODIA) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

10. PROPERTY AND EQUIPMENT

	Motor Vehicles US\$	Computer equipment US\$	Office furniture and fitting US\$	Total US\$
As at 1 December 2003				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value	-	-	-	-
Equivalent to Riel' 000	-	-	-	-
From 1 December 2003 to 31 December 2004				
Opening net book value	-	-	-	-
Initial capitalisation (note 27)	70,922	15,876	7,036	93,834
Addition	8,440	27,913	-	36,353
Disposal	(44,964)	-	-	(44,964)
Write off	-	(309)	(670)	(979)
Charge for the period	(9,989)	(14,822)	(1,276)	(26,087)
Closing net book value	24,409	28,658	5,090	58,157
As at 31 December 2004				
Cost	35,603	49,881	7,280	92,764
Accumulated depreciation	(11,194)	(21,223)	(2,190)	(34,607)
Net book value	24,409	28,658	5,090	58,157
Equivalent to Riel' 000	98,295	115,406	20,497	234,198
As at 1 January 2005				
Cost	35,603	49,881	7,280	92,764
Accumulated depreciation	(11,194)	(21,223)	(2,190)	(34,607)
Net book value	24,409	28,658	5,090	58,157
Equivalent to Riel' 000	98,295	115,406	20,497	234,198
Year ended 31 December 2005				
Opening net book value	24,409	28,658	5,090	58,157
Addition	30,500	49,749	3,000	83,249
Disposal	(1,399)	-	-	(1,399)
Write off	(625)	-	-	(625)
Charge for the year	(5,619)	(19,234)	(1,468)	(26,321)
Closing net book value	47,266	59,173	6,622	113,061
As at 31 December 2005				
Cost	60,076	99,630	10,280	169,986
Accumulated depreciation	(12,810)	(40,457)	(3,658)	(56,925)
Net book value	47,266	59,173	6,622	113,061
Equivalent to Riel' 000	194,350	243,323	27,234	464,907

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NOTES TO THE FINANCIAL STATEMENTS
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11. CUSTOMERS' DEPOSITS

The details of deposits from customers are as follows:

	31 December 2005		31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
By location				
Kandal branch	605	2,488	5,817	23,426
Kampong Speu branch	-	-	190	765
	<u>605</u>	<u>2,488</u>	<u>6,007</u>	<u>24,191</u>

	31 December 2005		31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
By currency				
Compulsory savings				
In US\$	-	-	170	685
In Riel	<u>605</u>	<u>2,488</u>	<u>5,837</u>	<u>23,506</u>
	<u>605</u>	<u>2,488</u>	<u>6,007</u>	<u>24,191</u>

This represents the deposits received from 85 loan customers in Kandal Branch who were required to deposit their savings at the Company's bank account for loans security.

12. AMOUNT DUE TO RELATED PARTIES

	31 December 2005		31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Borrowing from VisionFund International	988,841	4,066,115	223,475	899,934
Payable to World Vision Cambodia	4,183	17,200	258,417	1,040,645
Accrued interest expense on borrowing	<u>3,824</u>	<u>15,724</u>	<u>-</u>	<u>-</u>
	<u>996,848</u>	<u>4,099,039</u>	<u>481,892</u>	<u>1,940,579</u>

VISIONFUND (CAMBODIA) LTD

**NOTES TO THE FINANCIAL STATEMENTS
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12. AMOUNT DUE TO RELATED PARTIES (continued)

Loans borrowed from VisionFund International (“VFI”) are unsecured, bear interest rates from 6% to 6.8% and mature between 2 to 5 years. Interest charges are due on a quarterly basis while the principal is paid at the end of the loan term.

The details of borrowing are as follows:

Principal amounts	Date of borrowing	Interest rates per annum	Maturity dates
US\$100,000	March 2005	6%	March 2010
US\$40,461	June 2005	6%	June 2010
US\$ 600,000	July 2005	6%	June 2007
US\$ 94,815	September 2005	6%	August 2010
US\$ 100,000	November 2005	6.8%	June 2007
US\$ 53,565	December 2005	6%	December 2010

13. ACCRUALS AND OTHER LIABILITIES

	31 December 2005		31 December 2004	
	US\$	Riel' 000	US\$	Riel' 000
	(At year-end exchange rate)		(At year-end exchange rate)	
Accrued expenses				
Provident fund	42,051	172,914	2,975	11,980
Staff Bonus	22,144	91,056	19,988	30,492
Incentive	18,683	76,824	10,072	40,560
Others	16,330	67,150	14,999	30,401
Withholding taxes	4,332	17,813	936	3,769
Other liabilities	<u>18,381</u>	<u>75,583</u>	<u>16,309</u>	<u>35,677</u>
	<u>121,921</u>	<u>501,340</u>	<u>65,279</u>	<u>262,879</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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14. SHARE CAPITAL

The details of shareholding are as follows:

	31 December 2005			31 December 2004		
	Number of shares	Amount US\$	Amount Riel' 000 (At year-end exchange rate)	Number of shares	Amount US\$	Amount Riel' 000 (At year-end exchange rate)
VisionFund International	30,399	757,891	3,116,448	-	-	-
World Vision International	1	25	103	30,399	757,891	3,052,027
Mr. Ray Sano	-	-	-	1	25	101
	<u>30,400</u>	<u>757,916</u>	<u>3,116,551</u>	<u>30,400</u>	<u>757,916</u>	<u>3,052,128</u>

Each registered share has a value of Riel 100,000. All World Vision International shares and Mr. Ray Sano's shares were transferred to VFI and World Vision International, respectively, according to the revised Memorandum and Articles of Association certified by the Ministry of Commerce dated 1 March 2005, and a letter of share transfer dated 23 March 2005.

15. LOAN CAPITAL FUNDS

	WV-USA and Canada	WV-NZL Australia	Area Development Programs (ADPs)	WV-Hong Kong and Japan	Total	
	US\$	US\$	US\$	US\$	US\$	KHR '000 (At year-end exchange rate)
From 1 December 2003 to 31 December 2004						
As at 1 December 2003	-	-	-	-	-	-
Initial capitalisation (note 27)	10,521	-	29,556	15,621	55,698	224,296
Receipt during the period	64,457	228,751	372,567	84,480	750,255	3,021,277
Refund during the period	(422)	(473)	(7,776)	(711)	(9,382)	(37,782)
Currency revaluation at balance sheet	-	-	-	-	-	57,709
Year ended 31 December 2005						
As at 1 January 2005	74,556	228,278	394,347	99,390	796,571	3,275,500
Receipt during the year	<u>143,410</u>	<u>394,772</u>	<u>290,678</u>	<u>126,585</u>	<u>955,445</u>	<u>3,928,790</u>
As at 31 December 2005	<u>217,966</u>	<u>623,050</u>	<u>685,025</u>	<u>225,975</u>	<u>1,752,016</u>	<u>7,204,290</u>

VISIONFUND (CAMBODIA) LTD

**NOTES TO THE FINANCIAL STATEMENTS
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15. LOAN CAPITAL FUNDS (continued)

These are funds received from VFI. The funding purpose is for the Company to provide as loans to its customers.

VFI has approved to convert loan amounting to US\$ 426,093, included as loan capital funds above, to share capital. The Company is currently in the process of amending the Memorandum and Articles of Association and expect to be completed by the second quarter of 2006.

16. PROPERTY AND EQUIPMENT FUNDS

	WV-USA and Canada US\$	WV-NZL Australia US\$	Area Development Programs (ADPs) US\$	WV-Hong Kong and Japan US\$	Total US\$ KHR '000 (At year-end exchange rate)	
From 1 December 2003 to 31 December 2004						
As at 1 December 2003	-	-	-	-	-	-
Initial capitalisation (note 27)	17,643	50,029	5,500	-	73,172	294,664
Receipt during the period	1,250	1,567	-	13,238	16,055	64,653
Currency revaluation at balance sheet	-	-	-	-	-	7,584
Year ended 31 December 2005						
As at 1 January 2005	18,893	51,596	5,500	13,238	89,227	366,901
Receipt during the year	-	45,190	-	16,059	61,249	251,856
As at 31 December 2005	<u>18,893</u>	<u>96,786</u>	<u>5,500</u>	<u>29,297</u>	<u>150,476</u>	<u>618,757</u>

17. CASH AND CASH EQUIVALENT

	31 December 2005 US\$ Riel' 000 (At year-end exchange rate)		31 December 2004 US\$ Riel' 000 (At year-end exchange rate)	
Cash on hand	34,537	142,016	28,994	116,759
Current account with the Central Bank	1,463	6,016	10	40
Balances with banks	<u>425,964</u>	<u>1,751,564</u>	<u>460,807</u>	<u>1,855,670</u>
	<u>461,964</u>	<u>1,899,596</u>	<u>489,811</u>	<u>1,972,469</u>

VISIONFUND (CAMBODIA) LTD

**NOTES TO THE FINANCIAL STATEMENTS
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18. INTEREST INCOME

	For the year ended 31 December 2005		From 1 December 2003 to 31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Loans receivable	1,012,461	4,163,240	554,912	2,234,631
Interest income on bank deposits	<u>10,320</u>	<u>42,435</u>	<u>4,048</u>	<u>16,301</u>
	<u>1,022,781</u>	<u>4,205,675</u>	<u>558,960</u>	<u>2,250,932</u>

19. INTEREST EXPENSE

Interest expense for the year ended 31 December 2005, amounting to US\$ 29,970 (Riel 123,237,000), represents interest charges on borrowing from VisionFund International.

20. OTHER OPERATING INCOME

	For the year ended 31 December 2005		From 1 December 2003 to 31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Recovery of loan written off	7,848	32,272	13,675	55,069
Loan fees	3,187	13,105	3,475	13,994
Other income	<u>6,407</u>	<u>26,345</u>	<u>840</u>	<u>3,383</u>
	<u>17,442</u>	<u>71,722</u>	<u>17,990</u>	<u>72,446</u>

VISIONFUND (CAMBODIA) LTD

**NOTES TO THE FINANCIAL STATEMENTS
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21. OPERATING AND OTHER EXPENSES

	For the year ended 31 December 2005		From 1 December 2003 to 31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Personnel costs	425,199	1,748,419	390,241	1,571,501
Provident fund	20,612	84,757	13,537	54,513
Management support committee costs	84,192	346,199	51,438	247,411
Travel	58,968	242,476	33,309	134,135
Staff development and training	51,415	211,417	33,053	133,104
Loss on exchange – net	39,777	163,563	(102)	(410)
Depreciation and amortisation	35,627	146,498	26,569	106,993
Repairs and maintenance	34,951	143,719	13,894	55,951
Incentive to VBMC (a)	28,441	116,949	19,328	77,834
Communication	25,992	106,879	12,506	50,362
Office supplies	25,800	106,090	26,340	106,071
Rental	20,325	83,578	29,660	119,441
Utilities	18,312	75,301	12,889	51,905
Professional fees	12,664	52,074	11,930	48,042
Insurance	12,602	51,820	461	1,856
Promotion and advertising	4,069	16,730	2,769	11,151
Loss on write off of equipment	625	2,570	979	3,942
Equipment written off	559	2,299	16,161	35,080
Others	14,752	60,657	6,479	26,091
	<u>914,882</u>	<u>3,761,995</u>	<u>711,441</u>	<u>2,864,973</u>

(a) This is incentive fee for Village Bank Management Committee (“VBMC”) who facilitates the collection of loan interest and principal. The incentive is calculated at rates between 3% to 5% of interest income. The incentive is paid to VBMC at end of loan cycles when the collection of loans and interest are completed.

VISIONFUND (CAMBODIA) LTD

**NOTES TO THE FINANCIAL STATEMENTS
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22. GRANT INCOME

	For the year ended 31 December 2005		From 1 December 2003 to 31 December 2004	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end Exchange rate)
WV-Australia and AUSAID	162,536	668,347	143,593	578,249
WV-New Zealand	87,222	358,657	44	177
WV-Canada	15,215	62,565	1,534	6,177
WV-Japan	7,000	28,784	-	-
WV-United States of America	6,811	28,007	-	-
WV-Hong Kong	-	-	9,632	38,788
Others	-	-	900	3,625
	<u>278,784</u>	<u>1,146,360</u>	<u>155,703</u>	<u>627,016</u>

The Company received grants from different World Vision support offices to cover its operating expenses such as personnel expenses, training, communication, professional fees and supplies.

23. INCOME TAX EXPENSE

a) Tax on profit expenses

	For the year ended 31 December 2005		From 1 December 2003 to 31 December 2004	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Current	87,969	361,729	5,585	22,491
Deferred tax assets (note 8)	<u>(15,314)</u>	<u>(62,972)</u>	<u>-</u>	<u>-</u>
	<u>72,655</u>	<u>298,757</u>	<u>5,585</u>	<u>22,491</u>

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

23. INCOME TAX EXPENSE (continued)

b) Accounting profit reconciliation

	For the year ended 31 December 2005		From 1 December 2003 to 31 December 2004	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Income before tax	<u>355,678</u>	<u>1,462,548</u>	<u>7,439</u>	<u>29,957</u>
Tax at 20% of accounting income	71,136	292,511	1,488	5,991
Expenses not deductible for tax purposes	<u>1,519</u>	<u>6,246</u>	<u>-</u>	<u>-</u>
Tax on income	72,655	298,757	1,488	5,991
Difference between minimum tax and Income tax	<u>-</u>	<u>-</u>	<u>4,097</u>	<u>16,500</u>
	<u><u>72,655</u></u>	<u><u>298,757</u></u>	<u><u>5,585</u></u>	<u><u>22,491</u></u>

c) Other tax matters

The Company's tax returns are subject to periodic examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

24. RELATED PARTY TRANSACTIONS

a) Compensations

	For the year ended 31 December 2005		From 1 December 2003 to 31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
<i>Board of directors</i>				
Fee and related expenses	<u>96,140</u>	<u>395,329</u>	<u>61,438</u>	<u>247,411</u>
<i>Key management</i>				
Salaries and related expenses	<u>28,496</u>	<u>117,176</u>	<u>30,397</u>	<u>124,583</u>

VISIONFUND (CAMBODIA) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

24. RELATED PARTY TRANSACTIONS (continued)

b) Transactions with VisionFund International

Transactions with VisionFund International are disclosed in note 19.

c) Transactions with World Vision Cambodia

	For the year ended 31 December 2005		From 1 December 2003 to 31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Rental expenses	<u>20,325</u>	<u>83,578</u>	<u>29,660</u>	<u>119,441</u>
	<u><u>20,325</u></u>	<u><u>83,578</u></u>	<u><u>29,660</u></u>	<u><u>119,441</u></u>

d) Transactions with other related parties

Transaction with other related parties are disclosed in note 24.

f) Balance with related parties

Balances with related parties are disclosed in note 12.

25. CURRENCY ANALYSIS

	US\$	Riel (US\$ equivalent)	Total
31 December 2005			
ASSETS			
Cash on hand	10,572	23,965	34,537
Deposits with the Central Bank	-	38,428	38,428
Balances with banks	235,859	190,105	425,964
Loans and advances receivable	1,250,762	2,180,554	3,431,316
Other assets	21,846	41,534	63,380
Deferred income tax assets	15,314	-	15,314
Intangible assets	18,728	-	18,728
Property and equipment	<u>113,061</u>	<u>-</u>	<u>113,061</u>
Total assets	<u><u>1,666,142</u></u>	<u><u>2,474,586</u></u>	<u><u>4,140,728</u></u>

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

25. CURRENCY ANALYSIS (continued)

	US\$	Riel (US\$ equivalent)	Total
LIABILITIES			
Customers' deposits	-	605	605
Amount due to related parties	996,848	-	996,848
Current income tax liabilities	-	76,069	76,069
Accruals and other liabilities	<u>95,580</u>	<u>26,341</u>	<u>121,921</u>
Total liabilities	<u>1,092,428</u>	<u>103,015</u>	<u>1,195,443</u>
Net liquidity surplus/(gap)	<u>573,714</u>	<u>2,371,571</u>	<u>2,945,285</u>
31 December 2004			
Total assets	537,086	1,662,197	2,199,283
Total liabilities	<u>537,992</u>	<u>15,723</u>	<u>553,715</u>
Net liquidity (gap)/surplus	<u>(906)</u>	<u>1,646,474</u>	<u>1,645,568</u>

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

26. MATURITY

	Total US\$	Less than 1 month US\$	From 1 month to 3 months US\$	From 3 months to 1 year US\$	From 1 year to 5 years US\$	Over 5 years US\$	No fixed date of maturity US\$
31 December 2005							
ASSETS							
Cash on hand	34,537	34,537	-	-	-	-	-
Deposits with the NBC	38,428	1,463	-	-	-	-	36,965
Balances with banks	425,964	425,964	-	-	-	-	-
Loans and advances to customers	3,431,316	176,905	418,693	2,146,188	689,530	-	-
Deferred income tax assets	15,314	-	-	-	-	-	15,314
Other assets	63,380	56,671	614	6,095	-	-	-
Intangible Asset	18,728	-	-	9,318	9,410	-	-
Property and equipment	113,061	-	-	26,321	81,874	4,866	-
TOTAL ASSETS	4,140,728	695,540	419,307	2,187,922	780,814	4,866	52,279
LIABILITIES							
Customers deposits	605	-	605	-	-	-	-
Amount due to related parties	76,069	-	-	76,069	-	-	-
Current income tax liabilities	996,848	-	-	8,007	988,841	-	-
Accruals and other liabilities	121,921	4,332	-	75,538	-	-	42,051
TOTAL LIABILITIES	1,195,443	4,332	605	159,614	988,841	-	42,051
Net liquidity surplus/(gap)	<u>2,945,285</u>	<u>691,208</u>	<u>418,702</u>	<u>2,028,308</u>	<u>(208,027)</u>	<u>4,866</u>	<u>10,228</u>
31 December 2004							
Total Assets	2,199,283	696,426	362,166	1,058,538	24,587	7,299	50,267
Total Liabilities	<u>553,715</u>	<u>295,475</u>	<u>34,765</u>	<u>-</u>	<u>223,475</u>	<u>-</u>	<u>-</u>
Net liquidity surplus/(gap)	<u>1,645,568</u>	<u>400,951</u>	<u>327,401</u>	<u>1,058,538</u>	<u>(198,888)</u>	<u>7,299</u>	<u>50,267</u>

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

27. INITIAL CAPITALISATION

As at 30 November 2003
US\$

ASSETS

Cash and bank balances	147,677
Loans and advances receivable	729,641
Other assets	94,614
Property and equipment	<u>4,186</u>

Total assets 976,118

LIABILITIES

Amount due to related parties	49,828
Community savings fund	7,004
Accruals and other liabilities	<u>32,500</u>

Total liabilities 89,332

NET ASSETS TRANSFERRED 886,786

Represented by:

Share capital	757,916
Loan capital funds	55,698
Property and equipment funds	<u>73,172</u>
	<u><u>886,786</u></u>

28. FINANCIAL RISK MANAGEMENT POLICIES

The guidelines and policies adopted by the Company to manage the following risks that arise in the conduct of business activities are as follows:

a) Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending, hedging and investing activities.

The primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e. that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Company's own internal grading system, and procedures implemented to ensure compliance with NBC Guidelines.

VISIONFUND (CAMBODIA) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

28. FINANCIAL RISK MANAGEMENT POLICIES (continued)

b) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk. Market risk arising from the trading activities is controlled by mark-to-market the trading positions against their predetermined market risk limits.

(i) Foreign currency exchange risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Company maintains a policy of not exposing itself to large foreign exchange positions, by increasing US\$ portfolio of its loans and advance to customers.

(ii) Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows. Its exposure to interest rate risk relates primarily to loans and advances to customers and borrowings. The Company maintains fixed interest rates on loans and advances to customers and borrowings.

c) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

29. LEASE COMMITMENTS

The Company has commitments in respect of the office rental for 5 years, expiring on 31 January 2011, as follows:

	For the year ended 31 December 2005		From 1 December 2003 to 31 December 2004	
	US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Office rental				
No later than one year	12,000	49,344	12,000	48,324
From one year to five years	<u>48,000</u>	<u>197,376</u>	<u>48,000</u>	<u>193,296</u>
	<u>60,000</u>	<u>246,720</u>	<u>60,000</u>	<u>241,620</u>

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS

VISIONFUND (CAMBODIA) LTD

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2005

1. CAPITAL ADEQUACY RATIO (SOLVENCY RATIO), Prakas No. B7-00-46

A licensed Micro-finance Institution shall at all times, maintain capital adequacy ratio of more than 20%. As at 31 December 2005, Capital Adequacy Ratio of the Company is 72%.

The Capital Adequacy Ratio calculation is detailed in Schedule 1.

2. LIQUIDITY RATIO, Prakas No. B7-02-48

A licensed Micro-finance Institution shall at all times, maintain a liquidity ratio of more than 100%. As at 31 December 2005, the Liquidity Ratio of the Company is more than 100 %.

The Liquidity Ratio calculation is detailed in Schedule 2.

3. CALCULATION OF FOREIGN CURRENCY EXPOSURE, Prakas No B 795-001

Foreign currency exposure ratio should not exceed 5% of net worth for each currency and 15% of net worth aggregate. As at 31 December 2005, the Riel currency exposure ratio is 80.52% in individual and aggregate.

Foreign currency exposure ratio calculation is detailed in Schedule 3.

4. RESERVE REQUIREMENT, Prakas No. B7-02-45

A licensed Micro-finance Institution shall deposit 5% of their deposits into an account maintained with the Central Bank. As at 31 December 2005, the reserve requirement is nil, the Company has deposited with the Central Bank nil.

The Reserve Requirement calculation is detailed in Schedule 4.

5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO, Prakas No. B702-186

A licensed Micro-finance Institution shall classify their loan portfolio into the following four classes, depending on the financial situation of the borrower and the timeliness of principal and interest payments.

Loan term of one year or less than one year

- **Standard:** good financial condition and punctual payment of principal and interest.
- **Sub-standard:** some payments of principal and/or interest are overdue by 30 days or more.
- **Doubtful:** some payments of principal and/or interest are overdue by 60 days or more.
- **Loss:** some payments of principal and/or interest are overdue by 90 days or more.

VISIONFUND (CAMBODIA) LTD

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2005

5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO, Prakas No. B702-186 (continued)

Loan term more than one year

- **Standard:** good financial condition and punctual payment of principal and interest.
- **Sub-standard:** some payments of principal and/or interest are overdue by 30 days or more.
- **Doubtful:** some payments of principal and/or interest are overdue by 180 days or more.
- **Loss:** some payments of principal and/or interest are overdue by 360 days or more.

Specific provisions on the loans classified as follow:

- **Sub-standard:** 10% regardless of the collateral value except cash.
- **Doubtful:** 30% regardless of the collateral value except cash.
- **Loss:** 100% regardless of the collateral value except cash.

As at 31 December 2005, the specific provision provided by VisionFund (Cambodia) Ltd is Riel 59,424,000 which is in compliance with the Central Bank's Prakas.

Loan classification, provision and delinquency ratio calculation is detailed in Schedule 5.

VISIONFUND (CAMBODIA) LTD

**SCHEDULE 1
CAPITAL ADEQUACY RATIO (SOLVENCY RATIO)
AS AT 31 DECEMBER 2005**

	US\$	Riel' 000 (At year-end exchange rate)		
1-NUMERATOR: ELIGIBLE CAPITAL				
1.1. CORE CAPITAL				
- Paid in capital	757,916	3,116,551		
- Reserves	-	-		
- Retained earnings	1,854	7,624		
- Net profit for the year	283,023	1,163,790		
	<hr/>	<hr/>		
Subtotal A	1,042,793	4,287,965		
Less :				
- Unpaid capital	-	-		
- Loan to related parties	-	-		
- Intangible asset	18,728	77,010		
	<hr/>	<hr/>		
Subtotal B	18,728	77,010		
Core capital (A-B)	1,024,065	4,210,955		
1.2. HYBRID CAPITAL				
- Nun-refundable grants	1,902,492	7,823,047		
- Public guarantee funds	-	-		
- Perpetual subordinated debt	-	-		
	<hr/>	<hr/>		
Hybrid capital	1,902,492	7,823,047		
1.3 ELIGIBLE CAPITAL (Core capital + Hybrid capital) (E)	2,926,557	12,034,002		
2-DENOMINATOR: RISK-WEIGHTED ASSET (R)				
Asset	Amount US\$	Weighting		
- Cash	34,537	0%	-	-
- Gold	-	0%	-	-
- Balances with Central Bank	38,428	0%	-	-
- Balances with bank rated AAA to AA-	-	20%	-	-
- Balances with bank rated A+ to A-	-	50%	-	-
- Loans	3,431,316	100%	3,431,316	14,109,571
- Others asset	636,447	100%	636,447	2,617,069
	<hr/>		<hr/>	<hr/>
Total	4,140,728		4,067,763	16,726,640
CAPITAL ADEQUACY RATIO (C=E/R)			72%	72%

VISIONFUND (CAMBODIA) LTD

SCHEDULE 2
LIQUIDITY RATIO AS AT 31 DECEMBER 2005

	<u>US\$</u>	<u>Riel' 000</u> (At year-end exchange rate)
1-Numerator: liquid assets		
- Cash on hand	34,537	142,016
- Balances with Central Bank	38,428	158,016
- Balances with banks	<u>425,964</u>	<u>1,751,564</u>
Subtotal A	<u>498,929</u>	<u>2,051,596</u>
Less :		
- Amount owed to Central Bank	-	-
- Amount owed to banks	-	-
Subtotal B	-	-
Net liquidity (A-B)	498,929	2,051,596
Plus :		
Portion of loans maturing in less than one month	176,905	727,433
Liquid assets (L)	<u>675,834</u>	<u>2,779,029</u>
2-Denominator: Adjusted amount of deposits (A)		
Category of Deposits	Amount	%
Voluntary savings	-	25%
Total	-	-
LIQUIDITY RATIO (L/A)		>100%

VISIONFUND (CAMBODIA) LTD

SCHEDULE 3

CALCULATION OF FOREIGN CURRENCY AS AT 31 DECEMBER 2005

	<u>Riel' 000</u>
1- Assets in foreign currency (Riels)	10,175,498
2- Minus: liabilities in that currency	423,598
3- Net position	9,751,900
4- Minus: provision for foreign exchange loss	-
5- Adjusted net position	9,751,900
6- Net worth	<u>12,110,012</u>
7- Foreign currency exposure ratio: 5/6	<u>80.52%</u>

VISIONFUND (CAMBODIA) LTD**SCHEDULE 4
RESERVE REQUIREMENT AS AT 31 DECEMBER 2005**

	US\$	Riel' 000 (At year-end exchange rate)
1-Voluntary		
1-1 Demand	-	-
1-2 Saving	-	-
1-3 Term	-	-
1-4 Other	-	-
	<hr/>	<hr/>
1-5 Total Reservable Deposits	-	-
	<hr/>	<hr/>
2-Compulsary		
2-1 Program (5% for guarantee, Individual Credit)	-	-
2-2 Program	-	-
2-3 Program	-	-
2-4 Total compulsory saving	605	2,488
	<hr/>	<hr/>
3-Total saving mobilized	605	2,488
	<hr/>	<hr/>
5% Reservable Deposit	-	-
	<hr/>	<hr/>

VISIONFUND (CAMBODIA) LTD

**SCHEDULE 5
LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO
AS AT 31 DECEMBER 2005**

Loan classification	Amount US\$	Rates %	Specific provision US\$	Specific provision Riel' 000 (At year-end exchange rate)
1-Loans of one year or less				
1-1 Standard	3,417,759	0%	-	-
1-2 Substandard past due >30 days	3,870	10%	387	1,591
1-3 Doubtful past due >60 days	5,243	30%	1,573	6,468
1-4 Loss past due >90 days	10,356	100%	10,356	42,588
Sub-Total 1	3,437,228		12,316	50,647
2-Loans of more than one year				
2-1 Standard		0%	-	-
2-2 Substandard past due >30 days	2,136	10%	214	878
2-3 Doubtful past due >180 days	6,403	30%	1,921	7,899
2-4 Loss past due >360 days	-	100%	-	-
Sub-Total 2	8,539		2,135	8,777
Grand total 1+2	3,445,767		14,451	59,424
All loan past due > 30 days (A)			28,008	115,172
Loan outstanding (B)			3,445,767	14,168,996
Delinquency Ratio (A/B)				0.81%