



## **VisionFund (Cambodia) Ltd**

### **Financial Statements and Auditors' Report 31 December 2004**

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## Corporate Information

Company	VisionFund (Cambodia) Ltd
Registration No	Co. 1846/03E
Registered office	No. 20, Street 71, Sangkat Tonle Bassac, Khan Chamka Morn, Phnom Penh Cambodia
Shareholders	The World Vision International Mr Ray Sano
Directors	Mr Talmage Mark Payne Ms Kerry Anne McKenzie Ms Ruth Louise Ellison Mr Fredrick Christopher Arulandam Mr Ray Sano Ms Nop Vanthy Mr Rommel Caringal Mr Myles Harrison
Auditor	KPMG Cambodia Ltd
Principal bankers	Aceda Bank Plc Ltd Cambodian Commercial Bank Ltd Rural Development Bank of Cambodia

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## **Report of the board of directors**

The board of directors has pleasure in submitting their report with the audited financial statements of VisionFund (Cambodia) Ltd (“the Company”) for the period from 1 December 2003 to 31 December 2004.

### **Principal activity**

The principal activity of the Company is to provide commercially oriented micro-finance services to the rural population of Cambodia. Its mission is to be a Christian company that provides financial services to help the poor liberate themselves from poverty.

### **Financial results**

The financial results of the Company for the period from 1 December 2003 to 31 December 2004 are set out in the statement of income on page 6.

### **Reserves and provisions**

There were no material movements to or from reserves and provisions during the financial period other than as disclosed in the financial statements.

### **Bad and doubtful loans**

Before the financial statements of the Company were made out, the board of directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad loans and the making of allowance for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate allowance had been made for bad and doubtful loans.

At the date of this report, the board of directors is not aware of any circumstances which would render the amounts written off for bad loans, or the amount of the provision for doubtful loans in the financial statements of the Company as inadequate to any substantial extent.

### **Current assets**

Before the financial statements of the Company were prepared, the board of directors took reasonable steps to ensure that any current assets, other than loans, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records have been written down to realisable amounts.

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

## **Valuation methods**

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

## **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 period which secures the liabilities of any other person; and
- (b) any contingent liability in respect of the Company that has arisen since the end of the period other than in the ordinary course of its business operations.

No contingent liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the period which, in the opinion of the board of directors, 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 board of directors 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 as misleading.

## **Items of an unusual nature**

The results of the operations of the Company for the period from 1 December 2003 to 31 December 2004 were not, in the opinion of the board of directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

## **The board of directors**

The board of directors during the period and at the date of this report are:

- Mr Talmage Mark Payne, Chairman
- Ms Kerry Anne McKenzie, Member
- Ms Ruth Louise Ellison, Member
- Mr Fredrick Christopher Arulandam, Member
- Mr Ray Sano, Member
- Ms Nop Vanthy, Member
- Mr Rommel Caringal, Member
- Mr Myles Harrison, Member

## Directors' interests

The directors who held office at the end of the financial period and their interests in the shares of Company are as follows:

	Number of registered shares of KHR100,000 each			Balance at 31.12.2004
	Balance at 1.12.2003	Bought	Sold	
Mr Ray Sano	1	-	-	1

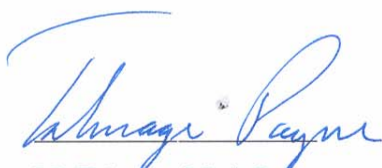
## Responsibilities of the board of directors in respect of the financial statements

The board of directors is responsible for ascertaining 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 2004, and of the results of its operations and its cash flows for the period then ended. In preparing these financial statements, the board of directors 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 accounting principles generally followed in Cambodia and the guidelines issued by the National Bank of Cambodia or, if there have been any departures in the interest of true and fair presentation, ensure that these have 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; and
- (v) control and direct the Company effectively in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The board of directors confirms that the Company has complied with the above requirements in preparing the financial statements.

*On behalf of the board of directors*



Mr Talmage Mark Payne  
Chairman

29 APR 2005



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 Cambodia

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**Report of the independent auditors  
 To the shareholders**

We have audited the accompanying balance sheet of VisionFund (Cambodia) Ltd as at 31 December 2004 and the related statements of income, changes in equity, and cash flows for the period from 1 December 2003 to 31 December 2004. The preparation of the financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Cambodian Standards on Auditing and 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 give a true and fair view of the financial position of the Company as at 31 December 2004, and of the results of its operations and its cash flows for the period from 1 December 2003 to 31 December 2004 in accordance with Cambodian Accounting Standards and other generally accepted accounting principles in Cambodia and the National Bank of Cambodia Guidelines.

*KPMG Cambodia Ltd*

**KPMG Cambodia Ltd  
 Phnom Penh**

29 April 2005



KPMG Cambodia Ltd is a member firm of  
 KPMG International, a Swiss association.

# VisionFund (Cambodia) Ltd

## Balance sheet 31 December 2004

	Note	US\$	KHR'000
<b>ASSETS</b>			
Cash on hand	3	28,994	116,759
Deposits with banks	4	460,817	1,855,710
Loans to customers	5	1,555,167	6,262,658
Interest receivable and other assets	6	58,105	233,989
Capital guarantee deposits	7	37,745	151,999
Property and equipment	8	58,455	235,398
		<hr/>	<hr/>
		2,199,283	8,856,513
		<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits from customers	9	6,007	24,190
Due to related parties	10	481,892	1,940,579
Other accruals and payables	11	65,279	262,879
Provision for taxation	12	537	2,163
		<hr/>	<hr/>
		553,715	2,229,811
		<hr/>	<hr/>
<b>Equity</b>			
Share capital	13	757,916	3,052,128
Accumulated loan capital grants	14	796,571	3,207,791
Accumulated property and equipment grants	15	89,227	359,317
Retained earnings		1,854	7,466
		<hr/>	<hr/>
		1,645,568	6,626,702
		<hr/>	<hr/>
		2,199,283	8,856,513
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements

# VisionFund (Cambodia) Ltd

## Statement of income

### Period from 1 December 2003 to 31 December 2004

		1 December to 31 December 2003	Year ended 31 December 2004	1 December 2003 to 31 December 2004	
	Note	US\$	US\$	US\$	KHR'000
Interest income		30,482	524,430	554,912	2,234,631
Interest from banks		657	3,391	4,048	16,301
Other operating income	16	311	17,679	17,990	72,446
		<u>31,450</u>	<u>545,500</u>	<u>576,950</u>	<u>2,323,378</u>
Provision for bad and doubtful loans	5	(2,424)	(11,349)	(13,773)	(55,464)
Operating expenses	17	(60,550)	(650,891)	(711,441)	(2,864,973)
		<u>(31,524)</u>	<u>(116,740)</u>	<u>(148,264)</u>	<u>(597,059)</u>
Loss from operations		(31,524)	(116,740)	(148,264)	(597,059)
Grant income		28,924	126,779	155,703	627,016
		<u>28,924</u>	<u>126,779</u>	<u>155,703</u>	<u>627,016</u>
Profit before income tax		(2,600)	10,039	7,439	29,957
Income tax	12	(307)	(5,278)	(5,585)	(22,491)
		<u>(2,907)</u>	<u>(5,278)</u>	<u>(5,585)</u>	<u>(22,491)</u>
Net profit		<u>(2,907)</u>	<u>4,761</u>	<u>1,854</u>	<u>7,466</u>

The accompanying notes form part of these financial statements

## VisionFund (Cambodia) Ltd

### Statement of changes in equity

Period from 1 December 2003 to 31 December 2004

	Accumulated loan capital grants US\$	Accumulated property and equipment grants US\$	Share capital US\$	Retained earnings US\$	Total US\$
Balance, 1 December 2003	-	-	-	-	-
Initial capitalization (Note 20(b))	55,698	73,172	757,916	-	886,786
Received during the period	750,255	16,055	-	-	766,310
Refunded during the period	(9,382)	-	-	-	(9,382)
Net profit for the period	-	-	-	1,854	1,854
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance, 31 December 2004	796,571	89,227	757,916	1,854	1,645,568
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
(KHR'000 equivalents)	3,207,791	359,317	3,052,128	7,466	6,626,702
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements

# VisionFund (Cambodia) Ltd

## Statement of cash flows

Period from 1 December 2003 to 31 December 2004

	US\$	KHR'000
<b>Operating activities</b>		
Profit before income tax	7,439	29,957
Adjustments for:		
Depreciation of property and equipment	26,569	106,993
Loss on disposal of property and equipment	16,161	65,080
Loss on write-off of property and equipment	979	3,943
Provision for bad and doubtful loans	13,773	55,464
	<hr/>	<hr/>
Cash generated from operation before changes in operating assets and liabilities	64,921	261,437
Decrease/(increase) in:		
Statutory deposit	(37,745)	(151,999)
Loans to customers	(839,299)	(3,379,857)
Other assets	(53,919)	(217,132)
Increase/(decrease) in:		
Deposits from customers	(997)	(4,015)
Due to a related party	208,589	839,988
Other accruals and payables	32,779	132,001
	<hr/>	<hr/>
Net cash used in operations	(625,671)	(2,519,577)
Income tax paid	(5,048)	(20,328)
	<hr/>	<hr/>
Net cash used in operating activities	(630,719)	(2,539,905)
	<hr/>	<hr/>
<b>Investing activities</b>		
Acquisition of property and equipment	(36,353)	(146,394)
Proceeds from disposal of property and equipment	28,803	115,990
	<hr/>	<hr/>
Net cash used in investing activities	(7,550)	(30,404)
	<hr/>	<hr/>

## VisionFund (Cambodia) Ltd

### Statement of cash flows (continued)

Period from 1 December 2003 to 31 December 2004

	US\$	KHR'000
<b>Financing activities</b>		
Initial equity contribution (Note 20(a))	147,677	594,695
Contribution of loan capital grants, net	740,873	2,983,496
Contribution of property and equipment grants	16,055	64,653
Long term loan	223,475	899,934
	<hr/>	<hr/>
Net cash generated from financing activities	1,128,080	4,542,778
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	489,811	1,972,469
<b>Cash and cash equivalents, beginning of period</b>	-	-
	<hr/>	<hr/>
<b>Cash and cash equivalents, end of period</b>	489,811	1,972,469
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:		
Cash on hand	28,994	116,759
Current account with the National Bank of Cambodia	10	40
Deposits with banks	460,807	1,855,670
	<hr/>	<hr/>
	489,811	1,972,469
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements

# **VisionFund (Cambodia) Ltd**

## **Notes to the financial statements**

**31 December 2004**

### **1. Organisation and principal activities**

The Company was incorporated in Cambodia on 25 November 2003 under Registration No. Co.1846/03E and commenced operations on 1 December 2003. On 18 May 2004 the Company obtained its license as a micro-finance company from the National Bank of Cambodia. The Company is a subsidiary of World Vision International, registered in the United States of America.

The principal activity of the Company is to provide commercially oriented micro-finance services to the rural population of Cambodia. It currently operates through branches located in the provinces of Takeo, Kandal, Kampong Speu, Kampong Thom, Kampong Chhnang, Battambang and Preah Vihear.

Prior to 1 December 2003 the Company's activities were carried out by the Micro-Enterprise Development Program ("MED Program") of World Vision Cambodia, a subsidiary of World Vision International. The Company was initially capitalized by transferring into the Company substantially all the net assets of the MED Program as of 30 November 2003. The details of the initial capitalization and net assets transferred are provided in Note 20.

The Company had 136 employees at the end of the period.

### **2. Significant accounting policies**

#### **(a) Basis of accounting**

The financial statements have been prepared in accordance with Cambodian Accounting Standards, the laws and accounting regulations of Cambodia, including the Cambodian Law on Banking and Financial Institutions, and the National Bank of Cambodia ("NBC") Guidelines.

#### **(b) Financial statements of branches**

The financial statements include the financial statements of the Company's head office and its branches. All significant inter-branch balances and transactions have been eliminated.

#### **(c) Financial instruments**

The Company's financial assets and liabilities comprise cash and cash equivalents, originated loans and receivables, deposits and other receivables and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

# **VisionFund (Cambodia) Ltd**

## **Notes to the financial statements (continued)**

**31 December 2004**

### **2. Significant accounting policies (continued)**

#### **(d) Segment information**

The Company operates within one business segment, commercially oriented micro-finance services, and within one geographical segment, the Kingdom of Cambodia.

#### **(e) Measurement and presentation currency**

The Company transacts business primarily in Khmer Riel (“KHR”), the national currency of Cambodia, and maintains its books of account in United States Dollars (“US\$”) and KHR. Management have determined the United States dollar to be the Company’s presentation currency for purposes of these financial statements.

Transactions in currencies other than US\$ are translated to US\$ at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US\$ at the balance sheet date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the statement of income.

In compliance with the NBC guidelines, all assets, liabilities and statement of income items in foreign currencies at the end of the year are converted into KHR using the prescribed official exchange rate announced by the National Bank of Cambodia at the balance sheet date of US\$1: KHR4,027. These translations are for presentation purposes only and should not be construed as representations that the KHR amounts are convertible into US\$ at this or any other rate of exchange.

#### **(f) Cash and cash equivalents**

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

#### **(g) Loans to customers**

Loans are originated by the Company providing money to a customer for purposes other than short-term profit taking. They are measured at amortised cost less an impairment allowance for bad and doubtful loans, to reflect the estimated recoverable amount. Amortised cost is calculated on the effective interest rate method, which is based on expected future cash flows of contractual installment payments discounted at prevailing market rates offered for similar loans with similar risk profiles.

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 2. Significant accounting policies (continued)

#### (h) Allowance for bad and doubtful loans

In compliance with the NBC Guidelines, a specific allowance for bad and doubtful loans is made that are identified as non-performing, as follows:

Classification	Number of days past due	Provision
Substandard	31 – 60 days	10%
Doubtful	61 – 90 days	30%
Loss	More than 90 days	100%

The provision is calculated as a percentage of the loans outstanding at the time the loan is classified, excluding accrual interest. The provision is charged to the income statement for the month during which the corresponding loan has been as non-performing.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when, in the judgment of the management, there is no prospect of recovery. Loans written off are reviewed on a quarterly basis.

#### (i) Deposits with banks

Deposits with banks are stated at cost.

#### (j) Other receivables

Other receivables are carried at estimated realisable value.

#### (k) Property and equipment

- (i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Property and equipment forming part of the net assets used to initially capitalize the Company have been recorded at their original cost and accumulated depreciation in the accounts of MED Program as at the date of capitalization. Where an item of property comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 2. Significant accounting policies (continued)

#### (k) Property and equipment (continued)

- (ii) Depreciation of property and equipment is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets at the following rates:

Motor vehicles	10% - 50%
Computer	33.33%
Office furniture and fittings	10% - 20%

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated property and equipment are retained on the balance sheet until disposed or written off.
- (vi) The carrying amounts of property and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

Reversal of impairment losses recognised in prior years is recorded where there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

#### (l) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

# **VisionFund (Cambodia) Ltd**

## **Notes to the financial statements (continued)**

**31 December 2004**

### **2. Significant accounting policies (continued)**

#### **(m) Deposits**

Deposits from customers are stated at placement value and adjusted for accrued interest.

#### **(n) Grants**

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

Grants received to finance the Company's lending operations (loan grants) and the acquisition of property and equipment (property and equipment grants) are recorded as contributions to equity. Refunds of loan grants are recorded as deductions from equity.

#### **(o) Income recognition**

Interest income on loans is recognised on an accrual basis. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis. Interest on loans is calculated using the declining balance method on monthly balances of the principal amount outstanding.

#### **(p) Operating lease**

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease.

#### **(q) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised as a component of shareholder equity, in which case it is also disclosed as a component of shareholder equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available to permit the realization of the asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 2. Significant accounting policies (continued)

#### (r) Related parties

Parties are considered to be related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Company and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10 percent of the capital of the Company or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Company.

#### (s) Comparatives

Comparative figures are not presented as this is the first period of operations of the Company.

### 3. Cash on hand

	31 December 2004	
	US\$	KHR'000
Head office – Phnom Penh	2,136	8,602
Provincial branches		
Battambang	4,732	19,056
Kandal	4,752	19,136
Kampong Chhnang	5,755	23,175
Kampong Speu	2,894	11,654
Kampong Thom	6,616	26,643
Preah Vihear	255	1,027
Takeo	1,854	7,466
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	28,994	116,759
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# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 4. Deposits with banks

	31 December 2004	
	US\$	KHR'000
Head office – Phnom Penh	362,246	1,458,764
Provincial branches		
Battambang	29,462	118,644
Kandal	3,944	15,883
Kampong Chhnang	602	2,424
Kampong Speu	32,825	132,186
Kampong Thom	29,705	119,622
Preah Vihear	1,822	7,337
Takeo	211	850
	460,817	1,855,710
	460,817	1,855,710

Deposits with banks mature within three months and are analysed as follow:

a) By currency:

	31 December 2004	
	US\$	KHR'000
US Dollars	413,819	1,666,449
Khmer Riel	46,998	189,261
	460,817	1,855,710
	460,817	1,855,710

b) By resident:

Domestic:

Current account:

National Bank of Cambodia	10	40
Cambodian Commercial Bank Ltd	1,039	4,184

Saving account:

Cambodian Commercial Bank Ltd	3,911	15,750
Rural Development Bank of Cambodia	3,918	15,778
Aceda Bank Plc Ltd	101,939	410,508

Fixed deposit account:

Aceda Bank Plc Ltd (three months)	350,000	1,409,450
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460,817	1,855,710
460,817	1,855,710

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 4. Deposits with banks (continued)

c) By interest rate (per annum):

Current account	Nil
Saving account:	
Rural Development Bank of Cambodia	1% - 1.5%
Cambodian Commercial Bank Ltd	0.3% - 1.25%
Acleda Bank Plc Ltd	2% - 3%
Fixed deposit account:	
Acleda Bank Plc Ltd	4%

### 5. Loans to customers

	31 December 2004	
	US\$	KHR'000
Battambang	378,628	1,524,735
Kandal	233,914	941,972
Kampong Chhnang	190,326	766,443
Kampong Speu	380,819	1,533,558
Kampong Thom	167,387	674,067
Preah Vihear	7,946	31,999
Takeo	205,301	826,747
	<hr/>	<hr/>
	1,564,321	6,299,521
Allowance for bad and doubtful loans	(9,154)	(36,863)
	<hr/>	<hr/>
	1,555,167	6,262,658
	<hr/> <hr/>	<hr/> <hr/>

The above loans mature within twelve months and are analysed as follows:

a) By payment term and interest rate:

	Agriculture Loans	Small business loans
Term	3 to 12 months	3 to 12 months
Principal repayments	End of term	Monthly basis
Interest repayments	Monthly basis	Monthly basis
Annual interest rates	42% - 48%	42% - 48%

## VisionFund (Cambodia) Ltd

### Notes to the financial statements (continued)

31 December 2004

#### 5. Loans to customers (continued)

	31 December 2004	
	US\$	KHR'000
b) By economic sector:		
Agriculture loans	809,686	3,260,606
Small business loans	754,635	3,038,915
	<hr/>	<hr/>
	1,564,321	6,299,521
	<hr/> <hr/>	<hr/> <hr/>
c) By types of customers:		
Village bank	1,091,447	4,395,257
Solidarity group	472,874	1,904,264
	<hr/>	<hr/>
	1,564,321	6,299,521
	<hr/> <hr/>	<hr/> <hr/>
d) By performance:		
Standard loans		
Secured	-	-
Unsecured	1,553,295	6,255,119
Substandard loans		
Secured	-	-
Unsecured	1,029	4,144
Doubtful loans		
Secured	-	-
Unsecured	1,352	5,445
Loss loans		
Secured	-	-
Unsecured	8,645	34,813
	<hr/>	<hr/>
	1,564,321	6,299,521
	<hr/> <hr/>	<hr/> <hr/>
e) By currency:		
US dollars	33,633	135,440
Khmer Riel	1,530,688	6,164,081
	<hr/>	<hr/>
	1,564,321	6,299,521
	<hr/> <hr/>	<hr/> <hr/>

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 5. Loans to customers (continued)

f) By residency status:

	31 December 2004	
	US\$	KHR'000
Residents	1,564,321	6,299,521
	<u>                    </u>	<u>                    </u>

g) By relationship:

External customers	1,564,321	6,299,521
	<u>                    </u>	<u>                    </u>

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

	31 December 2004	
	US\$	KHR'000
Balance, beginning of period	-	-
Transferred from MED Program (Note 20(a))	3,882	15,633
Provision for the period	13,773	55,464
Written off during the period	(8,432)	(33,956)
Exchange differences	(69)	(278)
	<u>                    </u>	<u>                    </u>
Balance, end of period	9,154	36,863
	<u>                    </u>	<u>                    </u>

### 6. Interest receivable and other assets

	31 December 2004	
	US\$	KHR'000
Interest receivable	29,899	120,403
Receivable from staff	18,997	76,501
Prepaid insurance	8,543	34,403
Other	666	2,682
	<u>                    </u>	<u>                    </u>
	58,105	233,989
	<u>                    </u>	<u>                    </u>

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 7. Capital guarantee deposits

Capital guarantee deposits are maintained with the NBC in compliance with Prakas No. B700-06 of the Licensing of Micro-Finance Institution (“MFI”), in the amounts of 5% of the registered capital of the Company.

The capital guarantee deposits are refundable when the Company ceases its operations in Cambodia. The deposit does not earn interest.

### 8. Property and equipment

	Motor vehicles US\$	Computer US\$	Office furniture & fittings US\$	Total US\$
<b>Cost</b>				
Balance, 1 December 2003	-	-	-	-
Transferred from MED				
Program (Note 20(a))	86,728	23,891	8,515	119,134
Additions	8,440	27,913	-	36,353
Disposals	(59,565)	-	-	(59,565)
Write offs	-	(585)	(1,235)	(1,820)
At 31 December 2004	35,603	51,219	7,280	94,102
<b>Less: Accumulated depreciation</b>				
Balance, 1 December 2003	-	-	-	-
Transferred from MED				
Program (Note 20(a))	15,806	7,235	1,479	24,520
Charge for the period	9,989	15,304	1,276	26,569
Disposals	(14,601)	-	-	(14,601)
Write offs	-	(276)	(565)	(841)
At 31 December 2004	11,194	22,263	2,190	35,647
<b>Net book value</b>				
At 31 December 2004	24,409	28,956	5,090	58,455
At 1 December 2003	-	-	-	-

## VisionFund (Cambodia) Ltd

### Notes to the financial statements (continued)

31 December 2004

#### 8. Property and equipment (continued)

	Motor vehicles KHR'000	Computer KHR'000	Office furniture & fittings KHR'000	Total KHR'000
<b>Cost</b>				
Balance, 1 December				
Transferred from MED				
Program	349,253	96,209	34,290	479,752
Additions	33,988	112,406	-	146,394
Disposals	(239,868)	-	-	(239,868)
Write offs	-	(2,356)	(4,973)	(7,329)
At 31 December 2004	143,373	206,259	29,317	378,949
<b>Less: Accumulated depreciation</b>				
Balance, 1 December 2003				
Transferred from MED				
Program	63,651	29,135	5,956	98,742
Charge for the period	40,226	61,629	5,138	106,993
Disposals	(58,798)	-	-	(58,798)
Write offs	-	(1,111)	(2,275)	(3,386)
At 31 December 2004	45,079	89,653	8,819	143,551
<b>Net book value</b>				
At 31 December 2004	98,294	116,606	20,498	235,398
At 1 December 2003	-	-	-	-

#### 9. Deposits from customers

The deposits from customers represent the balances held on behalf of the Village Bank Management Committees ("VBMC's"). Loan customers are encouraged to deposit money with the VBMC's who in turn deposit the funds into the Company's bank account. The funds are non-interest bearing and can be withdrawn at anytime.

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 10. Due to related parties

	31 December 2004	
	US\$	KHR'000
Accounts payable - World Vision Cambodia	258,417	1,040,645
Term loan - VisionFund International, unsecured Interest-free, matures in 2009	223,475	899,934
	<u>481,892</u>	<u>1,940,579</u>

### 11. Other accruals and payables

	31 December 2004	
	US\$	KHR'000
Accruals	48,033	193,429
Other creditors	17,246	69,450
	<u>65,279</u>	<u>262,879</u>

### 12. Income tax

	31 December 2004	
	US\$	KHR'000
Balance, beginning of period	-	-
Expenses	5,585	22,491
Payments	(5,048)	(20,328)
	<u>537</u>	<u>2,163</u>

In accordance with Cambodian law, the Company has an obligation to pay corporate income taxes of the higher of 20% of taxable income or a minimum tax of 1% of revenues. Grant income is non taxable.

In the period, the minimum tax on revenue exceeded the tax based on taxable income and accordingly was used to record the corporate income tax expense for the period. The reconciliation of income taxes computed at the statutory tax rate to the income tax shown in the statement of income is as follows:

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 12. Income tax (continued)

	31 December 2004		
	US\$	KHR'000	%
Revenues	<u>576,950</u>	<u>2,323,378</u>	
Income tax using statutory rate	5,770	23,236	1.0
Non-taxable income	(185)	(745)	-
Effective income tax rate	<u>5,585</u>	<u>22,491</u>	<u>1.0</u>

The calculation of taxable income/loss for tax purposes is subject to the review and approval of the tax authorities.

### 13. Share capital

	31 December 2004	
	US\$	KHR'000
Shares of KHR100,000 each Registered, issued and fully paid up 30,400 shares	<u>757,916</u>	<u>3,052,128</u>

The Company has the option at any time to convert amounts of accumulated loan capital grants and property and equipment grants into share capital by the issuance of additional shares and filing of amendments to the registered capital with the Ministry of Commerce.

## VisionFund (Cambodia) Ltd

### Notes to the financial statements (continued)

31 December 2004

#### 14. Accumulated loan capital grants

	WV-USA and CANADA US\$	WV-NZL AUSAID US\$	ADPs US\$	WV-Hong Kong US\$	US\$	Total KHR'000
Balance, 1 December 2003	-	-	-	-	-	-
Transferred from MED Program (Note 20(b))	10,521	-	29,556	15,621	55,698	224,296
Grants received during the period	67,040	220,419	372,567	90,229	750,255	3,021,277
Grants refunded during the period	(422)	(473)	(7,776)	(711)	(9,382)	(37,782)
Reclassifications	(2,583)	8,332	-	(5,749)	-	-
Balance, 31 December 2004	74,556	228,278	394,347	99,390	796,571	3,207,791

#### 15. Accumulated property and equipment grants

	WV-USA and CANADA US\$	WV-NZL AUSAID US\$	ADPs US\$	WV-Hong Kong US\$	US\$	Total KHR'000
Balance, 1 December 2003	-	-	-	-	-	-
Transferred from MED Program (Note 20(b))	17,643	50,029	5,500	-	73,172	294,664
Grants received during the period	1,250	1,567	-	13,238	16,055	64,653
Balance, 31 December 2004	18,893	51,596	5,500	13,238	89,227	359,317

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 16. Other operating income

	1 December to 31 December 2003 US\$	Year ended 31 December 2004 US\$	1 December 2003 to 31 December 2004 US\$	KHR'000
Recovery of Area Development				
Program loans previously written off	-	13,386	13,386	53,905
Loan fees	261	3,214	3,475	13,994
Rental income	50	225	275	1,108
Recovery of loan written off	-	289	289	1,164
Other income	-	565	565	2,275
	<u>311</u>	<u>17,679</u>	<u>17,990</u>	<u>72,446</u>

### 17. Operating expenses

	1 December to 31 December 2003 US\$	Year ended 31 December 2004 US\$	1 December 2003 to 31 December 2004 US\$	KHR'000
Personnel costs	35,790	354,451	390,241	1,571,501
Provident fund (a)	-	13,537	13,537	54,513
Management support committee costs	3,749	57,689	61,438	247,411
Staff development and training	6,125	26,928	33,053	133,104
Travel	438	32,871	33,309	134,135
Occupancy	1,986	27,674	29,660	119,441
Depreciation	1,755	24,814	26,569	106,993
Office supplies, printing and stationeries	4,798	21,542	26,340	106,071
Incentive to VBMC (b)	1,371	17,957	19,328	77,834
Repair and maintenances	401	13,493	13,894	55,951
Communication	997	11,509	12,506	50,362
Professional fees	-	11,930	11,930	48,042
Promotion and advertising	61	2,708	2,769	11,151
Loss on disposal of property and equipment	-	16,161	16,161	65,080
Loss on write off of property and equipment	-	979	979	3,943
Other	3,079	16,648	19,727	79,441
	<u>60,550</u>	<u>650,891</u>	<u>711,441</u>	<u>2,864,973</u>

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 17. Operating expenses (continued)

#### (a) Provident fund

The Company has a defined contribution retirement plan (“the Provident Fund”) for all employees. Company contributions are deposited into an interest-bearing account held by the World Vision Cambodia. These contributions will be fully paid with interest to the employees upon their retirement or resignation.

The Provident Fund is calculated 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%

#### (b) Incentive to VBMC

Incentive payments are made to Village Bank Management Committee (“VBMC”) to facilitate collection by them of loan interest and principal. The incentive is calculated at rates of 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.

### 18. Related party transactions

The Company entered into significant related party transactions during the period on normal commercial terms, as follows:

	1 December to 31 December 2003 US\$	Year ended 31 December 2004 US\$	1 December 2003 to 31 December 2004 US\$	KHR'000
Income received:				
Grant income	28,924	126,779	155,703	627,016
Loan capital grants - net	66,684	674,361	741,045	2,984,188
Property and equipment grants	7,950	8,105	16,055	64,653
Expenses:				
Management support committee	3,749	57,689	61,438	247,411
Occupancy	1,986	27,674	29,660	119,441

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 19. Commitments and contingencies

#### (a) Operating lease

The Company has commitments in respect of the office rental for five years expiring in 2009 on the following basis:

	31 December 2004	
	US\$	KHR'000
Within one year	12,000	48,324
Between two to five years	48,000	193,296
	<hr/>	<hr/>
	60,000	241,620
	<hr/> <hr/>	<hr/> <hr/>

#### (b) Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 20. Initial capitalization - net asset transfer

The Company was initially capitalized by transferring into the Company substantially all the net assets of the Micro-Enterprise Development Program of World Vision Cambodia as of 30 November 2003, at the following values:

a) Net assets:

	US\$
<b>Assets</b>	
Cash and bank balances	147,677
Loans to customers	729,641
Property and equipment	94,614
Other assets	4,186
	<hr/>
	976,118
	<hr/>
<b>Liabilities</b>	
Due to a related party	49,828
Community savings fund	7,004
Other accruals and payables	32,500
	<hr/>
	89,332
	<hr/>
<b>Net assets transferred</b>	<b>886,786</b>
	<hr/> <hr/>

b) The value of the net assets transferred was recognized by the issuance of capital stock of the Company and the designation of the balance as accumulated loan capital grants and accumulated property and equipment grants, as follows:

	US\$
Issuance of shares	757,916
Designated as accumulated loan capital grants	55,698
Designated as accumulated property and equipment grants	73,172
	<hr/>
	886,786
	<hr/> <hr/>

The designated balance of accumulated loan capital grants of US\$55,698 includes the balance of retained earnings in the records of the MED Program as at 30 November 2003, in the amount of US\$29,556.

# **VisionFund (Cambodia) Ltd**

## **Notes to the financial statements (continued)**

**31 December 2004**

### **21. 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) Operational risk**

The operational risk losses which would result from inadequate or failed internal processes, people and systems is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entail the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

#### **b) 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 (continued)

31 December 2004

### 21. Financial risk management policies (continued)

#### c) 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. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

##### (ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

#### d) 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.

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 22. Fair values of assets and liabilities

The aggregate fair values of financial assets and liabilities carried on the balance sheet are equal to their carrying values as at 31 December 2004.

### 23. Currency analysis

The aggregate amounts of assets and liabilities as at 31 December 2004, by currency denomination, is as follows:

	US\$	KHR (US\$ equivalent)	Total
<b>Assets</b>			
Cash on hand	2,290	26,704	28,994
Deposits with banks	413,819	46,998	460,817
Loans to customers	33,633	1,521,534	1,555,167
Interest receivables and other assets	28,889	29,216	58,105
Capital guarantee deposits	-	37,745	37,745
Property and equipment	58,455	-	58,455
	<hr/>	<hr/>	<hr/>
Total assets	537,086	1,662,197	2,199,283
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Deposits from customers	170	5,837	6,007
Due to related parties	481,892	-	481,892
Other accruals and payables	55,930	9,349	65,279
Provision for taxation	-	537	537
	<hr/>	<hr/>	<hr/>
Total liabilities	537,992	15,723	553,715
	<hr/>	<hr/>	<hr/>
Net (liability)/asset position	(906)	1,646,474	1,645,568
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# VisionFund (Cambodia) Ltd

## Notes to the financial statements (continued)

31 December 2004

### 24. Maturity profile of financial assets and liabilities

The maturities of financial assets and liabilities as at 31 December 2004 are as follows:

	Total US\$	From 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 maturity date US\$
<b>Assets</b>							
Cash on hand	28,994	28,994	-	-	-	-	-
Deposits with banks	460,817	460,817	-	-	-	-	-
Loans to customers	1,555,167	176,717	361,500	1,004,428	-	-	12,522
Capital guarantee deposits	37,745	-	-	-	-	-	37,745
Interest receivable and other assets	58,105	29,898	666	27,541	-	-	-
<b>Total assets</b>	<b>2,140,828</b>	<b>696,426</b>	<b>362,166</b>	<b>1,031,969</b>	<b>-</b>	<b>-</b>	<b>50,267</b>
<b>Liabilities</b>							
Deposits from customers	6,007	6,007	-	-	-	-	-
Due to a related parties	481,892	258,417	-	-	223,475	-	-
Other accruals and payables	65,279	30,514	34,765	-	-	-	-
Provision for taxation	537	537	-	-	-	-	-
<b>Total liabilities</b>	<b>553,715</b>	<b>295,475</b>	<b>34,765</b>	<b>-</b>	<b>223,475</b>	<b>-</b>	<b>-</b>
<b>Net liquidity surplus/(deficiency)</b>	<b>1,587,113</b>	<b>400,951</b>	<b>327,401</b>	<b>1,031,969</b>	<b>(223,475)</b>	<b>-</b>	<b>50,267</b>

**VisionFund (Cambodia) Ltd**

Supplementary Financial Information  
31 December 2004

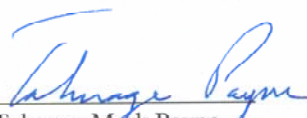
The National Bank of Cambodia  
22 - 24 Norodom Boulevard  
Phnom Penh  
Cambodia

Date:

**Statement by the Board of Directors on the Supplementary Financial Information**

I, on behalf of the board of directors of VisionFund (Cambodia) Ltd, do hereby state that in my opinion, the accompanying Supplementary Financial Information of the Company, the preparation of which is the sole responsibility of the management, are properly drawn up so as to reflect fairly the Financial Information of the Company as at 31 December 2004 as required by the National Bank of Cambodia in their Prakas and applicable notices.

*On behalf of the board of directors,*



Mr Talmage Mark Payne  
*Chairman*

**29 APR 2005**

# VisionFund (Cambodia) Ltd

## Supplementary financial information

### 1. Limitation

This Supplementary financial information is prepared by the management of VisionFund (Cambodia) Ltd (“the Company”) solely for the use of National Bank of Cambodia (“NBC”). It is not to be used for any other purpose without the written consent of the directors or management of the Company.

The computations of the Supplementary financial information according to the definitions of the relevant Prakas and applicable notices set out in the respective schedules as indicated below form an integral part of and should be referred to together with the below summary.

### 2. Significant financial information

The following summarises the significant financial information of the Company as at 31 December 2004 as required by the NBC on its relevant Prakas and applicable notices.

#### Schedule

Ref	Financial Information	Prakas	31 December 2004	
			US\$ (if not in %)	KHR'000 (if applicable)
I	Capital adequacy ratio	B7-00-46	72.98%	-
II	Liquidity ratio	B7-02-48	>100%	-
III	Minimum capital	B7-00-06	757,916	3,052,128
IV	Reserve requirement	B7-02-45	-	-
V	Loan classification	B7-02-186		
	Standard		1,553,295	6,255,119
	Sub-standard		1,029	4,144
	Doubtful		1,352	5,445
	Loss		8,645	34,813
			<hr/>	<hr/>
			1,564,321	6,299,521
			<hr/> <hr/>	<hr/> <hr/>
	Provision for bad and doubtful debts			
	NBC's benchmark		9,154	36,863
	Company's provision		9,154	36,863
	Delinquency ratio		0.70%	-
VI	Large exposure	B7-00-06	Nil	-

# VisionFund (Cambodia) Ltd

## Supplementary financial information

### 3. Translation

For the purpose of this Supplemental financial information, unless otherwise stated, United States Dollar (“US\$”) is the reporting currency. The Khmer Riel (“KHR”) where shown is for presentation purposes only and utilises the prescribed official exchange rate announced by NBC at the balance sheet date of US\$1 : KHR4,027. These translations should not be construed as representations that the KHR amounts are convertible into US\$ at this or other rate of exchange.

### 4. Other ratios

The ratios set out below are based on the audited financial statements of the Company as at 31 December 2004 and are presented as required by NBC in their Prakas No. B7-04-204 dated 29 December 2004.

1.	Equity to total assets	74.82%
2.	Capital tier I to total assets	34.55%
3.	Capital tier I to risk weighted assets	35.63%
4.	Capital tier 1 + tier 2 to risk weighted assets	72.98%
5.	Net worth to total assets	70.77%
6.	Solvency ratio	72.98%
7.	Debts to total assets	25.18%
8.	Debt to equity	33.65%
9.	Dividend to net profit	-
10.	NPL to total loans	0.70%
11.	NPL to total assets	0.50%
12.	Loan to related parties to total loans	-
13.	Large exposure to total loans	-
14.	Loan to related parties to net worth	-
15.	Large exposure to net worth	-
16.	General provision to total loans	-
17.	Specific provision to total loans	0.59%
18.	Specific provision to NPL	83.02%
19.	All allowances to total assets	0.42%
20.	Loans to deposits	260.42%
21.	Return on assets	0.08%
22.	Return on equity	0.11%
23.	Gross yield	25.42%
24.	Net interest margin (NIM) to total assets	25.42%
25.	Other income to total assets	7.90%
26.	Provision to total assets	0.63%
27.	Overhead to total assets	32.98%
28.	Net income before tax to total assets	0.34%
29.	Tax to total assets	0.25%
30.	Interest margin to gross income	76.29%
31.	Non-interest income to gross income	23.71%

# VisionFund (Cambodia) Ltd

## Supplementary financial information

### 4. Other ratios (continued)

32.	Non-interest expense to gross income	98.98%
33.	Times interest earned	-
34.	Liquid asset	32.02%
35.	Short-term liabilities	15.02%
36.	Net liquid assets	73.83%
37.	Quick ratio	148.32%
38.	Deposits to total loans	0.38%

The calculation of the above ratios is presented in the Schedule VII.

# VisionFund (Cambodia) Ltd

## Supplementary financial information

### Schedule I – Capital adequacy ratio

Licensed Micro-finance Institutions shall at all times, maintain a capital adequacy ratio of more than 20%. The capital adequacy ratio of the Company as at 31 December 2004 was calculated as follows:

	Weighing	31 December 2004	
		US\$	KHR'000
Numerator: Eligible capital			
Core capital			
Paid in capital		757,916	3,052,128
Reserves		-	-
Retained earnings		-	-
Net profit for the year		1,854	7,466
Less: unpaid capital		-	-
Loan to related parties		-	-
Intangible assets		-	-
		<hr/>	<hr/>
Total core capital		759,770	3,059,594
		<hr/>	<hr/>
Hybrid capital			
Non-refundable grants		796,571	3,207,791
Public guarantee grants		-	-
Perpetual subordinated debt		-	-
		<hr/>	<hr/>
Total hybrid capital		796,571	3,207,791
		<hr/>	<hr/>
Numerator: Eligible capital		1,556,341	6,267,385
		<hr/> <hr/>	<hr/> <hr/>
Denominator: Risk weighted assets			
Total aggregate assets			
Cash	0	-	-
Gold	0	-	-
Deposit with NBC	0	-	-
Deposit with Bank rated AAA to AA-	20%	-	-
Deposit with Bank rated A+ to A-	50%	-	-
Loan to customers	100%	1,555,167	6,262,658
Other assets	100%	577,367	2,325,057
		<hr/>	<hr/>
Denominator: Risk weighted assets		2,132,534	8,587,715
		<hr/> <hr/>	<hr/> <hr/>
Capital adequacy ratio - Numerator/Denominator		72.98%	
		<hr/> <hr/>	

# VisionFund (Cambodia) Ltd

## Supplementary financial information

### Schedule II - Liquidity ratio

Licensed Micro-finance Institutions shall at all times, maintain a liquidity ratio of more than 100%. The liquidity ratio of the Company as at 31 December 2004 was calculated as follows:

	31 December 2004	
	US\$	KHR'000
Numerator: Liquid assets:		
Cash on hand	28,994	116,759
Deposit with NBC	37,755	152,039
Deposit with banks	460,807	1,855,670
	<hr/>	<hr/>
	527,556	2,124,468
	<hr/>	<hr/>
Less:		
Amount owed to NBC	-	-
Amount owed to Banks	-	-
	<hr/>	<hr/>
Net liquid assets	527,556	2,124,468
	<hr/>	<hr/>
Plus:		
Portion of loans maturing in less than a month	176,717	711,639
	<hr/>	<hr/>
Numerator: liquid assets	704,273	2,836,107
	<hr/> <hr/>	<hr/> <hr/>
Denominator: Adjusted amount of deposits:		
Categories deposit		
Voluntary deposits	-	-
	<hr/>	<hr/>
Denominator: Adjusted amount of deposits	-	-
	<hr/> <hr/>	<hr/> <hr/>
Liquidity ratio - Numerator/Denominator		>100%
		<hr/> <hr/>

### Schedule III - Minimum capital

The current registered and issued and paid-up share capital of the Company is US\$757,916 (equivalent to KHR3,052,128) and the Company has been granted a microfinance license to operate up to 18 May 2007.

# VisionFund (Cambodia) Ltd

## Supplementary financial information

### Schedule IV – Reserve requirement

Licensed Micro-finance Institutions shall deposit 5% of their deposits into an account maintained with NBC. As at 31 December 2004, there is no voluntary savings from customers with the Company.

### Schedule V - Loan classification, provision for doubtful loans and delinquency ratio

The following loan classification and provision for bad and doubtful debts as at 31 December 2004 are summarised according to NBC's Prakas No.B7-02-186.

	Total US\$	%	NBC's Benchmark US\$	Company's Provision US\$	Variance US\$
Standard	1,553,295	0%	-	-	-
Substandard	1,029	10%	103	103	-
Doubtful	1,352	30%	406	406	-
Loss	8,645	100%	8,645	8,645	-
	<u>1,564,321</u>		<u>9,154</u>	<u>9,154</u>	<u>-</u>
All loan past due >30 days				11,026	
Delinquency ratio: Loan past due >30 days/Loan outstanding				0.70%	
<i>Equivalents in</i>	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	6,255,119	0%	-	-	-
Substandard	4,144	10%	415	415	-
Doubtful	5,445	30%	1,635	1,635	-
Loss	34,813	100%	34,813	34,813	-
	<u>6,299,521</u>		<u>36,863</u>	<u>36,863</u>	<u>-</u>

### Schedule VI - Large exposures

The Company has no large exposure exceeding 10% of the Company's net worth as at 31 December 2004.

# VisionFund (Cambodia) Ltd

## Supplementary financial information

### Schedule VII – Other ratios

The following calculations of other ratios are based on the audited financial statements of the Company as at 31 December 2004 and are presented as required by NBC's Prakas No. B7-04-204.

No	Other Ratios	NBC Formula		Basis of Calculation		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	US\$	US\$	%
	<b>CAPITAL</b>					
1	Equity to total assets	Equity	Total assets	1,645,568	2,199,283	74.82%
2	Capital tier I to total assets	Capital tier I	Total assets	759,770	2,199,283	34.55%
3	Capital tier I to risk weighted assets	Capital tier I	Risk weighted assets	759,770	2,132,534	35.63%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1+tier 2	Risk weighted assets	1,556,341	2,132,534	72.98%
5	Net worth to total assets	Net worth	Total assets	1,556,341	2,199,283	70.77%
6	Solvency ratio	Net worth	Risk weighted assets	1,556,341	2,132,534	72.98%
7	Debts to total assets	Total liabilities	Total assets	553,715	2,199,283	25.18%
8	Debt to equity	Total liabilities	Equity	553,715	1,645,568	33.65%
9	Dividend to net profit	Dividend	Net profit	-	1,854	-

# VisionFund (Cambodia) Ltd

## Supplementary financial information

### Schedule VII – Other ratios (continued)

No	Other Ratios	NBC Formula		Basis of Calculation		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	US\$	US\$	%
	<b>ASSET QUALITY</b>					
10	NPL to total loans	NPL	Total loans (gross)	11,026	1,564,321	0.70%
11	NPL to total assets	NPL	Total assets	11,026	2,199,283	0.50%
12	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	-	1,564,321	-
13	Large exposure to total loans	Large exposure	Total Loans (gross)	-	1,564,321	-
14	Loan to related parties to net worth	Loan to related parties	Net worth	-	1,556,341	-
15	Large exposure to net worth	Large exposure	Net worth	-	1,556,341	-
16	General provision to total loans	General provision	Total loans (gross)	-	1,564,321	-
17	Specific provision to total loans	Specific provision	Total loans (gross)	9,154	1,564,321	0.59%
18	Specific provision to NPL	Specific provision	NPL	9,154	11,026	83.02%
19	All allowances to total assets	Total all allowances	Total assets	9,154	2,199,283	0.42%
20	Loans to deposits	Total loans to non-bank customers (gross)	Customer's deposits	1,564,321	6,007	260.42%

## VisionFund (Cambodia) Ltd

### Supplementary financial information

#### Schedule VII – Other ratios (continued)

No	Other Ratios	NBC Formula		Basis of Calculation		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	US\$	US\$	%
	<b>EARNINGS</b>					
21	ROA	Net profit	Total assets	1,854	2,199,283	0.08%
22	ROE	Net profit	Equity	1,854	1,645,568	0.11%
23	Gross yield	Interest income	Total assets	558,960	2,199,283	25.42%
24	Net interest margin (NIM) to total assets	Interest income – interest expense	Total assets	558,960	2,199,283	25.42%
25	Other income to total assets	Other incomes	Total assets	173,693	2,199,283	7.90%
26	Provision to total assets	Provision	Total assets	13,773	2,199,283	0.63%
27	Overhead to total assets	Non-interest expenses	Total assets	725,214	2,199,283	32.98%
28	Net income before tax to total assets	Net income before tax	Total assets	7,439	2,199,283	0.34%
29	Tax to total assets	Tax	Total assets	5,585	2,199,283	0.25%
30	Interest margin to gross income	Interest income – interest expense	Gross income	558,960	732,653	76.29%
31	Non-interest income to gross income	Non-interest income	Gross income	173,693	732,653	23.71%
32	Non-interest expense to gross income	Non-interest expense	Gross income	725,214	732,653	98.98%
33	Times interest earned	Income before tax + interest expense	Interest expense	7,439	-	-

## VisionFund (Cambodia) Ltd

### Supplementary financial information

#### Schedule VII – Other ratios (continued)

No	Other Ratios	NBC Formula		Basis of Calculation		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	US\$	US\$	%
	<b>LIQUIDITY</b>					
34	Liquid asset	Liquid asset	Total assets	704,273	2,199,283	32.02%
35	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	330,240	2,199,283	15.02%
36	Net liquid assets	Liquid assets – short- term liabilities	Total liabilities	408,798	553,715	73.83%
37	Quick ratio	Quick assets	Current liabilities	489,811	330,240	148.32%
38	Deposits to total loans	Total customers’ deposits	Total loans to non-bank customers (gross)	6,007	1,564,321	0.38%